

NOVEMBER MEETING, 1998

*The University of Michigan
Ann Arbor
Thursday, November 19, 1998*

The Regents convened at 1:45 p.m. in the Regents' Room. Present were President Bollinger and Regents Horning, Maynard, McGowan, Newman, and Power. Also present were Provost Cantor, Executive Vice President Kasdin, Executive Vice President Omenn, Vice President Feagin, Vice President Hartford, Vice President Neidhardt, Chancellor Renick, Interim Chancellor Schmoll, Vice President and Secretary Tedesco, and Vice President Wilbanks. Regent Deitch arrived shortly after the start of the meeting; Regents McFee and Taylor were absent. Vice President and General Counsel Krislov arrived at 2:20 p.m.

President Bollinger called the meeting to order and introduced Regent-Elect Katherine A. White, who was in the audience. He then called on Provost Cantor to present the FY2000 funding request to the state.

FY2000 Annual State Funding Request, Ann Arbor Campus

Provost Cantor reviewed the three understandings that undergird the University's budget assumptions: maintaining a superb faculty; maintaining strong libraries, museums, and other institutions that support shared public culture; and creating the richest possible learning environments. She then described how last year's budget increase was used to address these goals.

Provost Cantor reported that the schools and colleges were able to offer four-five percent faculty salary programs, which enabled them to retain and recruit important faculty members and

to be proactive in demonstrating to faculty that salary issues are important. In addition to salary increases, the additional funds helped to establish new faculty positions.

With regard to the shared public culture, there was a substantial increase in the general library budget and in the budget for the digital library project. In the classroom area, a number of proposals in a wide array of disciplines have been received for use of the LSA technology fee, and other schools and colleges have also developed innovative programs with their increased funding for instructional technology.

Provost Cantor noted that a Diversity Theme Semester had been organized for the Winter 1999 semester, including over 100 courses. In addition, changes are being made in the undergraduate curriculum and new living/learning environments and communities are being created. She also reviewed a number of new programs that have been established in the schools and colleges as a result of the budget approved by the Regents last fall.

Provost Cantor concluded that “superb work is happening routinely” in the academic life of the institution, and that state funding makes important contributions to this work. The request for a five percent increase in appropriations (\$16.2 million) will enable the University to continue meeting the ever-expanding needs and expectations of students without putting excessive pressure on tuition. Funding for two specific initiatives is also being requested: increasing the number of learning communities (\$2 million), and continuing the work of the life sciences commission, which will enhance discovery of new knowledge, technology development and connect basic science to the applications of interest to the state, with Michigan State University, Wayne State University, and the State of Michigan as collaborative partners (\$4 million).

UM-Dearborn 1999-2000 General Fund Budget Request

Chancellor Renick noted that the Dearborn campus' request is a continuation of a multi-year strategy with the goal of providing accessible education of the highest possible quality to commuting students in southeast Michigan. He observed that because the Dearborn Campus is still developing and evolving, it has special needs in the areas of physical infrastructure, programs, and personnel, especially for faculty in the arts and sciences and the professional schools.

He pointed out that individual units were required to reallocate 3 percent of their budgets prior to setting last year's budget. The 1999-2000 request reflects the need for funds to support the operating costs of new buildings, to improve the information technology infrastructure, and to fund faculty positions in high demand areas. In summary, the Dearborn campus is requesting a funding increase of \$4,348,000 to meet its most critical needs.

1999-2000 Budget Request, University of Michigan-Flint

Interim Chancellor Schmoll reported that there are four goals driving the budget request: the desire to provide professional programs responsive to the interests and needs of students; full implementation of the academic plan; the creation of a technological environment that will prepare students for a changing future; and continued enhancement of the campus' connections to the community so as to be able to match faculty expertise and interests with community needs and interests.

The budget request consists of five components: 1) an increase in basic operating expenses (\$800,000); 2) providing funding for programs and associated technology to be housed in the new Professional Studies and Classroom Building (\$600,000); 3) enhancing technology in order to increase access on campus (\$300,000); 4) equipment maintenance, repair, and

replacement (\$150,000); and 5) operating funds associated with the opening of the new Professional Studies and Classroom Building (\$700,000).

