JULY MEETING, 1998

The University of Michigan
Ann Arbor
Thursday, July 16, 1998

The Regents convened at 9:15 a.m. in the Regents' Room. Present were President Bollinger and Regents Deitch, Maynard, McFee, McGowan, Newman, Power, and Taylor. Also present were Provost Cantor, Executive Vice President Kasdin, Executive Vice President Omenn, Vice President Feagin, Vice President Hartford, Vice President Neidhardt, Chancellor Nelms, Chancellor Renick, and Interim General Counsel Barry. Regent Horning was absent.

President Bollinger called the meeting to order and announced that Regent Horning could not attend the meeting because of an illness in his family. He noted that this is the first meeting in his four years on the board that Regent Horning will have missed, and he had asked him to express his deep regret about this.

President Bollinger then called on Executive Vice President Kasdin.

1998-99 Operating Budgets: Maintaining Michigan's Financial Health

Executive Vice President Kasdin noted that his major responsibilities as chief financial officer include tracking and building the University's financial health and strengthening the balance sheet by managing the University's assets and liabilities. To this end, he has evaluated the proposed operating budgets to ensure that they maintain the University's overall financial health. He expressed his full support for all of the budgets being presented, noting that they will enhance the University's overall financial strength.

Executive Vice President Kasdin said that he and Provost Cantor have taken a fresh look at the flow of funds to ensure that all recurring expenses are funded out of recurring revenues and that as many of the recurring expenses and recurring revenues as possible are folded into the operating budget. This has led to a realignment of about $23 million of activity being moved into the General Fund operating budget this year.

He also noted that the campus-wide M-Pathways effort is in the process of being implemented, and that this effort is crucial to providing the Regents with timely and accurate information on financial matters. Furthermore, the quality of information will improve because there has been a new level of close collaboration among the provost, chief financial officer, and executive vice president for medical affairs and their staffs.

Executive Vice President Kasdin said that the proposed budgets being presented can be evaluated by examining whether there are diverse revenue sources; whether there has been a demonstrated ability to spend within budgeted amounts and control costs; whether there has been adequate maintenance of physical properties; and reasons justifying the utilization of debt. He displayed pie charts indicating that revenue is derived from a diverse set of sources, both including and excluding Hospital revenue.

He observed that state appropriations and student fees are critical to the University's ability to carry on its mission, and that the proportion of income received from investments is relatively low compared to that of other major research institutions. Thus the University is unusually dependent upon tuition and state appropriations.

Executive Vice President Kasdin then displayed a chart indicating that the University has been increasingly successful at having actual expenses match budgeted expenses during each fiscal year. Regarding the commitment to renewal of the physical plant, he noted that expenses for plant renewal are well in excess of those for new buildings, and this is as it should be. Finally, he reported that the University's debt is at a very comfortable level, and that it has a strong credit rating, a consistent debt management policy, and is aggressive at managing its interest expenses.

Executive Vice President Kasdin concluded that the annual operating budget is only one indicator of the University's financial condition. He noted that efforts have been made this year to ensure that the General Fund budget better reflects the true financial behavior of the institution. He concluded that the proposed budget will have a financial impact that is fully consistent with maintaining the University's overall financial health.

1998-99 Operating Budgets -- All Campuses

President Bollinger then called on Provost Cantor to present the 1998-99 budgets. Provost Cantor observed that the budgets had been developed in close collaboration with the president, and with input from the offices of the chief financial officer, the executive vice president for medical affairs, and the other executive officers. She also thanked the associate and assistant provosts and the entire staff of the Office of Budget and Planning for their assistance in developing the budget.

Provost Cantor displayed a table showing that revenues for the General, Designated, Expendable Restricted, and Auxiliary Activities funds for 1998-99 will total $3.087 billion, an increase of 8 percent over 1997-98. Total expenditures will equal $2.963 billion, which represents a 7.7 percent increase.

1998-99 Ann Arbor General Fund Budget

Provost Cantor observed that over the years, with the cooperation of the citizens of the state, the University has worked to build and maintain the best institution it can offer to a set of students who have high aspirations and expectations. She pointed out three elements that are essential for the UM's continued success: a superb faculty; strong libraries, museums and other institutions that enhance the University's shared public culture; and the richest possible classroom environments. She noted that the term "classroom" encompasses much more than the traditional classroom, and includes community service learning, research and education outside the classroom, and living/learning programs. She observed that implementing this program requires a real growth in expenditures, beyond the cost of living, because as the world grows increasingly complicated, the body of knowledge that must be understood and imparted grows accordingly.

Provost Cantor observed that the budget is built upon the notion that in order to prepare students for the future, undergraduate education must focus on three major areas: Diversity, in terms of exposure to a wide variety of experiences, people, and ideas; experiencing information technology as an integral part of the educational experience; and the experience of collaborative work, so that students learn the dynamics of working in groups.

Provost Cantor noted that the Boyer Commission ("Boyer Commission on Educating Undergraduates in the Research University") had recently completed a study, funded by the Carnegie Foundation, of what research universities need to do to improve undergraduate education. Among the recommendations are that a world-class faculty provide small classroom experiences for undergraduates; that opportunities be provided for students to combine research and education; expansion of technology within the classroom; and stretching the venue for learning beyond the walls of the traditional classroom.

In keeping with these recommendations, the proposed budget calls for expansion of the LS&A first-year seminar program and reduction of the seminar class size; expanding support for new, thematically-based first and second year curricula, taught by senior faculty, as exemplified by the College of Engineering's Curriculum 2000; expanding undergraduate research opportunities; expanding interdisciplinary course sequences and interdisciplinary "theme semesters"; expanding digital resources in the libraries and expanding instructional technology across the curriculum; and establishing additional "learning communities" that expand the definition of the classroom.

Revenue assumptions for the 1998-99 General Fund Budget include an increase in state appropriation of $8.9 million; a loss of interest income of $1.5 million; tuition increases of 3.9 percent for all undergraduate programs and for most graduate and professional programs; an additional fee of $30/term for LS&A undergraduates for the "technology across the curriculum" program; an increase of $10 million in the recovery of indirect costs of sponsored research; and a savings of $2.5 million in central administration expenditures that will be reallocated to academic programs. She emphasized that all of the growth in the budget occurs within the academic side of the institution.

The overall recommended increase in expenditures for FY 1999 equals $41.4 million. She noted that the combined increase in state appropriation and tuition and fees of about $31 million is the same increase as in 1997-98. Expenditure increases are focused on the schools and colleges, with the emphasis on salary programs designed to retain faculty, many of whom the University is at risk to lose to competing institutions. Other funds will be committed toward instituting the educational programs and providing the technology enhancements described earlier.

Provost Cantor noted that there is a new budget category, "University Academic Units," which encompasses the units that enhance the University's "shared public culture". Notable in this category is a 10 percent increase for the University library system, which she noted was at a critical moment, both retaining the traditional archival role of libraries while also building the digital library of the future.

