

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance & Operations Committee
June 7, 2018**

A meeting of the Finance & Operations Committee of the Board of Regents was held on Thursday, June 7, 2018 at 7:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Thomas Anderson, presiding; Richard Beeson, Linda Cohen, Michael Hsu, Dean Johnson, Peggy Lucas, David McMillan, Abdul Omari, Kendall Powell, Darrin Rosha, Randy Simonson, and Steve Sviggum.

Staff present: President Eric Kaler; Chancellor Kamryn Davis; Senior Vice President Michael Berthelsen, and Allen Levine; Interim Vice President Michael Goh; General Counsel Douglas Peterson; Executive Director Brian Steeves; and Associ

**PRESIDENT'S RECOMMENDED FY 2019
ANNUAL OPERATING BUDGET**

Regent Anderson invited President Kaler and Senior Vice President Burnett to present for action the president's recommended FY 2019 annual operating budget (operating budget), as detailed in the docket.

A motion to recommend approval of the president's recommended FY 2019 annual operating budget was made and seconded.

Kaler reminded the committee of his budget priorities, noting that no significant changes were

Kaler clarified that that 43 percent of Twin Cities students graduate with no debt. Of those with debt, he reported that the average is \$25,000. The cost of attendance is roughly \$28,000 per year.

Regent Rosha noted that the current budget structure keeps tuition revenue with the campuses that collect it, and asked for clarification on how the system campuses would be protected from a decrease in tuition revenue. Burnett responded that if the amendment were adopted, centrally available funds might be able to fill the gap. Or, funds would need to be reallocated from the Twin Cities campus to the other campuses.

Student Representative Preston offered his view that there is a point when the debt load on a student becomes unsustainable and graduates are unable to achieve their full potential given their debt burden. He suggested that any reduction be for both resident and non-resident, non-reciprocity (NRNR) students.

Simonson emphasized to Burnett his belief that the administration could find slightly over \$9 million in savings out of a \$4 billion operating budget.

Regent Hsu reminded the committee of the significant subsidy allocated to the Law School, noting that if the operating budget is passed, the 10-year cost to subsidize the Law School will be close to \$100 million. He stated his view that there is plenty of funding available centrally to fund the tuition reduction given other allocations made from the central reserves budget.

Rosha offered his support for the Simonson amendment, stating that a one-percent reduction will move resident tuition rates closer to where the University had been historically. He expressed disappointment in the modeling provided for the other tuition rate options, and noted that the justification in the modeling for a potential resident tuition freeze is unconvincing. Rosha reported seeing tuition and administrative costs grow dramatically over a number of years and suggested looking back further than the current trends. He called the argument that \$9 million will be difficult to find flawed, given recent experience with changes in Twin Cities Athletics staffing.

Regent Beeson reiterated his belief that the University has held the cost curve down with a one percent average resident tuition increase during Kaler's administration. He noted that the actual spend rate for the University is 1.8 percent, suggesting that is lower than the actual tuition rate. He again advocated for increased state support and bold investment in strategic initiatives.

Regent Omari commented that this is a difficult conversation given his desire to sacrifice neither quality nor access, and the burden that places on students. He offered his support for the two percent salary pool increase for employees, and clarified to those who submitted public

allocation from central reserves already, and given the performance of the University's investments, more could be allocated.

Student Representative Anderson observed that for many students, an undergraduate degree is not the only degree needed for their careers. She proposed that with the cost of graduate education, even \$26,000 in undergraduate debt is burdensome. She acknowledged that cost and quality are difficult to balance.

Regent Sviggum expressed that he supported the concept of Simonson's amendment, but is unclear where the necessary funding will be allocated from to cover the decrease in resident tuition. He proposed looking at this option in next year's budget to give time to come up with a complete plan.

Simonson expressed his interest in discussing the various statistics being cited by members of the committee. He emphasized that in his view, the cost of higher education is increasing faster than the growth of wages for degree holders.

The committee voted 3-9 and the Simonson amendment failed. Regents Hsu, Rosha, and Simonson voted in favor of the amendment.