President Bollinger observed that while the University is doing the best possible job in teaching, research, and public service with existing resources, private universities have extraordinary resources compared with those available for public universities. For this reason, the state funding requests are very important.

There being no further discussion, Regent McGowan moved approval of the 1999-2000 state budget requests for the Ann Arbor, Dearborn, and Flint campuses. Regent Newman seconded the motion, and it was approved unanimously.

Research and Scholarly Activity, FY1998: Disciplines and Intersections

Vice President Neidhardt reported that the University of Michigan was number one among all universities in research expenditures in FY1998. Research expenditures totaled \$491.5 million, a 7.2 percent increase over the previous year.

Vice President Neidhardt noted that one-third of the University's research expenditures involve interdisciplinary and multidisciplinary research. This type of research is important because of the interest and excitement generated for researchers and because it can lead additional unexpected positive outcomes. This type of research also brings multiple disciplines together, which is important because the solutions to virtually all societal problems require multiple approaches.

Vice President Neidhardt then gave a presentation on two projects that are illustrative of this type of research. The first example, from the sciences, was for a project under the direction of Professor David Burke of the Department of Human Genetics and colleagues in the Departments of Chemical Engineering and Electrical Engineering and Computer Science. This

project led to the development of the “DNA-lab-on-a-chip,” a miniature, hand-held laboratory capable of performing DNA analyses. The second example, from the arts, was a dance project titled “Seven Enigmas.” This project represents a collaboration of individuals from a number of different disciplines, including space physics, mathematics, neuroscience, the visual arts, music, electronics, video, and dance. It is a celebration of “some of the many possible responses [of humans] in the face of incomprehensible mysteries and unreachable knowledge.”

Vice President Neidhardt concluded with a review of FY1998 research expenditures by various categories, including sponsor group, field of study, and university unit, as detailed in the 1998 Office of the Vice President for Research Report to the Regents distributed at the meeting. He observed that there is an unprecedented level of verbal support for basic research in Congress, with nearly all of the federal funding agencies receiving increased appropriations for the current fiscal year. He cautioned, however, that because the issue of growth in entitlement programs as a percentage of the national budget has not yet been settled, the level of national support for research in the future remains uncertain.

Regent Deitch thanked Vice President Neidhardt and others responsible for the presentation. Noting that Vice President Neidhardt’s term as vice president would be concluding next month, he commented that the Regents have greatly appreciated his tremendous service. Speaking to Vice President Neidhardt, Regent Deitch said, “You epitomize the spirit of collegiality and intellectual inquiry which we saw in the presentation today. You are a scholar, a good University citizen, and a pleasant, grounded ethical gentleman, and we have been graced by your presence.”

A round of applause followed.

Regent Power observed that when the new budgeting system, originally known as Value Centered Management, was implemented there was a concern that the system would work against interdisciplinary research. As a result, the system was revamped to respond to those concerns. He inquired whether the budgeting system had adversely affected the amount of interdisciplinary research on campus.

Vice President Neidhardt responded that there has been a “sea change” this year due to actions taken by Provost Cantor and Associate Provost Paul Courant, and as a result, the new budget system is working well and the provost’s office is being proactive in responding to remaining concerns. Regent Power expressed the hope that in the future the provost would report regularly in the future on progress in this area. Vice President Neidhardt also noted that the new reporting relationship between the provost and vice president for research has made it much easier to work on budget matters with the provost’s office than had been the case previously.

Recommendations for Honorary Degrees

President Bollinger noted that two individuals had been recommended to receive honorary degrees at the December 1998 commencement: David DiChiera, performing arts impresario; and Chen Ning Yang, Nobel laureate in physics.

Regent Maynard moved approval of the award of honorary degrees to David DiChiera (Doctor of Music) and Chen Ning Yang (Doctor of Science). Regent Horning seconded the motion, and it was approved unanimously.

General Remarks: President Bollinger

President Bollinger reported on a number of recent honors, awards and research discoveries involving University of Michigan faculty members.

