

## **JULY MEETING, 2005**

*The University of Michigan  
Ann Arbor  
Thursday, July 21, 2005*

The Regents convened at 2:10 p.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Newman, Richner, Taylor, and White. Also present were Vice President Churchill, Provost Courant, Vice President Harper, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, and Vice President Wilbanks. Regent McGowan and Vice President Ulaby were absent; Regent Maynard participated via telephone.

### **Call to Order and President's Opening Remarks**

President Coleman called the meeting to order. She announced that the women's softball team had visited the White House last week to be honored by President Bush for having won the national championship, and had represented the University extremely well. She also commented on her recent visit to China where University of Michigan officials formalized partnerships with universities in Beijing and Shanghai, met with Chinese elected officials and with the American ambassador to China, and attended alumni receptions.

President Coleman reported that in a few days she would be joining Governor Granholm on a visit to Osaka, Japan, in order to meet with biotechnology companies as part of a state overture to interest Japanese firms in investing in the state, and particularly the life sciences corridor. The presidents of Michigan State and Wayne State Universities, as well as

representatives from other Michigan institutions, are also taking part in the trip, as are Executive Vice President Kelch and Professor Alan Saltiel, director of the Life Sciences Institute.

President Coleman noted that Provost Courant would be stepping down as of August 31, 2005, and commented, “His service to the University during his tenure as provost has been stellar. He has brought immense knowledge and commitment to the role, and all of us who work with him respect both his intellect and his 100% dedication to the University’s academic excellence.” She called on Regent Newman.

### **Regents’ Resolution in Honor of Paul Courant**

Regent Newman called Provost Courant to the podium and read the following resolution:

#### ***Regents’ Resolution***

*The Regents of the University of Michigan salute and express their gratitude to Paul N. Courant as he completes his three-year term as provost and vice president for academic affairs on August 31, 2005, and returns to the faculty to pursue his interests in research and teaching.*

*Provost Courant’s career at the University of Michigan has been ideal preparation for his service as the University’s chief academic and budgetary officer. After joining the faculty in 1973 as an assistant professor of economics and public policy, he was promoted to associate professor in 1978 and professor in 1984, and since 1975 he has been a faculty associate at the Population Studies Center in the Institute for Social Research. Prior to assuming the position of provost and executive vice president for academic affairs in 2002, he served as director of the Institute of Public Policy Studies, chair of the Department of Economics, and associate provost for academic and budgetary affairs. His commitment to full debate, careful analysis, and reasoned discussion is evident in his scholarship, his teaching, and his leadership in academic and public policy discourse. He is a thoughtful spokesperson for higher education and a regular contributor to state, regional, and national policy discussions on education finance, taxation systems, and economic development.*

*A deep dedication to academic excellence, ensuring access, and the preservation of universities as public goods have been the hallmarks of Dr. Courant’s tenure as provost. An active advocate, promoter, and supporter of the rich interdisciplinary work that grows out of excellence and diversity, Provost Courant has helped secure the University’s position among the world’s leading institutions of higher learning. His guidance and oversight during difficult*

*budgetary times will be regarded as one of his foremost contributions to the University's long-term well-being, and his emphasis on the recruitment and retention of outstanding faculty and students will serve the University well into the future.*

*With respect and appreciation, the Regents commend Paul N. Courant for his outstanding service as provost and executive vice president for academic affairs and look forward to his continued contributions as a researcher, teacher, and active participant in public affairs.*

A standing ovation followed. Provost Courant thanked the Regents for keeping as a priority the University's quality and performance, and thanked President Coleman for her leadership and knowledge of higher education, and for the confidence she's had in him and the flexibility she's given him. He also thanked the academic leadership of the institution, including the deans, executive officers, and provost's senior staff, and said that everything we do should serve the academic mission. He also praised staff at all levels of the University.

Provost Courant thanked the Regents for the recognition, and for the opportunity to "do this magical work of learning in this magical place as a faculty member, as provost, and as a faculty member again." Another standing ovation followed.