Regent Powell moved to amend the resident undergraduate tuition rate for the Twin Cities campus from two percent to one percent. The motion was seconded.

Powell spoke to his amendment by noting that the personal consumption index rate of inflation is at 1.8 percent. He offered his concern that a resident tuition increase above the inflation rate will put the resident tuition rate at an unstable amount in four years. He noted that funding for the difference in the rate could be found from increased enrollment, continued focus on cost management, and increased support from the University's growing endowment.

Regent McMillan stated that while he agrees with Powell that a two-percent increase is unsustainable over the long term, he supports it right now. He shared the view of other committee members that this year's budget process is the best it has been.

Omari agreed that the University should pay close attention to the sustainability of any tuition increase. He added that tuition sustainability should be looked at with both resident and NRNR tuition.

Beeson agreed that the University needs to discuss what the rate of tuition increase should be. He reiterated his view that without investment, the Board will commit the University not to growth, but to the status quo.

Rosha noted the shift from admitting any Minnesota student with a high school diploma to striving to be among the top-ranked schools, sharing that he is trying to reconcile that with the duty to educate the people of the state. He offered his support for the Powell amendment. He noted that the Board and administration are in the process of defining a systemwide strategic plan that will guide future budget discussions and tuition rate philosophy. He offered the University of Wisconsin as one peer institution th

On a show of hands, the committee voted 4-8 and the Powell amendment failed. Regents Hsu, Powell, Roshia, and Simonson voted in favor of the amendment.

Sviggum moved to amend the operating budget by adding a requirement for employment positions funded with operations and maintenance (O&M) funding, as follows:

To ensure that an expansion of the O&M position pool is justified, units wishing to

Hsu expressed his concern with the level of subsidy for the Law School, that the Law School student body is only one-third Minnesota residents, and that it should be producing more

into the schematic design phase. Sviggum asked about concerns regarding design. Berthelsen responded that he is aware of those concerns and encouraged those with concerns to contact him. He added that there are still more conversations to have about the design and assured the committee that the historic exterior will not be changed. Burnett noted that while the design will seek significant input, no design will meet all of the desires expressed.

Regent McMillan encouraged examination of the allocation formula used to distribute Higher Education Asset Preservation and Replacement (HEAPR) in the context of the Systemwide Strategic Plan. He asked how the allocation formula is updated and implemented. Berthelsen responded that the HEAPR formula has been updated to reflect more variables and balance square feet and facility condition. He explained how HEAPR funding has at times been reallocated from the Twin Cities campus if a system campus was short of funding for a high-priority project given the results of the formula. Kaler pointed out the Romano Gym on the Duluth campus as an example of a project assembling a variety of funding sources.

Regent Hsu added his thanks to the legislature and governor. He asked for information on next steps for the Glensheen matching funding and how complaints heard at the recent budget forum in Duluth regarding HVAC issues will be addressed.

project management fees are on average 1.3 percent of the total project, as compared to fees that range from 2.5-3.5 percent in the private sector.

Regent Johnson pointed out the levels of requirements and bureaucracy that go into a University construction project. He suggested that the committee should continue to examine the capital project process and look for ways to streamline it.

In response to a question from Regent Powell, Berthelsen explained that the University has a master plan for managing space, including the integrated energy system and master energy plan. He noted that the University's financial structure creates incentives for units to manage their spaces, but that more needs to be done on space utilization.

Regent Lucas expressed her concern for neighborhoods around the Twin Cities campus and the quality of current construction. She wondered what the areas near the Twin Cities campus will look like in 20 years given what, in her view, appears to be low-quality construction by private developers.

Regent Omari stated that the University bureaucracy is hurting small businesses and their ability to interact with the University for projects like this. He noted the impact a University project could have on a small business and encouraged the Board to revisit this discussion.