Executive Session Motion

Regent Horning made the following motion:

Pursuant to Section 8(e) of the Open Meetings Act, as amended by 1984 PA 202 and 1996 PA 464, I move that the Board of Regents meet in closed session on November 19, 1998, in the Regents' Room, for the purpose of consulting with our attorney regarding trial or settlement strategy in connection with specific pending litigation.

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

A short recess followed, after which the Regents met in executive session from 3:30 until 4:15 p.m.

Public Comments

The Regents heard comments from the following individuals on the topics indicated: Joe Sexauer, student, representing Students Organizing for Labor and Economic Equality, on codes of conduct for manufacturers of college apparel ("sweatshop" labor); Lee Schlesinger, staff member, on staff relations, morale, and the Department of Human Resources and Affirmative Action; Alice Hamele, citizen, on problems with medical care at the University; and Norman Oleski and Barry D. Maus, staff members, on a work grievance.

Regarding the comments of Messrs. Oleski and Maus, Regent Deitch requested that the appropriate members of Vice President Kasdin's staff report on this situation by next month.

Friday, November 20, 1998

The Regents convened at 9:40 a.m. in the Regents' Room. Present were President Bollinger and Regents Horning, Maynard, 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 and General Counsel

Krislov, Vice President Neidhardt, Chancellor Renick, Interim Chancellor Schmoll, Vice President and Secretary Tedesco, and Vice President Wilbanks. Regents Deitch and McFee were absent.

President Bollinger called the meeting to order and noted that Regent Elect David Brandon was in the audience to observe the meeting.

Change in Date of Meeting on Dearborn Campus

President Bollinger announced that the annual Regents' Meeting on the Dearborn Campus would henceforth occur in May, rather than in March, beginning in 1999.

Purchasing Initiatives

Executive Vice President Kasdin called on Mr. Phil Abruzzi, director of purchasing and stores, and Kevin Donovan, business manager of the purchasing department, to discuss ways in which the purchasing department is taking advantage of economies of scale in purchasing on behalf of the University through the Purchasing Services' Prime Vendor and Contract Administration Programs.

Mr. Abruzzi noted that prime vendor contracting has resulted in annual price savings of \$4,725,000, the annual elimination of 81,425 orders and 407,000 invoices, and inventory reduction of \$3,000,000. The goals of Contract Administration are to identify opportunities to leverage the University's purchasing power by developing contracts that meet the needs of the units while reducing costs for the institution as a whole. Incentives for the vendors are also incorporated into the programs.

Executive Vice President Kasdin pointed out that this presentation was only meant to address the commodities area, but that there are other programs, such as the Purchasing Card program, that address other aspects which will be described during future meetings. He noted

that the commodities program is important because it has allowed savings in labor, space, and inventory costs. Mr. Abruzzi commented that the Prime Vendor Program also focuses on processing costs by identifying how costs and work can be taken out of the system permanently.

Provost Cantor observed that this program has been extremely beneficial for faculty and researchers.

Annual Report of the Senate Advisory Committee on University Affairs (SACUA)

President Bollinger called on Professor William Ensminger, chair of SACUA, to present the SACUA annual report.

Professor Ensminger reviewed the initiatives currently being engaged in by SACUA. These include a discussion of the role of faculty in the student admissions process by the Academic Affairs Advisory Committee; an attempt to revitalize the Ombuds program to serve as a first step in conflict resolution; and completion of the Faculty Handbook project. He also expressed the faculty's approval of the president's decision to co-sponsor the Academic Freedom Lectures.

Professor Ensminger reported that the increasing numbers of non-tenure track faculty is an area of significant concern to faculty. Another ongoing faculty interest is undergraduate education.

Finally, Professor Ensminger expressed appreciation to the administration for its sensitivity for preserving choices for health care. He also reported that SACUA and the Senate Assembly believe that the University should divest tobacco stocks.

President Bollinger thanked Professor Ensminger for the wonderful job he has done as chair of SACUA. Regarding the issue of tobacco stock divestment, he noted that the University

is following the historical approach of raising the issue in the community to determine whether it is considered to be of sufficient magnitude that it should be brought before the Regents.