### **President's Remarks on the 2005-2006 Budget**

President Coleman noted that in FY2004-05 there had been another reduction in state appropriation, along with artificially restrained tuition, and another unexpected mid-year cut. The unprecedented loss of state appropriations over the past several years, she stated, now threatens to compromise the University's core academic excellence. Noting that further losses in state support are likely, she said that the proposed 2005-2006 budget focuses on two of the most critical priorities of her administration, preserving the University's distinctive excellence in the competitive national marketplace, and maintaining access to that education in the face of declining state support. The budget recommendation addresses the decline in state support by

recommending increases in tuition and financial aid in addition to about \$20 million in cuts and reallocations. The recommended increase for resident undergraduate tuition is 12.3% and for financial aid, 14.5%. She said she is convinced that this is the most responsible approach to dealing with the most extraordinary situation occurring in the state, and pointed out that the total increase in financial aid from all sources will be over 28%.

President Coleman observed that since 2002, the University has lost over \$50 million in base appropriations and \$21 million in one-time cuts, which is equivalent to more than \$1,500 per student on the Ann Arbor campus. Although these cuts have been met with significant budget cuts throughout the University, the cumulative effect of the cuts has been enormous and has had a real impact on the academic environment. She noted that 400 staff positions and 100 faculty positions have been eliminated, which have had a direct impact on teaching workload, class sizes, course offerings, and advising and other support services. The University, she observed, is now at a point where its long-term strength is being threatened.

Over the past several years, she noted, the University has kept its tuition increases as low as possible, hoping that the state's economic situation would stabilize. Even including the 2005-06 recommendation, the University of Michigan's average tuition increases over the past five years are among the lowest in the state and in the Big Ten. President Coleman noted that the University's M-Pact program was founded to ensure that a University of Michigan education would not be out of reach for students with financial need. The University offers the most financial aid of any institution in the state, and financial aid for resident undergraduate students will increase at a greater rate than the tuition increase, with total grant support for resident undergraduates increasing over 28%.

Recognizing the commitment made by students and their families to the University, President Coleman pledged that their investment will continue to be of the highest value and the education received will be of the highest quality. President Coleman observed that fundraising is critically important to the University's ability to sustain its quality, and concluded that as president, her most important obligation is to ensure that quality continues to be the number one return on our stakeholders' investment.

### **Ann Arbor Campus 2005-2006 General Fund Operating Budget and Student Tuition and Fee Rates**

Provost Courant displayed revenue and expenditure figures for the General Fund, Designated Fund, Auxiliary Activities Fund, and Expendable Restricted Fund for all campuses. Total revenues for 2005-06 will be \$4,612,800,000; total expenditures will be \$4,569,500,000. Turning to the Ann Arbor General Fund budget, he summarized the guiding principles, which include maintaining the outstanding quality of academic programs; maintaining access to the University; and undertaking other activities that will efficiently and effectively manage the use of all University resources in support of the first two principles. He repeated the University's financial aid policy, which is "to meet the demonstrated financial need of all of its Michigan resident undergraduate students."

Provost Courant reviewed the scope of the budget challenge, which includes cost increases of \$48.7 million for continuing operations (utilities, facilities costs, salaries, benefits, inflation), plus \$14.9 million for commitments and essential initiatives (faculty positions, library acquisitions, and various other initiatives), for a total budget challenge of \$63.6 million. The budget challenge will be met with \$43.5 million in net new revenue and \$20.1 million in reductions and reallocations.

Provost Courant reviewed the recent history of reductions in state appropriation, which since FY2002 have totaled \$48.9 million in base cuts and \$20.8 million in one-time budget cuts. The governor's recommended appropriation for 2005-2006 is \$5.9 million less than the 2004-2005 appropriation. He noted that recent internal budget cuts made to cope with the budget reductions had totaled \$37.5 million in FY2004, \$19.8 million in FY2005, and \$20.1 million in FY2006. He displayed a chart indicating the inverse relationship between the amount of state appropriation and the increase in tuition, and a graph indicating the steadily reduced portion of General Fund revenue that has been funded by state appropriation over the years, from almost 80% in the 1960s to about 26% in 2005-06.

Provost Courant compared the University of Michigan's tuition increase to those of other Big Ten institutions and other Michigan public institutions, both of which reflect the economic conditions of the states in which they reside. He also displayed a chart indicating that 2005-06 tuition and fees are significantly lower for both residents and non-residents at Michigan than at any of its peer private institutions.

The recommended General Fund revenue and expense budget for 2005-2006 is \$1,220,485,000 based on the governor's 2005-2006 recommended appropriation. He reiterated that the goal of the General Fund Budget recommendation is that Michigan continue to be among the world's great universities, able to provide incomparable education for extraordinary students and to help invent the future. He noted, "We owe it to our students, our families, and those who support us through gifts, grants, and taxes to do this work efficiently and economically," and concluded, "Doing this work brilliantly is what this budget is all about."