REAL ESTATE TRANSACTIONS

A. Amendment to University Squarn

CONSENT REPORT

Senior Vice President Burnett presented the revised 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 Willis Towers Watson for the estimated amount of \$393,750 for health care and other Human Resource consulting services for the University of Minnesota Office of Human Resources, Employee Benefits, for the two-year period of September 1, 2018 through August 31, 2020 with optional contract extensions through August 31, 2024 for an additional \$1,141,389. Total contract value, if all options are exercised would be \$1,535,139. The administrative service fees are funded on an annual basis through the

- x Quarterly Purchasing Report
- x Semi-Annual Capital Project Management Report

The meeting adjourned at 10:40 a.m.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Audit & Compliance Committee
June 7, 2018

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, June 7, 2018, at 11:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Michael Hsu, Peggy Lucas, David McMillan, Abdul Omari and Ken Powell.

Staff present: Chancellors Michelle Behr, Lendley Black, and Mary Holz-Clause; Vice Presidents Kathryn Brown and Bernard Gulachek; Interim Vice President Michael Goh; Executive Director Brian Steeves; and Chief

INTERNAL AUDIT UPDATE

Regent Cohen invited Chief Auditor Klatt to present the Internal Audit Update, as detailed in the docket.

Klatt reported that since the last update in February 2018, University departments implemented 43 percent of the outstanding recommendations rated as “essential,” exceeding the expected implementation rate of 40 percent. Six units fully implemented all remaining “essential” recommendations. Six audit reports containing 22 recommendations rated as “essential” were issued in the last four months.

Regent Hsu inquired about the process audit for tracking employee Family Medical and Leave Act (FMLA) leave. Klatt reported that the University’s HR system, PeopleSoft, is adequate for tracking employee leaves, although leaves are not consistently recorded. She added that there is opportunity to use PeopleSoft more, but that Human Resources is not in agreement with the recommendation.

In response to a question from Hsu, Klatt explained that it is not possible to quantify the dollar amount that could be saved if the University took advantage of more GSA contracts. She shared that Internal Audit saved 40 percent on a software system purchase by utilizing a GSA contract.

INFORMATION ITEMS

Chief Auditor Klatt referred the committee to information items contained in the docket materials.

The meeting adjourned at 11:40 a.m.

The meeting adjourned at 12:36 p.m.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Mission Fulfillment Committee
June 7, 2018

A meeting of the Mission Fulfillment Committee of the Board of Regents was held on Thursday, June 7, 2018, at 1:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Abdul Omari, presiding; Thomas Anderson, Richard Beeson, Linda Cohen, Michael Hsu, Dean Johnson, Peggy Lucas, David McMillan, Ken Powell, Darrin Rosha, Randy Simonson, and Steve Sviggum.

Staff present: President Eric Kaler; Chancellors Michelle Behr, Lendley Black, and Mary Holz-Clause; Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Matt Kramer and Allen Levine; Interim Vice President Michael Goh; General Counsel Douglas Peterson; and Executive Director Brian Steeves.

Student Representatives present: Sean Chen and Marta Dean.

BOARD OF REGENTS POLICY:
EQUITY, DIVERSITY, EQUAL OPPORTUNITY, AND AFFIRMATIVE ACTION

Regent Omari invited Provost Hanson to present for action proposed amendments to Board of Regents Policy: Equity, Diversity, Equal Opportunity, and Affirmative Action, as detailed in the docket.

Hanson reminded the committee of the proposed changes, noting that no changes were made since the committee reviewed them in May.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of proposed amendments to Board of Regents Policy: Equity, Diversity, Equal Opportunity, and Affirmative Action.

BOARD OF REGENTS POLICY:
INTERNATIONAL EDUCATION AND ENGAGEMENT

Regent Omari invited Provost Hanson to present for action proposed amendments to Board of Regents Policy: International Education and Engagement, as detailed in the docket.

Regent Omari invited Provost Hanson; Barbara Keinath, Vice Chancellor for Academic and Student Affairs, UMC; and Robert McMaster, Vice Provost and Dean of Undergraduate Education, UMTC, to provide an update from the Systemwide Enrollment Planning Taskforce, as detailed in the docket.