Provost Cantor concluded by pointing out that today's students have far greater demands placed on them than was the case for previous generations. They need to be educated in how to think flexibly and to be open-minded so that they can cope with an ever-changing and increasingly complex world. These values, along with respect for the challenges facing today's students, undergird the budget proposal.

President Bollinger observed that the administration operates from the premise that it is committed to being a truly great state university. But he noted that the University operates in a very competitive environment in which other institutions are engaging in intense competition for its students, faculty, and staff. In order to compete in that environment, the University must have adequate resources, and that is why the 3.9% tuition increase and LS&A undergraduate technology fee is necessary.

President Bollinger pointed out that there is a dramatic difference in wealth among the great research universities, with most of them being built around endowments rather than tuition. The University of Michigan's tuition and state appropriation do not equal the tuition charged at the private research institutions which constitute its major competitors, and the private institutions also have sizable endowments that are much larger than the University's. Thus, the University of Michigan must do the same that they do with less resources. In order to sustain the culture that has so far enabled the University to remain competitive, additional resources are necessary to compete successfully in such areas as faculty salaries and the ability to offer small classes for undergraduates. Otherwise, "there will be a steady decline of this great institution." He emphasized that the administration is also deeply concerned about finding efficiencies in the organization wherever possible, as exemplified by the decrease in budget for central administrative functions.

UM-Dearborn 1998-99 General Fund Budget and Student Fee Rates

Chancellor Renick reported that the UM-Dearborn budget focuses on ways that the learning environment can be enhanced so as to provide improved access and value for students. The proposed tuition increase of 4.8 percent is designated for academic programs and for significant improvements to the electronic and physical infrastructure. He noted that the mission of the Dearborn campus is “to provide accessible educational opportunities of the highest possible quality to commuter students in our region,” and that the proposed budget will enable the campus to continue that tradition of value and access.

Chancellor Renick noted that a significant portion of the proposed increase will be used to hire new faculty members in high-growth programs, and to improve the campus’ ability to provide remote access for students to the campus information technology network. The proposed budget increase also targets the increased operating costs that will exist when three new buildings are brought online during the coming year. He noted that even with the addition of these three new buildings, the Dearborn campus ranks near the bottom of state institutions in terms of gross square feet per student. The financial aid budget will increase by 10 percent to ensure continued access, and the budget also calls for a modest salary program.

Chancellor Renick reported that the budget will be financed through three sources: state appropriations, tuition, and internal reallocation of state resources. He pointed out that the amount of the state appropriation per student at UM-Dearborn is among the lowest in the state. Thus, the challenge is to provide quality improvements in instructional capacity in ways that leverage moderate tuition increases and create real value for students. He observed that although the amount of the proposed tuition increase is higher than desirable, the actual cost increase will amount to $88.00 per full-time student per term, and he does not believe that this amount will restrict access to the campus.

UM-Flint 1998-99 General Fund Budget and Student Fee Rates

Chancellor Nelms complimented Provost Cantor on her “passionate and eloquent” budget presentation. He observed that the budget for the Flint campus is not a one-year budget; rather, it builds on a four-year strategy to improve the financial capacity of the institution and to reduce reliance on the use of contingency dollars to pay for ongoing activities such as salaries and support services.

Chancellor Nelms noted that the Flint campus attempts to deliver quality programs that provide a broad value for students. He observed that the salary program will use up 72 percent of the new resources, and the remainder will be used to fund a small core of academic initiatives, improved student retention efforts, and to provide base funding for some expenditures that have previously been paid for from contingency dollars. In addition, a modest amount has been set aside for his successor. The proposed tuition increase of 3.9 percent equates to an increase of $64 per semester per student, plus an additional $4.50 increase in fees.

1998-99 Department of Athletics Budget

President Bollinger called on Mr. Tom Goss, Donald R. Shepherd Director of Intercollegiate Athletics, to present the 1998-99 Department of Athletics budget. Mr. Goss reviewed the department’s academic and athletic achievements during 1997-98. He noted that 49 percent of the 666 student athletes had grade point averages of 3.0 and above and 163 students achieved academic all-conference ratings. The department’s athletic achievements included two national championships in football and hockey, and seven conference championships (men’s cross country, field hockey, football, softball, women's swimming and diving, women's track and field indoor and women's track and field outdoor). Michigan also won three Big Ten tournaments, had two national coaches of the year and six conference coaches of the year, and had female and male Big Ten athlete of the year, the first time that both athletes had come from the same school.

Regarding gender equity proportionality, he noted that female students at the University of Michigan comprise 49.9 percent of the total, and constitute about 46 percent of student athletes. This is within the 5 percent goal set by the NCAA. He said that there are currently 12 women's sports and 11 men's sports, and that the department is offering the maximum number of women's scholarships allowed by the NCAA.

Regarding the 1998-99 budget, Mr. Goss reported that the department expects revenues of $45,187,000 and expenses of $44,985,000. Regarding revenues, he noted that Michigan has agreed to a national radio contract calling for six football games in 1998 and all games in future years to be broadcast in as many as 360 markets. He also pointed out that the University's new production facilities enable it to produce footage of all games that can then be sold for replay, which has not been possible in the past.

Regarding the Department of Recreational Sports, Mr. Goss noted that 82 percent of undergraduate students participate in the Department's programs, and that the department generates 66 percent of its own revenue.

Finally, Mr. Goss reviewed athletics facilities. He noted that the addition and renovations to Michigan Stadium would be completed in time for the 1998 football season and that the Crisler Arena production center, which would allow the broadcasting on the Internet of events taking place in both the football stadium and Crisler Arena, would also be completed by then. Other renovations are also proceeding on target.

Regent Maynard asked what the weaknesses are of the gender equity program for women athletes, and how these challenges are being addressed. Mr. Goss responded that these are being addressed by focusing on quality in coaches and in instruction and by providing facilities that will enable athletes to practice at reasonable times so that they will be able to take the necessary classes.

In response to a question from Regent Maynard about whether the issue of "potty equity" is being addressed at the football stadium, Mr. Goss said that the majority of the 70 new stalls being added are for women.

FY 1999 University of Michigan Hospitals and Health Centers Operating Budget

President Bollinger called on Executive Vice President Omenn. Executive Vice President Omenn noted that the University of Michigan Hospitals and Health Centers and the Medical School are among the leading institutions in the United States, but they exist in a very competitive environment. He pointed out that, in contrast to its competitors, the University's health system is an academic health system that includes a medical school.

Dr. Omenn displayed an organizational chart for the University of Michigan Health System. He noted that he had created one new position, the associate vice president for health system finance and business strategy, and that he would be recommending Mr. Douglas Strong to fill that position. He described several new products from M-Care, and reported that excellent new faculty in the biological sciences have been recruited as a result of initiatives that he had set in place.

Dr. Omenn noted that the health risk profile for people living in Washtenaw County needs improvement, and that the health system is working in cooperation with the county health department and St. Joseph Mercy Hospital to make a difference in the health risk profile for county residents.