Biannual Report of Michigan Student Assembly (MSA)

President Bollinger called on Mr. Trent Thompson, president of MSA, to present his biannual report.

Mr. Thompson thanked Vice Presidents Neidhardt and Hartford, Provost Cantor, President Bollinger, and the general counsel's office for their recent efforts on behalf of students. He then spoke on the importance of a trusting relationship among students, Regents, and administrators, and shared some examples of ongoing student-led activities and initiatives on campus. Mr. Thompson concluded by describing four issues that MSA is currently addressing: 1) the need for students to sit on every major University committee; 2) the problem of binge drinking among students; 3) examination of the structure of MSA to see if change could make it a more effective organization; and 4) review of the Code of Student Conduct.

Mr. Thompson then introduced Ms. Sarah Chopp, vice president of MSA, who spoke to the Regents about academic integrity on campus. She noted that each of the 19 schools and colleges has separate policies that address academic integrity, even though all have a similar definition of what constitutes ethical behavior. Ms. Chopp reported that a group of students has been working with Vice President Hartford and other administrators in cooperation with the schools and colleges to coordinate the various academic integrity policies so that the issue of academic integrity can be moved to the forefront. She concluded by asking the Regents for advice and support in creating an ethical environment on campus.

Purchase Agreement with James and Laura Kosteva

On a motion by Regent Power, seconded by Regent Newman, the Regents unanimously approved a purchase agreement with James and Laura Kosteva, who had submitted the high bid for property located at 1000 Cedar Bend Drive, Ann Arbor. Because James and Laura Kosteva are both employees of the University of Michigan, this purchase agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the purchase agreement shall be the Regents of the University of Michigan, as seller, and James and Laura Kosteva, as purchasers.
2. The terms of the contract are for James and Laura Kosteva to purchase the subject property from the University for \$167,505, contingent upon Regents' approval and conventional financing.

Purchasing Agreement with Life Support Services, Inc.

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved a purchasing agreement with Life Support Services, Inc. to provide training to University of Michigan satellite clinics. Because a University of Michigan employee, Mary Berry-Bovia, is also a partial owner of Life Support Services, Inc., this purchase 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 purchase contract will be the Regents of the University of Michigan and Life Support Services, Inc.
2. The terms of the purchase are to buy immediately personalized protocols and training for medical emergencies at UM satellite clinics. The purchase will be for the period of July 1, 1998 through June 30, 2000, in the amount of \$300,000.
3. Ms. Berry-Bovia's pecuniary interest arises from her position as a stockholder/partial owner of Life Support Services, Inc.

Consent Agenda

Minutes. Vice President and Secretary Tedesco submitted for approval the minutes of the October 1998 meeting.

Reports. Executive Vice President Kasdin submitted Reports on Investment, Plant Extension, Human Resources and Affirmative Action, and Non-competitive Purchases Over \$5,000 from Single Sources. Vice President and General Counsel Krislov submitted the Litigation Report. Vice President Neidhardt submitted a report on Projects Established for September 1998.

Student Affairs Report. Vice President Hartford gave a report on responses that are occurring on campus as a result of heightened awareness of alcohol and substance abuse. She noted that a Binge Drinking Task Force had been appointed in the fall, chaired by Marcia Benz, a substance abuse specialist at University Health Service. The task force also includes two faculty members, a student from the Residence Halls Association, the director of housing, representatives from the Greek system, a staff member from the Office of Student Affairs, and the president of MSA.

Vice President Hartford described activities currently in place on campus that address problems of alcohol and substance abuse. These include an awareness program that carries out programs throughout the year; print materials; training for residence hall staff; several substance abuse assessments, including one accessible on the Web; short-term individual counseling; substance-free housing; and a mandated alcohol workshop for students with serious substance abuse issues or multiple “minor in possession” citations. There is also an experimental program in Couzens residence hall focusing on a media campaign to try to change the culture in that

residence hall away from binge drinking toward responsible drinking for those who choose to drink.

Vice President Hartford said she would report back to the Regents during the Winter term about the results of the task force and of some of the experimental programs that have been undertaken.