Hanson reminded the committee of its discussion in October 2017 on the same topic and reported that the temporary Systemwide Enrollment Planning Taskforce will become a permanent Systemwide Enrollment Council. McMaster and Keinath reported on the progress of the taskforce. Keinath explained that the group is developing a six-year rolling enrollment plan

SUPPORTING STUDENTS IN GATEWAY COURSES

Regent Omari invited Robert McMaster, Vice Provost and Dean of Undergraduate Education, UMTC; LeeAnn Melin, Associate Vice Provost for Student Success, UMTC; and Andrea Schokker, Interim Dean, Swenson College of Science & Engineering, UMD, to discuss supporting students in gateway courses, as detailed in the docket.

McMaster provided a definition of gateway courses and explained that they typically fulfill liberal education requirements and serve as prerequisites for advanced coursework. He summarized data for courses on the Twin Cities campus with the highest rates of D and F grades and withdrawals (DFW). Melin provided an overview of efforts to increase student success in gateway courses, including comprehensive placement testing, midterm alerts, and SMART Learning Commons. Schokker shared related examples from the Duluth campus, including the Learning Commons, Securian Math Learning Lab and summer math bridge programs.

Regent McMillan inquired about the cost of additional services to support students in gateway courses. Schokker confirmed that these efforts require additional resources, noting the shift

nature of outreach activities makes it nearly impossible to aggregate. He praised the presenters for their work in aligning the University's outreach mission with the needs of the state.

Regent Simonson thanked the presenters for their work in addressing the needs of the state, namely the response to opioid addiction.

Regent Hsu urged the presenters to leverage Athletics to reach Minnesotans, noting that it is an important doorway for many people into the University.

CONSENT REPORT

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

- x Request for Approval of New Academic Programs
 - x Medical School (Twin Cities campus)—Create fellowship in Orthopaedic Sports Medicine
 - x College of Liberal Arts (Twin Cities campus)—Create M.A. degree in Asian Studies
 - x College of Liberal Arts (Twin Cities campus)—Create M.S. degree in Cognitive Science
 - x College of Food, Agricultural,

- x William Hedgcock, Associate professor with tenure, Marketing, Carlson School of Management
- x Richard Landers, Associate professor with tenure, Psychology, College of Liberal Arts
- x Xiaoji Lin, Associate professor with tenure, Finance, Carlson School of Management
- x Martin Manalansan, Associate professor with tenure, American Studies, College of Liberal Arts
- x Anant Mishra, Associate professor with tenure, Supply Chain and Operations, Carlson School of Management
- x Laura Niedernhofer, Professor with tenure, Biochemistry, Molecular Biology and Biophysics, Medical School
- x Jean-Phillipe Richard, Professor with tenure, Industrial and Systems Engineering, College of Science and Engineering
- x Paul Robbins, Professor with tenure, Biochemistry, Molecular Biology and Biophysics, Medical School
- x Sophia Vinogradov, Professor with tenure, Psychiatry, Medical School
- x Matthew Weber, Associate professor with tenure, School of Journalism and Mass Communication, College of Liberal Arts
- x Haiwen (Helen) Zhang, Associate professor with tenure, Accounting, Carlson School of Management
- x Lucy Vulchanova, Associate Professor with tenure, Neuroscience, Medical School

INFORMATION ITEMS

Provost Hanson referred the committee to the information items in the docket, including a report of student and faculty awards and activities.

The meeting adjourned at 4:33 p.m.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Governance & Policy Committee
June 8, 2018

A meeting of the Governance & Policy Committee of the Board of Regents was held on Friday, June 8, 2018 at 7:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Darrin Rosha, presiding; Richard Beeson, Thomas Anderson, Linda Cohen, Michael Hsu, Dean Johnson, Peggy Lucas, David McMillan, Kendall Powell, Randy Simonson, and Steve Sviggu/.

Steeves reported that 13 Board policies were reviewed in the past year. He detailed the status of each policy, noting that four from the current year will continue on the upcoming plan. He outlined the work plan for the 2018-19 fiscal year and the process for the 19 policies slated for comprehensive review.

Rosha applauded the effectiveness of the policy review process, and requested that it remain flexible to allow room for unplanned policy reviews as needed.

REVIEW OF BOARD POLICY COMMITTEE ROUTING

Regent Rosha invited Executive Director Steeves to review Board Policy Committee Routing, as detailed in the docket.