Regarding the proposed FY 1999 budget, Dr. Omenn displayed a chart indicating proposed total operating revenue of $975,115,000, which is a 2.9 percent increase, and total operating expense of $973,618,000, an increase of 5.3 percent. The proposed operating gain is $1,497,000. He noted that revenues continue to grow, despite reductions in length of stay and reimbursement rates and intense competition. The operating expense budget includes $15 million to be applied to information technology issues related to the "Year 2000 Problem."

He pointed out that the major drivers for clinical redesign and cost reduction are the Blue Cross Blue Shield of Michigan (BCBSM) contract, which calls for a cumulative net reduction in reimbursement of $76 million over a five-year period ending in 2001. In addition, there will be a cumulative reduction of $140 million over five years ending in 2002 as a result of Medicare law changes in the Budget Act of 1997. To combat these reductions, the health system will have to continue to increase its efficiency, increase its patient volumes, and improve and extend its services.

Dr. Omenn concluded his presentation with a comparison of Hospitals and Health Centers budgets from FY 1995 through FY 1998. During this period, total operating revenue increased, but this was largely due to the creation of the Clinical Delivery System, in which physician professional services and facilities services were combined into the same budget. These revenues are balanced by operating expenses related to these services. He noted that despite increases in volumes and revenues, costs for supplies have risen only modestly and are projected to decrease by $4 million for FY 1998, due to close monitoring by health system personnel. Although the FY 1998 budget had projected revenues and expenses to break even, it is expected that there will be an operating gain for FY 1998 of $26,217,000. The FY 1999 will begin with a $1.5 million margin on nearly $1 billion in revenues. Given this tight margin, the health system will work very hard to generate a more favorable operating margin within its values and mission, as achieved for FY 1998.

Regent McGowan inquired about the status of the cost reduction initiative that had been undertaken several years ago under the direction of Dr. Lloyd Jacobs. Dr. Omenn responded that this is still underway. Regent Power asked what system was in place to manage the additional $216 million in required expenditure reductions from BCBSM and Medicare. Dr. Omenn responded that these reductions are not against current expenditure levels, but are against what these entities would have paid otherwise by the end of the five-year periods under existing law and existing contracts. He noted that clinical redesign is underway, and that committees are studying ways to save money on procurement practices, to reduce the calculated cost per case, and to spread fixed costs by expanding clinical services.

Regarding the original $200 million cost-cutting initiative headed by Dr. Jacobs, Dr. Omenn said that $60 million worth of savings was to have been found in FY 1997, $70 million in 1998, and $70 million in 1999. The first $60 million was obtained, mostly through the layoffs of 200 staff and elimination of a total of 1,050 positions. Since that time, some positions have been reinstated due to increased volume. The portion of the 1998 savings which was to have been achieved through union contract negotiations was not feasible; however, a savings of $43 million was realized through spreading costs over a larger volume and by clinical redesign. The originally projected 1999 savings were to be found through an unnamed merger and will not be achieved as originally envisioned. Nevertheless, budget reductions will be achieved from continued clinical redesign to reduce cost per case and cost per person per year on capitated contracts. The total three-year cost-cutting initiative will equal about $169 million.

Mr. Larry Warren, executive director of University of Michigan Hospitals, noted that further cost reductions will be achieved through growing the business by increasing market share as well as by cutting costs where appropriate. Executive Vice President Kasdin noted that these efforts emphasize the importance of the newly created position of associate vice president for finance in the University of Michigan Health System.

Regent Power asked Dr. Omenn whether he believed the health system had adequate resources to address the Year 2000 Problem. He responded that it did, and that a single individual, Tom Biggs, was responsible for addressing this problem. He also noted that because the health system is such a complex entity, this issue presents many challenges. He said that he would be prepared to give periodic updates to the board on the health system's progress in dealing with this issue.

Dr. Omenn then reviewed cost-per-case figures from FY 1996 through FY 1999. He noted that although these costs have been coming down, so have the costs of the health system's competitors. Therefore, a gap still exists, although it has been narrowed somewhat.

Regent McFee asked how all of the issues that have been discussed relate to the ultimate goal of better serving the patient. Dr. Omenn responded that administrators have been working to make the hospital more patient-friendly. Top administrators personally participate in the patient greeter program, and they actively seek input from patients and visitors. He also pointed out that the hospital is monitored by an external organization that performs surveys on patient satisfaction. These surveys are published and benchmarked against competitors. Although the hospital is generally doing well in these areas, it constantly strives to improve.

Regent McFee observed that it is important for the health system to monitor shifting patterns of coverage by insurance companies, because these have an effect on patient care. Dr. Omenn agreed, noting that this is an advantage of the health system's affiliation with M-Care.

Annual Report of UM-Dearborn Faculty Senate Budget and Finance Board

Chancellor Renick introduced Professor Linda Fisher, chair of the UM-Dearborn Faculty Senate Budget and Finance Board. Professor Fisher observed that faculty would like to expand their role from that of requesting budget items through department and school or college budgeting processes to having a say in developing the broad-based priorities for expenditures on campus. She noted that despite the Budget and Finance Board's having expressed its concern to the chancellor and vice chancellor for business affairs about the budgeting process, faculty input at the departmental and unit levels is still problematic.

Professor Fisher also pointed out that some deans continue to set budget priorities without input from their executive committees, and because the information used to prepare these budgets is kept confidentially, it is often unclear how campus priorities are reached. It is also difficult to learn how budgets reflect actual expenditures.

She also noted that compared to other Michigan IIA institutions, a much larger proportion of resources at the UM-Dearborn goes to areas other than instructional expenses and faculty salaries. She observed that since the last report to the Regents, there had been little change in average faculty compensation compared to other Michigan IIA institutions. She said that faculty estimate it would cost $459,000 to raise all of the tenure-track ranks and disciplines that are below the Michigan IIA average to the mean salary for Michigan IIA faculty, with additional funds being required to also raise lecturer salaries.

Resolution in Honor of Chancellor Charlie Nelms

President Bollinger called on Regent Maynard, who read the following resolution:

Regents' Resolution

The Regents of the University of Michigan salute Chancellor Charlie Nelms as he leaves the University on July 31, 1998, to become assistant to the president of Indiana University.

Chancellor Nelms has proven himself to be a strong advocate and able administrator since his appointment as chancellor and professor of education at the University of Michigan-Flint in 1994. Known for his personal warmth, integrity, and eloquence, Chancellor Nelms is, first and foremost, a teacher. Drawing from his own personal experience, he speaks passionately about the importance of education and the need for broad access to educational opportunities, and meets often with students, parents, and community leaders to develop innovative ways to help youth excel.

Under Chancellor Nelms' leadership, the University of Michigan-Flint expanded and improved the quality of its academic programs and services, extending service hours to accommodate students' work, family, and school schedules. Chancellor Nelms enhanced outreach efforts to provide field experiences for students and to provide businesses and nonprofit agencies with technical assistance stemming from the University's expertise and resources. He added three new master's degree programs—in education, in nursing, and in health administration—and recently obtained approval for a new School of Education and Human Services. Chancellor Nelms also secured more than $50 million in gifts, grants, and property, enlarging the Flint campus's physical plant and strengthening its financial base. In honor of the numerous contributions that Chancellor Nelms and his wife, Jeanetta, have made to the campus and the community, Flint area residents recently established the Charlie and Jeanetta Nelms Endowed Scholarship for University of Michigan-Flint students.