President Coleman observed that the two regional campuses have been hit harder by state appropriations reductions than the Ann Arbor campus because state appropriations make up a

larger proportion of their budgets. The recommended 2005-06 student tuition and fee increases for both the Dearborn and Flint campuses is 11.9%, accompanied by corresponding increases in student financial aid.

### **Dearborn Campus 2005-2006 General Fund Operating Budget and Student Tuition and Fee Rates**

Chancellor Little stated that it has been very difficult to construct budgets during the past few years in light of the restraints imposed by reduced state appropriations. He noted that the Dearborn campus shares the Ann Arbor campus's priority of continuing to assure the highest level of academic excellence possible, to retain accessibility, and to maintain a supportive work environment for faculty and staff.

Chancellor Little pointed out that the budget provides additional resources for new faculty in the School of Management, funds equal to a 25% increase in the amount of student financial aid, a 2% salary program, and support for assuming full management of the Fairlane Center. Given these priorities and in light of the fact that state support has dropped by 14% over the past 3 years, he was recommending a student tuition and fee increase of 11.9%, or about \$650 per year for a full-time undergraduate student.

### **Flint Campus 2005-2006 General Fund Operating Budget and Student Tuition and Fee Rates**

Chancellor Mestas commented that the budget process on the Flint campus is very open, and everyone who so desires has an opportunity to comment. He said that in view of the state budget situation, the Flint campus is recommending a tuition and fee increase of about \$340 per semester, or 11.9%. Even with the increase, he pointed out, the UM-Flint will still be one of the most affordable public universities, and one of the best educational values, in the state.

Chancellor Mestas commented that the state currently provides only slightly more than one-third of the university's budget, down from two-thirds several years ago. This dramatic disengagement from public higher education on the part of the state, he noted, is especially disappointing in that it is occurring not as a result of a policy decision, but as a result of short-term decisions on a year-by-year basis. He pointed out that over the past few years, the UM-Flint has instituted more than \$4 million in budget cuts, which has resulted in layoffs, elimination of jobs, salary freezes, cutting of funds for academic programs, reduction in services, and deferred maintenance. These measures cannot be sustained indefinitely without compromising the educational quality of the institution. Chancellor Mestas said that the request includes a 3% salary program, meant to compensate in part for the lack of any salary program two years ago.

#### **2005-2006 Fee Assessments for Michigan Student Assembly, Student Legal Services, and School/College Governments**

Vice President Harper noted that MSA provides an annual financial report to the Regents highlighting expenditures made from the Regentally-approved MSA fees, which indicates that MSA has been a responsible steward of its funding. The fee request includes an increase of \$.50 for Michigan Student Assembly (from \$6.69 to \$7.19 per term), and an increase of \$.50 for Student Legal Services (SLS) (from \$5.50 to \$6.00 per term). No fee increase is requested for school and college governments. The increased fees requested will allow both MSA and SLS to meet the demands for their services and programs.

#### **FY2006 University Health Service Fee**

Vice President Harper noted that the University Health Service (UHS) fee allows students to have unlimited visits, laboratory testing, X-rays, and other services without additional out-of-pocket costs, and also provides extensive student health educational programs across

campus. Other revenues come from the pharmacy and services to faculty, staff, and their dependents. The requested UHS rate increase of 7.4% (\$10.17 per term) will provide funding for inflationary operating increases, expansion of critical psychological services, and other needs.

### **FY 2006 University of Michigan Hospitals and Health Centers Operating Budget**

Executive Vice President Kelch recognized the work of his leadership team, including UMHHC director and CEO Larry Warren, Senior Associate Hospital Director and COO Tony Denton, Medical School Dean Allen Lichter, Associate Vice President and CFO Doug Strong and his associate, Kathleen Moore. He announced that FY2005 was the fourth consecutive year of operating margin improvement, with an expected margin of 5.1% in FY2005. He noted that the UMHHC continues to experience high demand for its services, and staff and faculty are performing at remarkably high levels.

Dr. Kelch said that positive margins are essential for the future health and well-being of the Health System, and positive margins are achieved through focusing on a combination of activity levels, revenue per case, expense per case, and available capacity. To maintain the required operating margins, the emphasis during FY2006 and FY2007 will focus on expense management, due to payer concerns and pressure on capacity.