Steeves explained that the new committee structure presents an opportunity to examine and give feedback on the process for routing policies through the Board. He explained that each Board policy is assigned to a committee based on subject matter.

In response to a question from Regent Anderson, Steeves noted that the Office of the Board of Regents (OBR) monitors items brought forward to the Board to ensure compliance with established policies. He explained that because the Board sets its own policies, there is no penalty for going against policy if the majority of the Board is in agreement.

Anderson asked if OBR would notify the Board if it were voting on something not aligned with Board policies. Rosha responded that anyone could flag these types of inconsistencies.

Regent Beeson offered that while policy exceptions are rare, they are worth noting when they do happen.

Rosha noted that although policies are routed by subject matter to certain committees, some policies could be re-routed to the Governance and Policy Committee to help balance committee workloads.

OVERVIEW OF BYLAWS OF THE BOARD OF REGENTS

Regent Rosha invited Executive Director Steeves to provide an overview of the Bylaws of the Board of Regents (Bylaws), as detailed in the docket.

Steeves shared that the Bylaws have not been comprehensively reviewed since 2001, which is when they were last amended. He gave an overview of the various topics covered by the articles in the Bylaws, explaining that the committee intends to include review of Bylaws in its workplan for the coming year.

Regent Johnson noted that when five or more Board members call for a special meeting, the current language allows that meeting to conclude at any point. He suggested specifying that the Board must consider the issue before them before adjourning.

Rosha offered that the Bylaws do not specify a time period in which a special meeting must take place after the Chair calls for the meeting, and suggested adding guidelines to prevent undue delays.

Regent Anderson commented that he considers the Bylaws to be a guide for keeping the Board focused on a long-term perspective. Rosha agreed,

Regent Beeson concurred with Regents Anderson and Rosha, offering his view that updates will likely be more technical in nature.

Rosha noted that he anticipates discussion of the ways Board members may participate in meetings, such as by phone, email, or other technology.

INFORMATION ITEMS

Executive Director Steeves referred the committee to the information items in the docket:

- x Completed Comprehensive Review of Board Policy

The meeting adjourned at 8:21 a.m.

BRIAN R. STEEVES
Executive Director and
Corporate Secretary

Year 2017-18

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Board of Regents
June 8, 2018

Regent Rosha spoke in opposition to this amendment, and urged the Board to adopt the originally proposed dates of March 6-8.

Regent Sviggum reminded the Board that in recent years the March meeting has taken place later in the month, but also expressed support for keeping the originally proposed dates.

Beeson suggested setting meeting dates two years in advance in the future to avoid conflicts.

The motion was withdrawn.

A motion was made and seconded and the Board of Regents voted unanimously to approve the following meeting schedule:

- x July 11-13, 2018 (includes retreat)
- x September 13-14, 2018
- x October 11-12, 2018
- x December 13-14, 2018
- x February 7-8, 2019
- x March 6-8, 2019 (includes tentative retreat)
- x May 9-10, 2019
- x June 13-14, 2019

The annual meeting adjourned at 8:59 a.m.

REGULAR MEETING

Regent McMillan suspended the regular meeting to conduct the oath of office ceremony ()Tj 0 4(fi6T16.9(nt McTOrM.

Civil Service Consultative Committee Outgoing Chair

Recognition was given to Raymond Muno, Information Technology Manager in the Aerospace Engineering department in the College of Science and Engineering, and outgoing 2017-18 chair of the Civil Service Consultative Committee.

APPROVAL OF MINUTES

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

REPORT OF THE FACULTY CONSULTATIVE COMMITTEE

Regent McMillan invited Joseph Konstan, Chair of the Faculty Consultative Committee, to present the report of the Faculty Consultative Committee, as detailed in the docket.

Konstan profiled the work and accomplishments of several faculty members. He encouraged

Regent Beeson suggested that the financial aid discussion should be at the Board level, noting the longstanding Board policy to distribute financial aid beyond Pell and state grants. Sviggum, McMillan and Rosha agreed that the topic is a Board discussion.

Regent Omari noted that the cost of operations for higher education is not decreasing, and therefore the University must look for other funding sources.

