

JUNE MEETING, 2002

*The University of Michigan
Ann Arbor
Thursday, June 20, 2002*

The Regents convened at 1:30 p.m. in the Regents' Room. Present were Interim President White and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, and White. Also present were Interim Provost Courant, Vice President Harper, Vice President and General Counsel Krislov, Chancellor Mestas, Executive Vice President Omenn, Vice President Rudgers, Interim Chief Financial Officer Slottow, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Regent Taylor was absent, as was Chancellor Little.

President's Opening Remarks

Interim President White called the meeting to order. He commented on notable events and achievements of University faculty, staff, and students during the past month, and called attention to the recent deaths of emeritus and active faculty members.

Comments from Regent Deitch

Board Organization and Structure. Regent Deitch noted that it had been announced at the May meeting that the structural organization of the Board would be completed at this meeting. He said that within the next several months the Regents would work with President Elect Coleman and Vice President Tedesco to determine charters and scope of activity for board committees.

Regent Deitch nominated Regent Andrea Fischer Newman as vice chair of the Board. Regent Maynard seconded the motion, and it was approved unanimously.

Regent Deitch announced the appointment of Regents Brandon, McGowan, and Taylor to the Finance Committee, with Regent Brandon serving as chair. He appointed Regents Maynard, Horning, and White to the Personnel Committee, with Regent Maynard as chair.

Contract for President-Elect Coleman. Regent Deitch stated that the contract for President Elect Coleman was not quite finalized yet. He noted that the parties are in fundamental agreement on everything; there are technical issues related to deferred compensation that need to be resolved. He stated he had recently spoken with President Elect Coleman and she was comfortable with the contract being finalized within the next couple of weeks.

Residence Hall Safety and Security

Vice President Harper observed that there had been a series of incidents of home evasion and “peeping toms” in the residence halls during the past academic year which had led to a renewed scrutiny of the Housing Division’s security protocol, staffing patterns, structure, and equipment. This was done while attempting to balance the desire to ensure the highest safety possible for students while making sure that the residence hall experience would encourage openness and interaction among the residents.

Vice President Harper enumerated the steps that had been taken in conjunction with the Department of Public Safety (DPS), including institution of 24-hour controlled access to all residence halls, expansion of daytime patrols and coverage in selected halls, and stepping up educational efforts aimed at students. She introduced Bill Bess, director of DPS.

Mr. Bess described efforts that are being taken to enhance security in the residence halls, specifically to address personal and property security in all halls so as to reduce opportunities for home invasions, thefts, peeping tom cases, and other intrusions by uninvited persons. The major focus of the current efforts is on changing student behavior, as previous crime prevention efforts

had failed to do so. This can be explained by the fact that 95% of students feel safe or very safe in residence halls.

Mr. Bess listed some of the steps that have already been implemented for residence halls: extra patrols and police visibility; 24-hour controlled access at hall entrances; weekly meetings for summer camping program personnel to make sure that safety and security issues are addressed; and expansion of the crime prevention program (more posters, floor meetings, written communications). In addition, automatic door-locking devices will be installed in all residence hall rooms that will require the use of student ID cards to activate.

Mr. Bess noted that cameras will be used at the main access entrances of the halls. These will not be actively monitored all of the time, but will be used primarily for investigative purposes. DPS has worked with the new student orientation program to improve its presentations at these sessions. In addition, security has been tightened at the summer camps that utilize residence halls. DPS has also sponsored a “crime prevention through environmental design” program, which will train staff to become more familiar with things that can be done in the design process to reduce the opportunities for the commission of crime.

In summary, Mr. Bess stated that the department is very pleased with the progress that has been made so far in all of the targeted areas. A discussion then followed in which Mr. Bess and Vice President Harper responded to questions and suggestions from the Regents about specific aspects of the residence hall safety program.

Interim President White praised Mr. Bess for the highly professional, sensitive manner in which he carries out his duties.