Medical Affairs Report. Executive Vice President Omenn introduced Mr. Douglas Strong, associate vice president for finance and strategy at the University of Michigan Health System (UMHS). He reported that the recently concluded joint accreditation visit exceeded all expectations and showed a marked improvement over previous years. He then reported on a number of other items of interest with respect to the UMHS.

Voluntary Support. Vice President Feagin submitted the report of Voluntary Support for October 1998. She noted that gifts for October 1998 exceeded the total for the same month in 1997.

Personnel Actions/Personnel Reports. Provost Cantor submitted a number of personnel actions and personnel reports. She called attention to an endowed professorship in the College of Pharmacy that is being established in honor of Dean Emeritus Ara Paul and to the appointment of William Gosling as director of University Libraries.

Retirement memoirs. Memoirs for four retiring faculty members were submitted for adoption.

Memorial Statements. No deaths of active faculty members were reported to the Regents this month.

Degrees. Provost Cantor and Vice President Tedesco submitted the December 1998 Doctoral Degree List; final degree lists for the May 1998 Law School commencement and

August 1999 commencements for the other schools, colleges, and branch campuses; and changes to previously approved degree lists.

Regent Power commented on the recent death of Professor Emeritus Jack Meiland.

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

University of Michigan-Dearborn Field House Addition

Executive Vice President Kasdin noted that this request seeks to increase the budget for this project from \$2,725,000 to \$3,500,000. He reported that he has done some investigation to learn whether the inaccuracy of the original estimate was a result of errors and omissions on the part of the University of Michigan, and he determined it was not. The professional estimator hired by the architectural firm of Ghafari Associates developed the original estimate presented to the Regents in May 1998, and it appears that this estimate was flawed. He reported that funds are available at the UM-Dearborn to cover the additional costs.

Regent Power moved approval of the revised budget for the University of Michigan-Dearborn Field House Addition and authorization for award of the construction contract to A.Z. Shmina, Inc. Regent Maynard seconded the motion.

Regent Newman commented that she is very disappointed in the cost estimate increase, because the initial decision of the Board to move forward on a project is based in part on cost. She noted that the architect's letter explained that the increase is based in part on a labor shortage and in part, on "additions added after the fact." She noted that the architect and the estimator should have been aware and should have factored in higher costs attributed to a labor shortage. However, she said that any enrichments should be included in the original project at the time it is placed before the Board for approval. She expressed concern that the project was

returned after the fact for enrichments that led to an increased cost estimate, noting that “when a project comes to us, it should be final.”

Chancellor Renick responded that the enhancements were minor and did not drive up the price significantly. Regent Newman noted that she would be opposed to paying any higher fee that the architect might impose due to the increase in their costs associated with the increased cost estimate.

Regent Power observed that as a policy matter, the Board decided some time ago to pay more attention to the design and functional specifications of projects in advance. He advised that the policy issues associated with that question relate to the current question and caution should be taken so as to be watchful of “design creep” once a project has been authorized and established. Executive Vice President Kasdin stated that he had spoken to Ghafari Associates in an effort to determine what was meant by its use of the term “enrichment” in their letter. He has come to the conclusion that the expenditures referred to by this term in fact will save money on a present value basis. They are additions to the design that will save in ongoing operating and maintenance costs. Executive Vice President Kasdin commented also that he agrees with Regent Newman that when a budget is approved it should be an accurate budget. He believes that to attribute the inaccurate estimate to problems with the labor market and enrichments does not fully describe what went wrong in the estimating process as it was managed by the architect.

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

External Auditor

Executive Vice President Kasdin noted that the Regents had expressed an interest in rotating the University’s external audit firm. He reported that he had informed Ernst & Young that the University would be sending out a request for proposal for competitive bid for these

services. This would be the first year of closing using the new PeopleSoft system and that could pose difficulties with new auditors. However, this situation could also be viewed as an advantageous time to engage new auditors. He will report back to the Board as the interviewing process proceeds.

Regent Newman left the meeting at this point, at 11:00 a.m.

Six Months Report on University Audits

The Regents received the regular six months report on Office of University Audits activities for the period April 1, 1998 through September 30, 1998.