Dr. Kelch said the UMHHC is forecasting an increase in the number of discharges and outpatient cases for the coming year. He described how the institution has increased inpatient capacity during the past three years and how it intends to manage inpatient growth in the coming years. He reported that the UMHHC is forecasting a 4% operating margin for FY2006, with an 8.2% increase in total operating revenue calculated mostly on the basis of increased activity

rather than on increases in revenue per case. Because expenses are increasing at a higher rate than revenues, a lower operating margin is forecast for FY2006 than for FY2007.

Dr. Kelch described the areas of risk affecting the Health Center's ability to achieve its budget goals for FY2006 as well as plans for mitigating these risks. He reported that the senior leadership would focus on maximizing throughput within existing capacity, would implement best practice measurement models along with "lean management" techniques, would continue to engage the organization around efforts required to achieve margin objectives, and would keep the Board informed of opportunities to increase capacity for long-term growth. He concluded that this is an assertive, but achievable budget that would put more focus on expense management than in the recent past, and requested approval.

#### **FY 2006 Athletic Department Budget**

President Coleman called on Athletic Director Bill Martin to present the FY2006 Athletic Department budget. Mr. Martin thanked Provost Courant for his support of the Athletic Department during his term as provost.

Mr. Martin reported that with the help of the priority seating program, the department has achieved a stable economic model, which has been his number one priority since assuming the position of athletic director. Two new buildings, the Academic Center and the Events Center, have achieved their funding goals and will be completed on time and within budget. Fundraising efforts are continuing for other capital projects, and studies are being undertaken about renovations to Michigan Stadium.

Mr. Martin reviewed the status of the Preferred Seating Program, noting that about 93% of season ticket holders in seats subject to the donation chose to pay the donation. He reported that the Preferred Seating Program has yielded more than \$4 million in base donations and \$1.3

million in additional, voluntary donations, and that the department has received more than \$6 million as a result of the program. The department's projected revenues for FY 2004-05 are \$75 million, a 10.9% increase over the previous year, with expenses projected to be \$61.5 million. He pointed out that there has been a budget surplus for each of the past three years. For FY 2005-06 the revenue projection is \$73.3 million, with projected expenses of \$63.9 million, leading to another surplus.

He reviewed key questions affecting projections beyond FY2006, as well as facilities priorities and challenges. Mr. Martin commented that the department has about \$50 million in reserves, up from about \$30 million several years ago, and that the department has a relatively modest level of debt, about \$6 million.

#### **General Comments - 2005-2006 Revenue and Expenditure Operating Budgets**

Executive Vice President Slottow commented on the University's balance sheet, noting that it is subject to "sustained, focused management," and that the physical, financial, and human assets across the University are being very carefully maintained. He said he has reviewed in detail all of the proposed 2005-06 budgets, and praised the quality of the work of staff members who developed the budgets. He also praised Provost Courant and his tenure as provost, noting, "He has been a great colleague and friend, professional and classy. He leaves the University better academically, better financially, and better physically than it was when he took over this post."

Finally, Mr. Slottow acknowledged the efforts of staff at all levels who have led the effort to provide a higher level of service for a lower base budget throughout the University.

## Comments About Proposed Budgets

Regent Richner noted that the budgets for the three campuses are all based on the governor's recommended budget allocation, even though the legislature has not yet come to an agreement. He asked what the response would be if the final recommendation differs from the one on which the University's proposed budgets are based.

President Coleman responded that Vice President Wilbanks has been closely following the budget negotiations in the legislature and asked her to comment. Vice President Wilbanks noted that the state is entering its fourth year of declining higher education appropriations. She pointed out that in previous years, universities had agreed to moderate tuition increases in exchange for receiving flat appropriations, only to have those appropriations cut a few months after the agreement. The assumptions underlying this year's budget recommendations are based on expectations that the appropriations for 2005-06 will be very similar to those of the previous year. Thus, the presumed Ann Arbor Campus appropriation of \$314 million is based on sound, prudent reasoning.

President Coleman stated that even if the final appropriation from the state is higher or lower than the estimated \$314 million on which the budget is based, the University would not return to the Board and request an adjustment to the tuition rate. She said that contingencies are in place for dealing with a final appropriation that is either substantially less or more than the expected \$314 million. If the amount is less, adjustments would be made, and if it is more, that would have a bearing on next year's budget.

Provost Courant said that even after the final appropriation is approved, the University cannot be certain of the actual amount that will be delivered until the end of the fiscal year.