University of Michigan Health System Topics

Executive Vice President Omenn gave a presentation continuing previous discussions on issues related to the University of Michigan Health System. He observed that the overriding challenge facing the Health System is to provide world-class medical care while educating the next generation of physicians, contributing substantially to the advance of medical knowledge, technologies, and care models, and remaining financially sound. The five key elements of this challenge for the Hospitals and Health Centers (UMHHC) are quality, faculty development, operating margin, productivity, and supply chain management.

Quality: Executive Vice President Omenn stated that the Health System's goal is to stay at the leading edge in technology development, implementation of innovations in care, and improvement of service quality. The institution believes that "there is a business case for quality."

Faculty Development: The Health System's goal in this area is to work continuously to enhance recruitment, retention, and multi-stage career development of outstanding faculty in a wide variety of fields, with similar efforts for staff.

Operating Margin (Financial Performance): The Health System desires to continue to grow, increasing volumes and revenues, and achieving a two percent operating margin, while managing capacity constraints. He noted that the two percent margin is a substantial challenge and a worthy goal, and that aiming for a larger margin would lead to problems in meeting the other elements of the institution's mission. Regarding capacity constraints, he commented that over the past few years, many specific actions have been initiated that taken together have enhanced the use of existing physical assets and created additional assets. These include converting general care beds to cardiac monitoring beds; re-opening certain closed inpatient

units in such areas as cardiology and cardiac surgery; addition of operating rooms; substantial expansion of the emergency department; and development of new outpatient clinical facilities. Year-to-date for FY2002, he reported, the operating margin is \$11.6 million (1.3 percent). Figures for revenues, expenses, clinic visits, and hospital admissions are all very close to budget for FY2002.

Productivity: In this area, the Health System emphasizes work redesign, training, benchmarking, capital investment, and building positive attitudes. He observed that engaging people in the design of their work gives people a sense of pride and improves productivity.

Executive Vice President Omenn responded to a question from Regent McGowan about the effect that new guidelines limiting the number of work hours per week for medical residents will have on their education, on hospital finances, capacity, and operation. He noted that there is debate about how the 80 hours per week work schedule maximum is to be calculated, how emergencies are to be handled, and other matters, such as the fact that residents may moonlight at other hospitals. Executive Vice President Omenn commented that, in certain major specialty areas, the guidelines are close to being met already, and that the guidelines do not present a material financial problem. Educationally, this is a challenging, sensitive issue with respect to ensuring that residents are exposed to sufficient numbers of cases in their field.

Supply chain management: Executive Vice President Omenn observed that great strides have been made in inventory management, but that persuading physicians to standardize their practices with respect to prescription medication and utilization of supplies is a challenge.

Regent Brandon observed that the target operating margin is 2%, but currently the health system is achieving 1.3%. He asked whether any peer institutions are doing better than the UM Health System in terms of operating margin. Executive Vice President Omenn responded that

the University's performance with respect to operating margin is on a par with that of top performing academic centers, and that small differences year-to-year in volume can make a big difference in margin. He said that the FY2003 budget calls for capturing certain reimbursable costs that have not been captured in the past, and that this should contribute to the operating margin. Conversely, certain expenses have been classified as operating expense, rather than equity transfer, which reduces the operating margin.

Interim President White commented that for the near term, the focus of the Health System needs to be on controlling costs, noting that costs have been continuing to grow despite aggressive cost management efforts.

Nursing shortage: Executive Vice President Omenn then turned to efforts being made to overcome the nursing shortage, focusing on recruitment and retention. He described some of the initiatives undertaken in these areas, with the result being 204 new hires in the first five months of 2002 compared to 118 during the same period the previous year. It was noted that the most frequent reason cited for why nurses quit their jobs is personal. He also pointed out that these jobs require high skill levels and are physically demanding. Both factors contribute to difficulties in recruitment and retention.