University of Michigan Financial Report Supplemental Schedules for the Year Ended June 30, 1998

Executive Vice President Kasdin submitted the 1998 Financial Report Supplemental Schedules for the Year Ended June 30, 1998. He noted that during the current year, he and his staff would be working to improve the format of the financial statements so as to more precisely convey the true state of the University's financial picture.

Fixed Income Managers for the University Investment Pool

Executive Vice President Kasdin observed that the University's financial assets are divided into two groups: the endowment funds and the working capital. The endowment funds are invested in the Long Term Portfolio, which includes all of the endowment funds and part of the working capital. All of those funds are invested by external managers. Historically, a significant portion of the working capital, referred to as the "University Investment Pool," has been invested by University staff directly in bonds. Executive Vice President Kasdin said that he believes these funds should be invested by professional outside managers, and that this is a proposal for the appointment of three investment managers for this purpose.

On a motion by Regent Horning, seconded by Regent McGowan, the Regents unanimously approved the appointment of Pacific Investment Management Company (PIMCO) and Payden & Rygel Investment Counsel as active managers, with an initial allocation of \$300 million to PIMCO and \$250 million to Payden & Rygel; and authorization for the executive vice president and chief financial officer to appoint Mellon Bond Associates as passive manager with funding of \$220 million.

Medical Science II and Buhl Center for Human Genetics Buildings Renovation Project

On a motion by Regent Power, seconded by Regent Maynard, the Regents unanimously approved the Medical Science II and Buhl Center for Human Genetics Buildings Renovation Project, as described in the Regents Communication.

University of Michigan Hospitals and Health Centers Emergency Department Expansion and Renovation

Executive Vice President Kasdin called on Mr. Steve Whitney of Albert Kahn Associates to give a presentation on the external design of this project.

Mr. Whitney displayed a map of the Medical Center; diagrams of both the existing Emergency Department and proposed expansion and renovation; and a computer rendering of the completed project.

Regents Power, McGowan, Maynard, and Horning provided observations on parking and expressed concern regarding the impact that the expansion and renovation might have.

Regent McGowan observed that the Board would like building proposals that will increase capacity and lead to increased usage to address parking. She noted that the Board takes very seriously the issue of how parking needs will be accommodated.

Regent Power suggested that as a necessary part of any submission brought to the Board for expanded space, there be in writing a component dealing with parking. President Bollinger pointed out parking issues are a major consideration in development of the new Master Plan.

Executive Vice President Kasdin responded that building projects in the future will include parking impact statements.

Regent Power observed that parking presents a particularly acute problem for people driving to the Emergency area of the hospital. Regent Power then moved approval of the design of the Emergency Expansion and Renovation Project and authorization to solicit the project for bids and award a construction contract, providing the project remains within project budget. Regent Horning seconded the motion, and it was approved unanimously.

Executive Vice President Omenn said that he would report on the parking situation relative to this project at the next meeting.

University of Michigan Hospitals and Health Centers C.S. Mott Children's Hospital Infant Security System Project

On a motion by Regent Power, seconded by Regent Maynard, the Regents unanimously approved the C.S. Mott Children's Hospital Infant Security System Project, as described in the Regents Communication.

University of Michigan Hospitals and Health Centers Helipad Relocation Project

The Regents received information on the design objectives for the UMHHC Helipad Relocation Project.

Recommendation for Replacement and Upgrade of the University of Michigan Hospitals and Health Centers Enterprise-wide Computer Network Infrastructure

On a motion by Regent Maynard, seconded by Regent Horning, the Regents unanimously approved the purchase of the Cisco enterprise-wide computer network, as described in the Regents Communication.

1999 Henry Russel Lecturer

On a motion by Regent McGowan, seconded by Regent Horning, the Regents unanimously approved the appointment of Jack E. Dixon, Minor J. Coon Professor of Biological Chemistry and chair of the Department of Biological Chemistry, as the Henry Russel Lecturer for 1999.

There being no further business, the meeting was adjourned at 11:35 a.m. The next meeting will be held December 17-18, 1998.