In recognition of his exemplary service, the Regents now name Charlie Nelms chancellor emeritus of the University of Michigan-Flint.

There followed a standing ovation, after which Chancellor Nelms responded. He expressed his appreciation to the Board of Regents for the opportunity to serve and wished his successors well.

Executive Session Motion

Regent Power read the following motion:

Pursuant to Section 8(a) of the Open Meetings Act, as amended by 1984 PA 202 and 1996 PA 464, the Board of Regents will now meet in closed session for the purpose *of considering a periodic personnel evaluation of a person who has requested confidentiality.*

The meeting then continued in executive session beginning at 11:30 a.m., and reconvened in public session at 2:00 p.m.

Lane Hall Renovations and Addition

Executive Vice President Kasdin called on Mr. David Evans, architect for Quinn Evans/Architects, design consultants on the Lane Hall Renovations and Addition project. Mr. Evans described the site and displayed proposed floor plans and renderings of the exterior treatment. He reviewed the exterior design objectives that had been approved by the Regents and illustrated how these objectives had been met by the proposed design.

Executive Vice President Kasdin pointed out that subsequent to the approval of the preliminary budget, it was learned that the parapet around the building was in poor condition and needed to be rebuilt. Thus, an additional $500,000 is being requested for this purpose.

Regent Deitch moved approval of the project design and increase in scope, as well as authorization for soliciting bids and awarding a construction contract if the bids are within budget. Regent Power seconded the motion, and it was approved unanimously. The Regents complimented Mr. Evans on the building's design.

Proposed License Agreement between the University of Michigan and IntraLase Corporation ("Compact Pulse Stretcher-Compressor Using a Single Transmission Grating")

On a motion by Regent Power, seconded by Regent Maynard, all seven Regents present unanimously approved a license agreement between the University of Michigan and IntraLase Corporation regarding the invention, "Compact Pulse Stretcher-Compressor Using a Single Transmission Grating." Because Tibor Juhasz and Ron Kurtz are University of Michigan employees who also hold equity interest in IntraLase, this agreement falls under the State of

Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and IntraLase Corporation, a company in which Tibor Juhasz and Ron Kurtz hold an equity interest.

2. Contract Terms Include:

   This license agreement with IntraLase Corporation will generally be subject to the terms and conditions of an existing agreement with IntraLase Corporation regarding laser micromachining technology (TMO File #939), which the Regents have previously approved. Some of the terms of that existing agreement are modified specific to this new technology. The terms given below are summarized as they relate to the currently proposed license.

   IntraLase Corporation will reimburse the University for all patent expenses. There will be no additional initial fee.

   Royalties to the University will remain the same as included in the prior license to IntraLase Corporation for laser micromachining technology (TMO File #939). The royalty will be the same regardless of whether the new technology is used in a given product alone or in a given product with other technologies also licensed to IntraLase from the University:

   2-1/2% on net sales of products if covered by a current patent;
   1-1/2 % on net sales of certain other related products, for a limited number of years.

   Royalties of 25% on sublicense revenue, where the sublicense is completed before December 16, 1998; and 15% for other sublicenses.

   Exclusive right to practice and commercialize the technology for all fields of use, subject to certain rights reserved by the University to practice it for research and educational purposes, and to grant licenses to the United States Government to the extent required under relevant research support agreements, should such exist. The University retains ownership.

   Minimum annual royalties of $5,000.00 for 1999; $10,000.00 for 2000; and $15,000.00 for 2001 and each year thereafter during the term of the agreement. These are the amounts already required under the prior license for TMO File #939.

   Term of the agreement is for the life of any patents that might be issued on the subject concept.

   No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.

3. The pecuniary interests of Tibor Juhasz and Ron Kurtz arise from their ownership interest in IntraLase Corporation. They were not inventors in the subject invention and will therefore not be eligible for any personal participation in the sharing of royalties received by the University from the company.

Proposed License Agreement between the University of Michigan and IntraLase Corporation ("Transcleral and Transconjunctival Laser Photodisruption for Glaucoma Surgery")

On a motion by Regent McFee, seconded by Regent McGowan, all seven Regents present unanimously approved a license agreement between the University of Michigan and IntraLase Corporation regarding the invention "Transcleral and Transconjunctival Laser Photodisruption for Glaucoma Surgery." Because Tibor Juhasz and Ron Kurtz are University of Michigan employees who also hold equity interest in IntraLase, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the Agreement are the University of Michigan and IntraLase Corporation, a company in which Tibor Juhasz and Ron Kurtz hold an equity interest.

2. Contract Terms Include:

   This license agreement with IntraLase Corporation will generally be subject to the terms and conditions of an existing agreement with IntraLase Corporation regarding laser micromachining technology (TMO File #939), which the Regents have previously approved. Some of the terms of the existing agreement are modified specific to this new technology. The terms given below are summarized as they relate to the currently proposed license.

   IntraLase Corporation will reimburse the University for all patent expenses. There will be no additional initial fee.

   Royalties to the University will remain the same as included in the prior license to IntraLase Corporation for laser micromachining technology. The royalty will be the same regardless of whether the new technology is used in a given product alone or in a given product with other technologies also licensed to IntraLase from the University:

   2-1/2% on net sales of products if covered by a current patent;
   1-1/2 % on net sales of certain other related products for a limited number of years.

   Royalties of 25% on sublicense revenue, where the sublicense is completed before December 16, 1998; and 15% for other sublicenses.

   Exclusive right to practice and commercialize the technology for all fields of use, subject to certain rights reserved by the University to practice it for research and educational purposes, and to grant licenses to the United States Government to the extent required under relevant research support agreements, should such exist. The University retains ownership.

   Minimum annual royalties of $5,000.00 for 1999; $10,000.00 for 2000; and $15,000.00

for 2001 and each year thereafter during the term of the agreement. These are the amounts already required under the prior license for TMO File #939.

Term of the agreement is for the life of any patents that might be issued on the subject concept.

No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.

3. The pecuniary interests of Tibor Juhasz and Ron Kurtz arise from their ownership interest in IntraLase Corporation. They will waive any personal participation in the sharing of royalties received by the University from the company.

Proposed License Agreement between the University of Michigan and Q-Dot Acoustics

On a motion by Regent Maynard, seconded by Regent Deitch, all seven Regents present unanimously approved a license agreement between the University of Michigan and Q-Dot Acoustics, for further development of a technology known as "Beamformed Ultrasonic Imager with Delta-Sigma Feedback Control." Because Matthew O'Donnell holds an equity interest in Q-Dot Acoustics and is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and Q-Dot Acoustics, a company in which Matthew O'Donnell holds an equity interest.

2. Contract Terms Include:

   A license issue fee of $1, 500.00.