Regent Deitch observed that the major factor affecting quality in the minds of the patient is nursing care. Executive Vice President Omenn noted that the Health System is very competitive on such factors as salaries, benefits, child care options, etc. He explained that nursing staffing difficulties are due more to the burden of the work than salary and benefits concerns, and steps are being taken to alleviate this by increasing the number of hours of nursing care per patient, which would add additional nurses to care for the same number of patients. This should also lead to improvements in quality.

Regent Maynard raised the issue of the shortage of qualified faculty to teach in nursing schools. It was noted that this is a recognized problem nationwide and innovative solutions are being pursued.

Executive Vice President Omenn commented that workplace redesign has been focusing on garnering respect for and empowering nurses by creating nurse-physician dyads in every unit whose goals are to recognize and empower physician and nurse leaders, foster communication and partnerships, and jointly redesign work processes and manage budgets. This innovation has had positive results.

Executive Vice President Omenn then turned to statistics that serve as measures of quality care, which include ratings of patient access to ambulatory care (time to get an appointment and clinic waiting time), and satisfaction rating on care received; physician referral services; patient self-referral services; emergency department access and satisfaction; and willingness of patients to recommend Health System services.

Executive Vice President Omenn then reviewed “dashboard indicators” that represent measures of clinical performance, which include rate of births by Cesarean section; rate of compliance with advance directive procedure; rate of bloodstream infection; rate of delinquent medical records; mortality rate for coronary artery bypass surgery; pediatric mortality rate; employee satisfaction; and lost workday injury-illness rate among employees.

Regarding M-Care, Executive Vice President Omenn noted that past problems and deficits have largely been alleviated, and it is being very well run with a current operating margin of \$1.0 million.

Regent Brandon raised the issue of the anxiety experienced by patients caused by the time lag between the time a patient is told that a problem is suspected and the time that

laboratory test results are disclosed, and asked whether these measures are tracked. He noted that even though test results are often actually available shortly after the test is conducted, patients are often told that results will not be revealed for up to seven days. The Regents urged that this concern be addressed.

Executive Vice President Omenn summarized that overall, prospects are bright for the UM Health System, due to its outstanding and rising reputation; substantial investments in people, buildings, clinical research, infrastructure, and clinical expansions; and progressive commitment across the Health System units (Medical School, Hospitals and Health Centers, and M-Care) to the health system concept.

Regent Deitch thanked Executive Vice President Omenn, commenting that “we all take great pride in the Medical Center and its people,” and that discussions such as just occurred are pursued only to maintain the focus on making it better. He observed that when he concludes his service as Regent, he will look back on the decision made by the Board to create the position of executive vice president for medical affairs as the correct decision, and he praised Dr. Omenn’s performance as the first person to hold that position.

A five-minute break followed, from 3:10 to 3:15 p.m.

Interim President White recognized Francis Blouin, director of the Bentley Historical Library, who was president in the audience. He also announced that Vice President Rudgers had recently raised money for a nonprofit organization, Camp Greenbear, for children affected by AIDS, by completing a half-marathon race.

Report of the Committee on the Economic Status of the Faculty - Dearborn Campus

Interim President White called on Professor Marlene Gordon, chair of the Dearborn Campus Committee on the Economic Status of the Faculty (CESF). Professor Gordon reported

that the committee had reviewed changes in revenue and expenditures from 1992-2001. There were modest increases in some categories and significant funding increases in other categories. Comparisons were also made with other Class IIA universities. She noted that during the past year, the administration had made a significant effort to address the issue of salary parity for tenure-track and tenured faculty. Committee recommendations include continuing current steps to increase salaries for adjunct professors; continuing the commitment to raise faculty salaries overall; raising the salaries of underpaid faculty; and including non-instructional faculty in all comparisons.

Professor Gordon noted that in the fall the committee would be meeting with its counterparts on the Ann Arbor and Flint campuses to coordinate reporting data.