Regent Rosha noted the changes in types of funding provided by the state that challenge the University's financial aid decisions. He asked the Board to consider that a higher tuition model may signal to the legislature that the University is comfortable with funding operations using student debt and does not need further support.

Regent Powell expressed appreciation for the focus on digital distribution, and asked for more details on it and other areas of priority moving forward. He asked how decisions will be made at the school and department level for funding area priorities. Hanson responded that inefficient elements of infrastructure are being addressed. She suggested that the Board may benefit from seeing examples of proposals from the faculty, and the process they go through for approvals.

OVERVIEW OF INSTITUTIONAL RISK PROFILE & RELATED MITIGATION PLANS

Regent McMillan invited Provost Hanson and Senior Vice President Burnett to present an overview of the institutional risk profile and related mitigation plans, as detailed in the docket.

Hanson described the process of identifying institutional risks with the Audit & Compliance Committee, and gave an overview of each of the 21 institutional risk categories identified by the administration. Burnett detailed the mitigation plans for two of the categories: employee demographics/succession planning and facilities: maintenance, scope, and alignment.

Regent Anderson observed that the University has lower operating margins than its peers. He expressed concern that this may cause interest rates to increase, which will in turn cost the University more money. He noted the trend in recent years for government funding to shift away from funding universities directly, and toward supporting individuals. Burnett responded that the University's conservative budget takes into account the risk of rising interest rates.

Regent Cohen thanked Chief Auditor Klatt and the senior leadership team for their work in this area.

Regent Simonson asked about the University's view on adjunct professors compared to full-time professors, and whether the University is competitive with its peers regarding retention efforts such as salaries and bonuses. Hanson noted that the University does have adjunct professors across the campuses. She referenced an increasing disparity between salaries at the University and private schools, but emphasized they are similar to other public institutions.

In response to a question from Regent Omari, Burnett reported that the risk categories will be addressed in the future by the committee they are assigned to.

BOARD OF REGENTS POLICY: CODE OF ETHICS FOR MEMBERS OF THE BOARD OF REGENTS – ANMo 4(u)-3.2d

Attachment 9. Miscellaneous Fees
Attachment 10. Academic Fees
Attachment 11. Student Services Fees
Attachment 12. Fund Forecast - Centrally Distributed and Attributed Funds – CORRECTED

- 2) Approval of the President's Recommended FY 2019 Annual Capital Improvement Budget. A motion was made and seconded, and the Board voted unanimously to

REPORT OF THE MISSION FULFILMENT COMMITTEE

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

REPORT OF THE GOVERNANCE & POLICY COMMITTEE

Regent Rosha, chair of the committee, reported that the committee voted unanimously to recommend:

- 1) Adoption of proposed amendments to Board of Regents Policy: Board Operations and Agenda Guidelines, as follows:

SECTION I. SCOPE.

This policy governs the Board's operations, committee structure, and agenda guidelines.

SECTION II. GUIDING PRINCIPLES.

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

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

SECTION III. BOARD BUSINESS.

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

Subd. 2. Board Business. The Board conducts business through meetings of the Board and its committees. Items placed on the Board agenda

- x Annual Operating Budget - The annual operating budget sets forth the operating requirements and authorizations for financing the activities of the University. The budget includes all funds (revenues and expenditures), all campuses, and all programs of the University. It incorporates historical background and projections. It is based on the framework established by the Systemwide Strategic Plan. The president recommends to the Board the annual operating budget in successive meetings.
- x Capital Budget - The capital budget has two parts. Part I is the six-year capital plan, which is updated annually and identifies capital projects, as defined by Board of Regents Policy: Reservation and Delegation of Authority Article I, Section

- x review other items placed on the agenda by the Board chair in consultation with the president and the Board vice chair.

Subd. 2. Responsibilities of Committee Chairs. Committee chairs preside over the meetings of their respective committees, ensuring the orderly, open, and timely conduct of committee business. Committee chairs should annually review the committee responsibilities outlined in this policy as the committee work plans outlined in Section V, Subd. 4 are finalized. The senior leader committee liaison consults with committee chairs prior to committee meetings regarding background issues for committee agendas.