   Royalties to the University on sales are to be determined at a later time, before any distribution of products by Q-Dot Acoustics, should the company decide to sell products. The current intent of the company is to further develop the technology, and then to sublicense it. Such sublicenses are expected to be with one or more development partners.

   Royalties of 8% on sublicense revenue.

   Exclusive right to practice and commercialize the technology, subject to certain rights reserved by the University to practice it for research and educational purposes. The University retains its co-ownership interest with Q-Dot. This license is also subject to the right of the University to grant a license for government purposes to the United States government to the extent it might be required under agreements for research funding.

   Minimum annual royalties of $500.00 for 2000; and $1,000.00 for 1999 and each year thereafter during the term of the agreement.

Term of the agreement is for the life of the patent.

No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.

3. Matthew O'Donnell's pecuniary interest arises from his ownership interest in Q-Dot Acoustics. He has waived any personal participation in the sharing of royalties received by the University from the company.

1998-99 Operating Budgets

Regent Power commented that Provost Cantor's budget presentation had been "conceptionally brilliant, passionate, concerned, and compelling." He questioned why the School of Information was the only one of the schools and colleges on the Ann Arbor campus not to receive an increase in support. Provost Cantor responded that this school had received increased support in the form of a one-time source of support from academic program funds, rather than in this budget allocation. She noted that this school's enrollment profile has been fluctuating, and that a plan is in place to stabilize the enrollment.

Regent McGowan observed that Provost Cantor's most compelling point was that the provost, president, and Regents share the responsibility in preparing the budget of insuring that the University is better in the future than it is today, and that Provost Cantor had made it very clear what it is that we are trying to accomplish and need to support.

Regent McFee commented that certain assumptions in revenues are made in developing budgets, and then expenditures are proposed to reflect the emphasis on which the budget is based. Provost Cantor's presentation very clearly articulated how the proposed budget would help direct the University toward achieving its goals of developing today's students into the leaders of tomorrow for the state and the nation. She said that the revenue stream for the budget, which includes a significant tuition increase in response to the other anticipated sources of revenue, has been carefully constructed to carry out that role. She said that Provost Cantor had provided a good explanation of what the tuition increase would do for students, and that she was prepared to support it.

Regent Newman observed that she believes that all of the programs outlined by Provost Cantor are important for the institution, and she commended her for her presentation. She stated that her vote on the tuition increase does not reflect a disagreement with the provost or the president on University priorities. She stated that her concerns, according to data she believes to be true, are the discrepancy between the state appropriations increase of 2.8 percent (which, she noted, is effectively a 2.3 percent increase due to the change in the scheduled payout) and the University's tuition increase of 3.9 percent, plus a $30 LS&A technology fee, which yields a 4.9 percent increase for lower division LS&A students. According to her understanding, this will lead to an approximate increase in the General Fund of 4.9 percent, which is more than double the rate of inflation.

Regent Newman noted that she had been asking for four years for there to be an examination of alternative ways to contain costs and save money to put toward the academic mission. She said she was pleased to see a significant decrease in the central administration budget, and would like to suggest that the schools and colleges do the same. She observed that there seems to be a lot of overlap, and it might be wise to review the policy of decentralization of administrative functions. She said that "other than these cuts in central administration, it is difficult for me to see where cost containment and savings are taking place. Therefore, although I agree with the mission, I do not agree with how it is being funded. Michigan is a great public institution, and I want it to remain that way; I also want it to be affordable."

Regent Deitch observed that from a business standpoint, Michigan should not necessarily view itself as the lowest cost provider, but rather as the highest quality provider. He also said that education is not a commodity; rather it has special values that translate over a lifetime for students in tangible and intangible ways. Regent Deitch said that he was pleased that in this budget, all of the growth is within the academic units. He noted that the faculty is at the heart of the University's greatness, and that they have economic needs and aspirations and are being recruited by our competitors. He said it is the Regents' responsibility as stewards of the University to ensure its continued excellence; therefore, he supports the budget. He also commented that he believes the administration has made great strides in the area of cost containment, and this is another reason that the budget has his full support.

Regent Maynard observed that it is always difficult to support a tuition increase when it exceeds the cost of living, and she continues to support the goal of student accessibility remaining a top priority. However, she noted that Provost Cantor had eloquently expressed in her presentation the University's top priorities of hiring and retention of the highest quality faculty, maintaining the quality of the library system, and expanding the definition of the classroom. There is also evidence that the administration has been working very hard at cost containment issues. For these reasons, among others, she said she was very comfortable supporting the proposed budget.

Regent Taylor commented that he generally supports the budget, but doesn't believe that the CPI is an appropriate comparison for the rate of increase. He suggested that the administration perhaps engage outside consultants to conduct a study of its "supply chain" of business practices that affect its costs, as many people believe that these can be most efficiently be done outside the institution.

Consent Agenda

Minutes. The minutes of the June 1998 meeting were submitted for approval.

Reports. Executive Vice President Kasdin submitted Reports of Investment, Plant Extension, Human Resources and Affirmative Action, and Non-competitive Purchases over $5,000. Interim Co-General Counsel Barry submitted the Litigation Report. Vice President Neidhardt submitted the Report of Projects Established for June 1998, and described the work of a functional magnetic resonance imaging research laboratory, to be operated jointly by the College of Engineering, the College of Literature, Science, and the Arts, and the Medical School.

Executive Vice President Omenn reported that the *U.S. News and World Report* would be coming out soon with a ranking of all U.S. hospitals, and 14 of these had made the honor roll. He also noted that the medical center was pursing the academic initiatives he had mentioned previously and announced that one of these, an initiative to have the six basic science departments and four interdepartmental/inter-school programs collaborate in developing a program under which all Ph.D. candidates would be jointly recruited, admitted, mentored, and would pursue some common core course work, had been endorsed by the basic science faculty and would be implemented during the coming year. He also reported on several other ventures underway in the health affairs area.

Voluntary Support. Vice President Feagin announced that the final report on gifts for the 1997-98 fiscal year would be presented at the September meeting.

Personnel Actions. Provost Cantor reported that Barbara O'Keefe was being recommended as the first director of the Media Union. She also announced the creation of the new position of assistant vice president for academic and student affairs and the proposed appointment of David Schoem to that position.

President Bollinger announced the recommended appointment of Beverly Schmoll as interim chancellor at the University of Michigan-Flint. Executive Vice President Omenn announced the proposed appointment of Douglas Strong as associate vice president for finance and strategy at the University of Michigan Health System.

Personnel Reports. Provost Cantor submitted a number of personnel reports.

Retirement Memoirs. Provost Cantor submitted six faculty retirement memoirs.

Memorials. No deaths were reported to the Regents this month.

Degrees. Provost Cantor submitted for approval the August 1998 Doctoral Degree List, the June 1998 and April 1998 degree lists, and changes to previously approved degree lists.

On a motion by Regent McFee, seconded by Regent Newman, the Regents unanimously approved the Consent Agenda.