Report of the Committee on the Economic Status of the Faculty - Flint Campus

Professor Steve Myers presented the CESF report for the Flint campus. The primary focus of the committee has been the affect of inflation on UM-Flint faculty salaries; whether there is significant salary compression within faculty ranks; and how UM-Flint faculty salaries compare to peer institutions. The committee found that there had been substantial loss in faculty buying power relative to the early 1970s, but in more recent years, the University has mostly kept pace with inflation. It also found substantial salary compression at the assistant and associate professor levels and at the lecturer and full professor levels. In addition, the committee also concluded that the UM-Flint has maintained its average ranking among peers with some modest improvement with respect to average assistant professor salaries.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the May 16, 2002 regular meeting and the May 29, 2002 special meeting.

Reports. Interim Chief Financial Officer Slottow submitted reports of Investment and Plant Extension.

Interim Provost Courant submitted the Human Resources and Affirmative Action Report. He called attention to the report's description of a three-stage project that is underway to develop a new classification system for non-academic, non-union staff.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the Report of Projects Established for the period of May 1 - May 31, 2002. He also submitted the report on Implementation of Regents' Policy on Research Grants, Contracts, and Agreements, for FY 2001. He noted that six contracts out of about 5,000 total had been accepted with special restrictions. For these contracts, the funding agency is allowed to place restrictions on the dissemination of information for a restricted period of time.

University of Michigan Health System. Executive Vice President Omenn had no additional report.

Division of Student Affairs. Vice President Harper had no additional report.

University of Michigan-Dearborn. There was no report from the Dearborn campus.

University of Michigan-Flint. Chancellor Mestas reported that Professor Jacqueline Zeff had received the 2002 "Distinguished Woman in Higher Education Leadership Award" from the American Council on Education last week. He also commented on the recently held dedication ceremony for the new William S. White Building.

Faculty Governance Report. Regents Deitch and Newman made note of the very complimentary report submitted by the chair of SACUA, Dr. Koopmann.

Michigan Student Assembly Report. There was no additional MSA report.

Voluntary Support. Interim Vice President Wilbanks submitted the Report of Voluntary Support for May 2002.

Personnel Actions/Personnel Reports. Interim Provost Courant submitted personnel actions and personnel reports. He highlighted the reappointment of Paula Allen Meares as dean of the School of Social Work and George Kenyon as dean of the College of Pharmacy. He noted that the Supplemental Agenda contains requests for approval of faculty appointments for President Elect Coleman.

Vice President Ulaby pointed out the recommendation for the appointment of Professor Anthony Francis as associate vice president for research.

Retirement Memoirs. Vice President Tedesco submitted memoirs for 8 retiring faculty members.

Memorials. Vice President Tedesco submitted memorial statements for Professors Richard W. “Andy” Andrews and Steve T. Koeff.

Degrees. There were no actions with respect to degrees.

Approval of Consent Agenda. On a motion by Regent Horning, seconded by Regent White, the Regents unanimously approved the Consent Agenda.

Authorization for Expenditures in the 2002-2003 Fiscal Year for the University of Michigan Health System

On a motion by Regent Newman, seconded by Regent Deitch, the Regents unanimously approved temporary expenditure authorization for the 2002-2003 fiscal year beginning July 1, 2002.

Authorization for Expenditures in the 2002-2003 Fiscal Year

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved temporary expenditure authorization for University operations in the 2002-2003 fiscal year beginning July 1, 2002.

Planned Uses of Income from the Julian A. Wolfson and the Marguerite Wolfson Endowment Funds for the Fiscal Year 2002-2003

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved planned uses of the income from the Wolfson Endowment Funds, as described in the Regents Communication.

Radrick Farms Property Sale of 2.46 Acres

On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved sale of 2.46 acres of Radrick Farms Property to IDM Co. for \$25,000 plus expenses, as described in the Regents Communication.