Subd. 3. Committee Descriptions. Standing, nominating, and special committees meet on a varying schedule set through the agenda development process. These committees, specific committee responsibilities, and required agenda items are listed below. As stated in the Bylaws, the Board chair has the authority to name and identify the responsibilities of all committees. Any changes in committee structure are to be noted in this policy.

Subd. 4. Audit & Comm.2(dac21(n).37-.8(r3s o.3(o)-7.6(re))5.1(m.2.1(m.2.8(r3se)-7.6()5.C.8(airsr]TJ 14.7(s50 TD -.00 -.0

- (b) Oversight of the Internal Audit Function. The Audit & Compliance Committee shall recommend for Board approval (1) the appointment or removal of the chief auditor, (2) changes to the Office of Internal Audit's charter, and (3) any material revisions to internal audit plans or budgets. In consultation with management and the chief auditor, the committee shall review the annual internal audit plan and the extent to which it addresses high risk areas.
- (c) Review of Financial Statements. The Audit & Compliance Committee shall review, in advance of final issuance, the proposed formats and wordings of the annual financial report, including the management's discussion and analysis, financial statements, footnotes, statistics, and disclosures.
- (d) Review of Audit Results. The Audit & Compliance Committee shall review the internal and external audit results and discuss significant issues of internal control and compliance with the independent auditor, chief auditor, and management. The committee shall monitor management's progress in addressing audit recommendations.
- (e) Investigation of Reported Concerns Regarding Accounting or Auditing Matters. The Audit & Compliance Committee shall be apprised of investigations conducted under administrative policy.
- (f) Requests for Audits. The Audit & Compliance Committee is authorized to request supplemental reviews or other audit procedures by the chief auditor, the independent auditor, or other advisors.
- (g) Approval of Engagements of Audit Firms Other Than the University's Principal External Auditors. The Audit & Compliance Committee shall approve all engagements of external audit firms to perform work or provide services with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in (a) of this section. Engagements not requiring approval by the Board shall be reported to the committee at the next scheduled meeting of the committee.
- (h) This committee provides additional oversight of compliance initiatives and enterprise risk management processes, including risk identification and mitigation.

This committee also reviews:

- x The annual financial statements, prior to issuance.
- x Semi-annual controller reports.
- x The independent auditor's annual audit and management letter.
- x The chief auditor's annual audit plan.
- x Responses to questions regarding audit issues, reports on enterprise systems, administrative program reviews, investigations conducted under administrative policy, and other items relevant to the audit function.
- x Semi-annual institutional compliance reports.
- x The institutional conflict of interest report.
- x External auditor engagements not requiring approval by the Board. Any engagements shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee.

Subd. 5. Finance & Operations Committee. The Finance & Operations Committee oversees and makes recommendations to the Board related to the University's operations, fiscal stability,

physical assets (e.g., land, buildings, infrastructure, technology, and equipment), and long-term economic health. The committee also advises the administration on faculty and staff compensation strategy, benefits

Subd. 6. Governance & Policy Committee. The Governance & Policy Committee oversees and makes recommendations to the Board related to policy and processes that seek to ensure the integrity and high performance of the Board. The committee supports effective governance by guiding the Board to: articulate a clear vision for the University and its major components; clarify reserved and delegated authorities; establish institutional benchmarks and performance

- x online learning;
- x public engagement and community partnerships that fulfill the University's land-grant mission;
- x scholarship, artistic activity and commercialization of technology and intellectual property;
- x sponsored projects and research support infrastructures;
- x student affairs, student wellness and the student experience;
- x student experience and academic performance of student-athletes;
- x undergraduate, graduate, and professional education.

Subd. 9. Nominating Committee. The Nominating Committee is charged with nominating candidates to serve as Board chair, vice chair, secretary, and treasurer.

- x advising the president regarding the standards and protocols of Board meetings;
- x maintaining and providing to the Board an annual planning calendar that outlines Board and committee meetings along with reports and other actions required by Board policy; and
- x ensuring that logistical support is provided so that Board proceedings are conducted in an open, timely, and accountable manner.