Alternative Asset Investment

On a motion by Regent Power, seconded by Regent McFee, the Regents unanimously approved commitment of up to $10 million of the Long Term Portfolio to Morgenthaler Venture Partners V, L.P., subject to a favorable legal review of the documents by the General Counsel's office.

Welsh, Carson, Anderson & Stowe VIII, L.P.

Executive Vice President Kasdin informed the Regents that the University intends to make a $40 million follow-on investment in Welsh, Carson, Anderson & Stowe VIII, L.P., which is a follow-on fund of a previously approved fund.

Sale of Tax Exempt Commercial Paper to Finance University's Projects

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously authorized an increase to up to $60.2 million in the amount outstanding under the commercial paper supported by a pledge of General Revenues.

Sale of Tax Exempt Commercial Paper by the University

On a motion by Regent Newman, seconded by Regent McFee, the Regents unanimously authorized the following Resolution for the issuance of up to $120 million of commercial paper supported by a pledge of general revenues and to authorize the executive vice president and chief financial officer to: 1) Execute all the documentation for the establishment of the new series of commercial paper and the rollover of the outstanding commercial paper into the new series; 2) Apply for a rating from the Rating Agencies, if necessary, for the new series of commercial paper; 3) Increase the commercial paper outstanding up to $73 million to refinance the bond issues listed on Exhibit I of the Regents Communication.

RESOLUTION OF THE REGENTS OF THE UNIVERSITY OF MICHIGAN AUTHORIZING THE ISSUANCE AND DELIVERY OF COMMERCIAL PAPER NOTES, SERIES B, AND PROVIDING FOR OTHER MATTERS RELATING THERETO

WHEREAS, the Regents of the University of Michigan (the "Issuer") constitutes a constitutional body corporate established pursuant to Article VIII, Section 5 of the Michigan Constitution of 1963, as amended, with the general supervision of the University of Michigan (the "University") and the control and direction of all expenditures from the University's funds; and

WHEREAS, the Issuer has determined it is necessary and desirable to provide for the temporary financing of capital projects of the University currently under way or to be undertaken within the next succeeding eighteen months, through the issuance of Regents of the University of Michigan Commercial Paper Notes, Series B (the "Notes"), in principal amount outstanding from time to time not to exceed $120,000,000; and

WHEREAS, the Issuer has determined it is necessary and appropriate to refund through the issuance of Notes the outstanding balance of the Issuer's Commercial Paper Notes, Series A (the "Prior Notes"), and the outstanding balance of the Issuer's $6,590,000 Recreational Activities Buildings Fee Refunding Bonds, $3,500,000 Dearborn Recreational Buildings Fee Refunding Bonds, $10,180,000 Dearborn Campus Projects Fee Bonds, $1,360,000 Institute of Continuing Legal Education Revenue Bonds and $24,985,000 Construction and Refunding Student Fee Bonds, Series 1987 (collectively, the "Prior Bonds"); and

WHEREAS, the Issuer has approved certain capital projects to be temporarily financed in whole or in part through the issuance of the Notes, and may approve additional projects to be so financed in the next eighteen months (all such projects, together with the projects financed or refinanced with the proceeds of the Prior Bonds and the Prior Notes being herein called the “Projects”); and

WHEREAS, in order to provide for the issuance of the Notes, it will be necessary for one or more of the Executive Vice President and Chief Financial Officer, the Associate Vice President for Finance, or the Associate Vice President and Treasurer (each an “Authorized Officer”) to execute and deliver a Commercial Paper Issuance Certificate (the “Issuance Certificate”), a Commercial Paper Issuing and Paying Agent Agreement (the “Paying Agent Agreement”) with a bank to be selected by an Authorized Officer, and one or more Dealer Agreements (each a “Dealer Agreement”) with a dealer or dealers (collectively, the “Dealer”) to be designated by an Authorized Officer; and

WHEREAS, the Notes are to be limited and not general obligations of the Issuer, payable from and secured by a pledge of General Revenues (as defined in the Issuance Certificate) and to be additionally payable from Available Investments (as defined in the Issuance Certificate); and

WHEREAS, The Issuer has previously issued certain series of bonds or notes (the “Senior Lien Indebtedness”) secured by and payable from Student Fees or other revenue streams (other than Hospital Gross Revenues and Medical Service Plan Revenues) which comprise a portion of General Revenues, and it is intended that each series of the Senior Lien Indebtedness remain outstanding and continue to be secured, until paid or defeased, by its respective revenue stream on a senior lien basis to the Notes and other General Revenue indebtedness subsequently issued, but that no new Senior Lien Indebtedness is to be issued; and

WHEREAS, it is necessary for the Issuer to delegate to each of the Authorized Officers the power to designate certain Authorized Representatives and Authorized Persons (each as defined in the Issuance Certificate or Paying Agent Agreement) to undertake certain actions with respect to the issuance of Notes; and

WHEREAS, the Notes authorized hereby are to finally mature on or before October 1, 2001, and are intended to be replaced by permanent General Revenue financing on or prior to such date; and

WHEREAS, in the exercise of its constitutional duties, and in order to prudently control and direct expenditures from the University's funds, the Issuer determines it is necessary and desirable to authorize the issuance of the Notes to provide funds to temporarily finance and refinance all or part of the costs of the Projects, and to pay certain costs incurred in connection with the issuance and sale of the Notes; and

WHEREAS, in order to be able to market the Notes, it is necessary for the Issuer to authorize an Authorized Officer to prepare, execute and deliver, on behalf of the Issuer, an Offering Memorandum (as supplemented from time to time, the “Offering Memorandum”) to be circulated and used in connection with the marketing, sale and delivery of the Notes, and to take, together with other appropriate officers, agents and representatives of the Issuer or the University, additional actions necessary to accomplish the sale and delivery of the Notes, the administration of the commercial paper program of which the Notes are a part, and the purposes hereof, all within the limitations set forth herein; and

WHEREAS, the financing and refinancing of the Projects will serve proper and appropriate public purposes; and

WHEREAS, the Issuer has full power under its constitutional authority for supervision of the University, and control and expenditures from the University funds, to authorize and acquire the Projects, to finance and refinance by the issuance of the Notes the costs of the Projects and the costs related to the issuance of the Notes, and to pledge the General Revenues of the University for payment of the Notes and to covenant to pay the Notes from Available Investments.