Bentley Historical Library Addition

Interim Chief Financial Officer Slottow noted that a significant addition to the Bentley Historical Library was approved in January. He introduced Mr. Robert Powell, architect, of Jickling Lyman Powell Associates. Mr. Powell used a location map, site plan, rendered floor plans, and a rendering of the exterior designed to present the schematic design of the addition. He noted that the project also includes an upgrade of all of the infrastructure in the existing building.

Following some discussion, Regent Horning moved approval of the schematic design for the Bentley Historical Library Addition Project as presented at the meeting. Regent White seconded the motion, and it was approved unanimously.

University of Michigan Hospitals and Health Centers (UMHHC) Child and Adolescent Psychiatry Ambulatory Services Relocation and Leasehold Improvements

On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Hospitals and Health Centers' Child and Adolescent Psychiatry Ambulatory Services Relocation Leasehold Improvement Project as described, and authorized proceeding with the project providing the cost is within the approved budget.

Leasehold Improvements That May Provide Benefit to First Properties Associates

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved leasehold improvements that may provide benefit to First Properties Associates for property located at 2101 Commonwealth. William C. Martin is a partner in First Properties Associates and president of First Martin Corporation, which is the general partner; he is also a University of Michigan employee. Therefore, the proposed 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 contract, which provides some residual benefit after expiration of the seven-year lease to the landlord, First Properties Associates, are the Regents of the University of Michigan and its Child and Adolescent Psychiatry Unit and a yet to be identified contractor.
2. The service to be provided is a leasehold improvement that may provide permanent value to the landlord, after expiration of the seven-year lease. The estimated cost to fit out the office space is approximately \$2.1 million.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is the president of First Martin Corporation.

Purchasing Contract with Mark V. Pomilio, Artist

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved a purchasing contract with Mark V. Pomilio, artist, for purchase of a piece of artwork by the Office of the President. Because Mark Pomilio is also a University of Michigan

employee, this contract 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 contract are the Regents of the University of Michigan and its Office of the President, and Mark V. Pomilio.
2. The service to be provided is artwork at a cost of \$1,000.00
3. The pecuniary interest arises from the fact that Mark V. Pomilio, a University of Michigan employee, is the creator and owner of the artwork.

Academic Calendar for 2004-2005

On a motion by Regent Newman, seconded by Regent Brandon, the Regents unanimously approved the 2004-2005 Academic Calendar for the Ann Arbor campus.

President's Residence Kitchen and Pantry Renovation

Regent Deitch moved approval of the President's Residence Kitchen and Pantry Renovation Project as described in the Regents' Communication. Regent McGowan seconded the motion, and it was approved unanimously.

President's Residence Furnishings Allowance

Chief Financial Officer Slottow informed the Regents that a fund was to be made available from the president's discretionary funds, as had been established by the Regents several years ago, to allow for the purchase of furnishings for the President's Residence over the next five years. The total available funds will be \$250,000.

Regent Deitch commented that the Regents recognize that the President's House is one of the treasures of the campus and it is their obligation to keep it in great shape. The Regents believe that setting up a fund to replace furnishings in the house is an appropriate University expense.

A five-minute break followed, from 4:00 - 4:05 p.m.

Public Comments

The Regents reconvened for Public Comments at 4:00 p.m. They heard comments from the following individuals, on the topics indicated: Nicholas Roumel, staff member, on the Ann Arbor Tenants Union; James A. Bridgewater, citizen, on undergraduate admissions policies; Jeffery D. Harrold, staff member and president of the Association of Black Professionals, Administrators, Faculty, and Staff, on commitment to diversity; David Boyle, student, on the upcoming presidency of Mary Sue Coleman; C. Robert Snyder, alumnus and member of the Washtenaw Rainbow Action Project, Stephen Rassi, student, Benjamin Eli Fife, alumnus, and Antonio David Garcia, staff, on continuing University support of the United Way.

There being no further business, the meeting was adjourned at 4:35 p.m. The next meeting will take place July 18-19, 2002.