The executive director and corporate secretary assigns a committee coordinator to each committee. Committee coordinator responsibilities include:

- x advising and supporting committee leadership and members of the committee to ensure successful committee operations;
- x serving as a liaison between committee leadership and the senior leader committee liaison;
- x facilitating annual work planning, agenda planning, and docket previews; and
- x reviewing docket materials, resolutions, and revisions to Board policies.

Subd. 6. Docket. The docket is the set of recommendations, reports, and all supporting documents prepared for each item on an agenda of the Board and its committees. A docket item summary accompanies each agenda item, summarizing key points and background. Materials are submitted to the Board by the president or delegate with the assistance of Board staff. The OBR distributes the docket to Regents one week prior to meeting dates, after which it is publicly available.

Subd. 7. Urgent Approvals. Upon recommendation of the president, the Board chair, Board vice chair, and the respective committee chair may act on behalf of the Board when delay for Board approval could have a significant impact on the University's mission or poses a considerable health, safety, or financial risk. Urgent approvals shall be used judiciously and any such approvals will be reported to the Board or respective committee upon approval and included as an information item at the next scheduled meeting, consistent with Subd. 3 of this section.

SECTION VI. BOARD MEETING AGENDAS.

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

- (a) Approximately two months prior to each Board meeting, the executive director and corporate secretary develops a draft agenda for discussion at Agenda I, a meeting with the president and senior leader committee liaisons. The agenda is a result of consultation with Board leadership and committee agenda planning meetings. Agenda items are identified from Board priorities, committee work plans, and other reports and items as specified in Board policy.
- (b) The Board chair approves the agenda at a subsequent Agenda II meeting, which is also attended by the Board vice chair, the president, and senior leader committee liaisons. Changes to an approved Board or committee agenda require the approval of the Board chair and, in the case of a committee agenda, shall be done in consultation with the appropriate committee chair.

Subd. 2. Requests to Appear Before the Board. Anyone requesting to appear before the Board must follow the process stated in Article VI of the Bylaws.

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

Subd. 1. Presidential Performance Review. The Presidential Performance Review Committee evaluates the president's performance annually in order to: assess outcomes; support the president's efforts to strengthen performance; enable the president and the Board to establish

mutually-agreeable goals; and inform decisions regarding annual compensation and other terms of employment.

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

The following principles shall guide the performance review process:

- (a) All Board members shall be involved.
- (b) Comments on the president's performance shall be requested from multiple sources.
- (c) Collegiality shall be a hallmark of all discussions.
- (d) Confidentiality of personnel matters shall be maintained.

Performance review process procedures shall be on file in the OBR.

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

The following principles shall guide compensation setting:

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

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

Compensation-setting procedures shall be on file in the OBR.

Supersedes: Board Operation and Agenda Guidelines adopted September 11, 1992, last amended March 8, 1996.

OLD BUSINESS

Regent Roshia asked if the University retains mineral rights after a property is sold. Senior Vice President Burnett responded that his office will find out and provide an answer at a later time.

NEW BUSINESS

Regent Omari asked Executive Director Steeves to read a resolution to conduct a non-public meeting of the Board of Regents to discuss the 2018 presidential performance review as follows:

RESOLVED, that as provided by Minnesota Statute 13D.05, Subd. 3(a), a non-public meeting of the Presidential Performance Review Committee of the Board of Regents will convene on Friday, June 8, 2018 at 11:54 a.m. in the Boardroom, 600 McNamara Alumni Center, 200 SE Oak Street, Minneapolis, for the purpose of evaluating the performance of the President of the University of Minnesota.

Regent Johnson voiced his opposition to the resolution, noting that the Presidential Performance Review process is on schedule and does not need to be accelerated.

Regent McMillan responded that the review process is approximately a month behind schedule.

Regent Hsu asked if this meeting meets the requirement for proper notice under state statute. Steeves clarified that because the Board is meeting during a regularly scheduled and noticed

Year 2017-18

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Board of Regents
June 18, 2018

A special meeting of the Board of Regents of the University of Minnesota was held on Monday, June 18, 2018 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Richard Beeson, Linda Cohen,