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF MICHIGAN, AS FOLLOWS:

1. The Issuer hereby authorizes the issuance, execution and delivery of the Notes of the Issuer, in multiple issuances on various dates, to be designated REGENTS OF THE UNIVERSITY OF MICHIGAN COMMERCIAL

PAPER NOTES, SERIES B, in the aggregate principal amount outstanding from time to time as shall be designated by any two Authorized Officers, but not in excess of $120,000,0000, to be dated as of a date of issuance of each Note, or otherwise as shall be determined by an Authorized Officer, for the purpose of financing and refinancing all or part of the Projects (including refunding the Prior Bonds and the Prior Notes), and to pay all or part of the costs incidental to the issuance of the Notes. The Projects as a whole are hereby determined by the Issuer to constitute a single governmental purpose of the Issuer. The Notes shall not be subject to redemption prior to maturity. Each Note shall mature not later than 270 days after its date of issuance, as shall be determined as provided in the Issuance Certificate and Paying Agent Agreement, and all Notes must mature on or before October 1, 2001. Interest on each Note shall be payable on the maturity date thereof, at the rate, not in excess of 12% per annum, to be determined as specified in the Issuance Certificate and Paying Agent Agreement. The Notes shall be issued in fully registered form, or registered to bearer, in the denominations, shall be subject to transfer and exchange, and shall be executed and authenticated, all as shall be provided in the Issuance Certificate. The Notes shall be sold at par through the Dealer selected by an Authorized Officer, as provided in the Dealer Agreement.

2. The Notes shall be limited and not general obligations of the Issuer payable from and equally and ratably secured by a lien on General Revenues, subject only to the senior liens on portions of General Revenues securing the respective series of Senior Lien Indebtedness (until each respective series of such Senior Lien Indebtedness is paid or defeased in accordance with its terms), and moneys from time to time on deposit in the Note Payment Fund created pursuant to the Issuance Certificate, as provided therein. The Notes shall also be payable from Available Investments, as provided in the Issuance Certificate. The Issuer shall covenant in the Issuance Certificate that so long as any of the Notes remain outstanding, the Issuer will not issue any new series of Senior Lien Indebtedness.

No recourse shall be had for the payment of the principal amount of or interest on the Notes or any claim based thereon against the State of Michigan, or, except as provided in the Issuance Certificate, the Issuer, or against any officer or agent of the Issuer or of the University, as individuals, either directly or indirectly, nor shall the Notes and interest with respect thereto become a lien on or be secured by any property, real, personal or mixed of the State of Michigan, the Issuer, or the University, other than the General Revenues and the moneys from time to time on deposit in the Note Payment Fund created by the Issuance Certificate.

3. The right is reserved to issue additional bonds, notes or other obligations payable from and secured by General Revenues on a parity basis with the Notes as to the lien on General Revenues, but subject to the prior liens on portions thereof securing Senior Lien Indebtedness.

4. The Authorized Officers or any of them, are hereby authorized and directed to select a bank to be Issuing and Paying Agent, and one or more Dealers, and any two of the Authorized Officers are authorized and directed, in the name of the Issuer and as its corporate act and deed, to negotiate, execute and deliver the Issuance Certificate, the Paying Agent Agreement and one or more Dealer Agreements, substantially in the form previously filed with the Secretary of the Issuer, but with such changes, not inconsistent with the terms of this Resolution, as the Authorized Officers executing the same shall approve, which approval shall be conclusively evidenced by the execution of the respective documents.

5. The Authorized Officers are, or any one of them is, hereby authorized and directed to designate employees or agents of the University to act as Authorized Representatives with respect to the issuance of Notes, and to designate Authorized Persons, who may be employees or agents of the University or employees or agents of the Dealer, to take certain actions with respect to the issuance of Notes, all as provided in the Issuance Certificate, the Paying Agent Agreement, or the Dealer Agreement.

6. The Authorized Officers are, or any one of them is, hereby authorized, empowered and directed, in the name and on behalf of the Issuer, and as its corporate act and deed, to execute the Notes by manual or facsimile signature and to deliver the Notes to the purchaser in exchange for the purchase price thereof, as provided in the Issuance Certificate and the Paying Agent Agreement. The Notes may be issued in the form of one or more Master Notes, as provided in the Paying Agent Agreement.

7. The Authorized Officers are, or any one of them is, hereby authorized to cause to be prepared and circulated the Offering Memorandum with respect to the Notes, and to update, or cause to be updated the Offering

Memorandum, through supplements or otherwise, as an Authorized Officer shall deem appropriate, or as may be required by law. Any Dealer is authorized to circulate and use, in accordance with applicable law, the Offering Memorandum, as the same may have been updated or supplemented from time to time, in the offering, sale and delivery of the Notes.

8. The Authorized Officers are, or any one of them is, hereby authorized to provide for the call for redemption of the Prior Bonds and the redemption or final payment of the Prior Notes, and to take any and all actions necessary and appropriate to provide for the payment when due of all amounts with respect to the Prior Bonds and the Prior Notes, from the proceeds of the Notes or other available funds of the University.

9. The Authorized Officers, the Secretary, representatives of the University's General Counsel, and any other appropriate officer of the University are each hereby authorized to perform all acts and deeds and to execute and deliver all instruments and documents for and on behalf of the Issuer or the University required by this Resolution or the documents authorized hereby, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Notes, from time to time, all as contemplated hereby or in connection with subsequent elections, approvals or determinations under the Issuance Certificate or other documents. Any reference to any specified officer of the Issuer or the University in this Resolutions shall include any interim officer occupying such position.

10. All resolutions or parts of resolutions or other proceedings of the Issuer in conflict herewith be and the same are hereby repealed insofar as such conflict exists.

Aerospace Engineering Plasma Research Building Additional Boiler

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved a project to install a new boiler and an addition to the Pumping Station Building on North Campus, as described in the Regents Communication.

Arbor Lakes Complex Data Center Facility

On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved a project for creation of a new data center facility within the existing Arbor Lakes Office Complex, as described in the Regents Communication.

School of Dentistry Kellogg Building Expansion and Renovation

Executive Vice President Kasdin informed the Regents that John M. Olson Company of St. Clair Shores, which had submitted the lowest responsive bid, had been awarded the construction contract for the Kellogg Building Expansion and Renovation Project.

Women's Rowing Team Facility New Building

Regent McGowan moved approval of a project for construction of a Women's Rowing Team Facility on Belleville Lake, as described in the Regents Communication. Regent Maynard seconded the motion, and it was approved unanimously.

Recommendation for Brighton Market Development and Expansion

Regent Newman moved approval of development of the Brighton market and expansion of the Brighton Health Center project, the long term lease of the building and property, and the option to purchase, as described in the Regents Communication. Regent Power seconded the motion, and it was approved unanimously.

University of Michigan Hospitals Helipad Relocation Project

Executive Vice President Omenn gave a brief slide presentation illustrating the proposed new relocation site for the Hospitals' helipad. Regent Newman moved approval of the Helipad Relocation Project and site, as described in the Regents Communication, as well as authorization for the appointment of an architect and submission of a Certificate of Need application. Regent McGowan seconded the motion.

Regent Power asked for an explanation of the high cost of this project. Executive Vice President Kasdin responded that the biggest cost isn't for the helipad itself, but for the underground tunnel that connects the helipad to the University Hospital Emergency Department. Regent Power asked whether other alternatives had been considered. Mr. John Ballew, senior architect on the project, responded that other locations and alternative technologies had been considered in an attempt to try to mitigate the effect of the helicopter odors on the buildings that are a major source of concern with the current helipad location. It was determined that the only viable alternative to eliminate the odors from the buildings would be to relocate the helipad from the top of the Taubman Center. Once that decision was made, Venturi, Scott Brown and Associates (VSBA) were consulted and a number of alternative sites were considered. VSBA and hospital officials are in agreement that the proposed site is the only viable alternative location, both to solve the air quality problem and to provide a more functional entry to the Emergency Room for patients being transported from the helicopters.

Regent Newman pointed out that the proposed site also appears to be much safer. The vote was then taken, and the motion was approved unanimously.

Executive Session Motion

Regent Power made the following motion:

Pursuant to Section 8(e) of the Open Meetings Act, as amended by 1984 Public Act 202 and 1996 Public Act 464, I move that the Board of Regents meet in closed session on July 16, 1998, in the Regents' Room, for the purpose of consulting with our attorneys regarding trial or settlement strategy in connection with specific pending litigation.

Regent McFee seconded the motion, and it was approved unanimously.

The Regents met in executive session beginning at 3:00 p.m. and reconvened in public session at 4:00 p.m.

Public Comments

The Regents heard comments from the following individuals, on the topics indicated: Heh Shin Kwak, president of Inteflex Student Council, on the review of the Inteflex program; Darcy Leach, Paul Eiss, and Sanjiv Gupta, members of the Graduate Employees Union (GEO), on conditions affecting graduate student employees; Nadia Kim, Tom Guglielmo, and Niki Dickerson, graduate students and members of Academics for Affirmative Action and Social Justice (AAASJ), on affirmative action; and Trent Thompson and Bram Elias, president and treasurer, respectively, of MSA, on the 1998-99 General Fund Budget.

1998-99 Ann Arbor General Fund Operating Budget

Regent Deitch moved adoption of the Ann Arbor General Fund Operating Budget. Regent McFee seconded the motion and it was approved, with Regents Deitch, Maynard, McFee, McGowan, Power, and Taylor voting in favor and Regent Newman opposed.

UM-Ann Arbor Student Fee Rates for FY 1998-99

Regent Deitch moved adoption of the Ann Arbor campus student fee rates for FY 1998-99. Regent McGowan seconded the motion and it was approved, with Regents Deitch, Maynard, McFee, McGowan, Power, and Taylor voting in favor and Regent Newman opposed.

University of Michigan-Dearborn 1998-99 General Fund Budget

Regent Deitch moved adoption of the University of Michigan-Dearborn 1998-99 General Fund Budget. Regent Power seconded the motion and it was approved, with Regents Deitch, Maynard, McFee, McGowan, Power, and Taylor voting in favor and Regent Newman opposed.

University of Michigan-Dearborn Student Fee Rates for 1998-99

Regent Deitch moved adoption of the University of Michigan-Dearborn student fee rates for 1998-99. Regent Power seconded the motion and it was approved, with Regents Deitch, Maynard, McFee, McGowan, Power, and Taylor voting in favor and Regent Newman opposed.

University of Michigan-Flint 1998-99 General Fund Budget

Regent Deitch moved adoption of the University of Michigan-Flint 1998-99 General Fund Budget. Regent McGowan seconded the motion and it was approved, with Regents Deitch, Maynard, McFee, McGowan, Power, and Taylor voting in favor and Regent Newman opposed.

University of Michigan-Flint Tuition and Fee Rates for 1998-99

Regent Deitch moved adoption of the University of Michigan-Flint tuition and fee rates for 1998-99. Regent McGowan seconded the motion and it was approved, with Regents Deitch, Maynard, McFee, McGowan, Power, and Taylor voting in favor and Regent Newman opposed.

1998-99 Budgets

Regent Maynard moved approval of the 1998-99 Revenue and Expenditure Operating Budgets. Regent Deitch seconded the motion, and it was approved, with Regents Deitch, Maynard, McFee, McGowan, Power, and Taylor voting in favor and Regent Newman opposed.

Proposed FY 1999 University of Michigan Hospitals and Health Centers Operating Budget

Regent Deitch moved approval of the FY 1999 University of Michigan Hospitals and Health Centers Operating Budget. Regent McFee seconded the motion, and it was approved unanimously.

1000 and 1010 Cedar Bend Drive, Ann Arbor

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved offering the properties at 1000 and 1010 Cedar Bend Drive for sale, as described in the Regents Communication.

118 E. Hoover, 126 E. Hoover, and Vacant Parcel

On a motion by Regent Power, seconded by Regent McFee, the Regents unanimously approved purchase of the property at 118 E. Hoover, 126 E. Hoover, and the vacant parcel located at the northeast corner of Main and Keech Streets at a price of $2.5 million, as described in the Regents Communication.

Alternative Asset Investments

Regent Power moved approval of commitment of up to $40.0 million to SZ Investments, L.L.C., subject to the review of the final documentation by counsel. Regent Newman seconded the motion, and it was approved unanimously.

Amendment to Bylaws of M-Care

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved an action taken by the M-Care board of directors to amend the M-Care bylaws to replace the term "President" with the term "Executive Director" throughout those bylaws.

Change in Reporting Lines for the Population Studies Center

Provost Cantor reported that it had been recommended by several external reviews, and endorsed by the dean of the College of LS&A, the provost, the director of the Institute for Social Research, and faculty in the relevant units, that the Population Studies Center become a center within the Institute for Social Research (ISR).

Regent Deitch moved that the Population Studies Center become a center within the Institute for Social Research. Regent Newman seconded the motion. Regent Power noted that the Population Studies Center had undergone a number of organizational changes during his tenure on the board. Provost Cantor commented that this change was initiated by the Population Studies Center and by ISR, and the prevailing view is that the move will give the Population Studies Center the type of cross-disciplinary exposure it needs, thereby enhancing the center's ability to attract grant funding.

The vote was then taken, and the motion was approved unanimously.

New Degree Program for College of Engineering and Computer Science at University of Michigan-Dearborn *(Bachelor of Science in Engineering (Computer Engineering))*

On a motion by Regent Deitch, seconded by Regent Newman, the Regents unanimously approved a new degree program, "Bachelor of Science in Engineering (Computer Engineering)," to be offered by the Department of Electrical and Computer Engineering at the University of Michigan-Dearborn.

Management Information Systems Concentration within the UM-Dearborn School of Management's Bachelor of Business Administration (BBA) Program

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved a new concentration in Management Information Systems (MIS) within the existing Bachelor of Business Administration (BBA) program at the UM-Dearborn School of Management.

Finance Concentration within the UM-Dearborn School of Management's Bachelor of Business Administration (BBA) Program

On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved a new concentration in Finance within the existing Bachelor of Business Administration (BBA) program at the UM-Dearborn School of Management.

Recommendations for Appointments to Medical Staff Membership

On a motion by Regent Deitch, seconded by Regent Newman, and on the recommendation of the University of Michigan Hospitals Executive Board, the Regents unanimously approved certain specified appointments to medical staff membership.

Adjournment

There being no further business, the meeting was adjourned at 5:30 p.m. Regents' expenses for June 1998 totaled $1,457.18. The next meeting will be held September 16 and 17, 1998.