Regent Richner stated that if the final appropriation differs significantly, he would like the budget to be returned to the Regents for reconsideration.

President Coleman cautioned that even if the state were to decide on a substantially higher final figure, there is no guarantee that these funds would not be cut later in the year. If an increase in the base budget is approved, that would have an impact on the budget recommendations for the following year.

Regent Richner said that ordinarily, the legislature would have adopted a budget by the time the University sets its tuition rate, but Regent White pointed out that this has not been the case in recent years. President Coleman responded that even if this were a unique situation, she would still recommend against Regent Richner's request to reconsider after the final appropriation is approved.

Regent Deitch stated that he strongly supports President Coleman's opinion on this matter. He noted that the Regents have had discussions among themselves about their constitutional obligations and stewardship responsibility, and the most important considerations for all stakeholders are certainty and stability. He pointed out that the Board has taken different approaches to coping with declining appropriations over the past several years, including holding the tuition increase to 2.8%. However, he is convinced that the University has done a good job with restrained resources, and has now come up with a budget that "allows Michigan to remain great." In order for the appropriations situation to change, he said that the legislature and citizens will have to come to the consensus that higher education is truly an important priority. So this year's approach is the best one when viewed in terms of stability, certainty, and a continuum. He urged the Board to adopt the budget and to resist reconsidering it until next year.

Regent Brandon suggested that in a period of uncertainty, the more certainty the Board can bring to the situation, the better. He noted that it is actually very unusual for any enterprise to be able to forecast revenues exactly, especially with a budget this large where there will always be some risk. He agrees with the current approach, he said, because “we have made the best assumption we can, and if we are the beneficiaries of bad news and we get less money we are going to flex costs to reflect that reality. And if we’re the beneficiaries of a pleasant surprise, that puts us in a better position as we enter next year, and I don’t think that’s a very bad place for us to be.” He commented that a clear statement is being made to the community that the tuition decision is one they can count on, as opposed to having a secondary discussion that would take place at some point in the future.

#### **Ann Arbor Campus General Fund Operating Budget and Student Tuition and Fee Rates**

Regent Taylor moved approval of the Ann Arbor Campus General Fund operating budget and student tuition and fee rates, as described in the Regents Communication. Regent White seconded the motion.

Regent Richner suggested that if the final appropriation is an increase over the expected amount, the budget be reconsidered in September and perhaps a reserve be set aside for future budget uncertainties in order to prevent a dramatic increase in the future. The objective should be to provide some consistency in the future.

Regent Newman commented that the discussion has highlighted the importance of the state appropriation to the tuition process, and how that impacts every decision that is made. The tuition is reasonable in that it lets the legislature and state residents who are paying tuition see how these two figures are tied together. While she understands Regent Richner’s suggestion, she supports the majority of the board who would rather move forward.

President Coleman reiterated that if the state approves a higher appropriation, that would be a factor in developing next year's budget, as it always is. She noted that the University has always recognized the strong relationship between tuition and state appropriation, and the recommended tuition increases would be moderated in the face of an increased appropriation for the next fiscal year.

Regent White commented that she looks forward to the day when the state gives the University more money than it has budgeted for, as suggested by Regent Richner.

Regent Newman noted that last year the state had imposed limits on tuition increases but could not impose limits on cost increases, and these continue to go up. The current situation, she said, is the result of the state's intervention in tuition-setting. "We are making up for what happened last year, this year," she said, "to bring this institution where it needs to be." Regent Newman said she considered very seriously not voting for the proposed tuition increase, but believes that the provost proved convincingly that while there have been cost increases, there have also been significant cost cuts and cost containment.

Regent Newman observed that this is the fourth straight year of a downward trend in the state appropriation, and it is not a responsible stance to merely hope that the situation will improve. She suggested that the University leadership look at how the General Fund is funded, as this is the fund that is impacted by state appropriation and tuition and fees. "If we don't start setting aside money to build an endowment to fund the General Fund, or doing things that move us away from the General Fund by endowing more programs and moving them outside the General Fund, we will do this every year," she said. "Every time the state does not give us as much money as we think we need, we are going to raise tuition; there is no way around it. Unless we take some responsibility for this and determine how we plan to solve this problem as we go

forward, we are going to have this same discussion.” Regent Newman said she would not continue to support tuition increases unless she sees measures being undertaken to decrease the reliance on state appropriations for funding the General Fund.

The vote was then taken on the motion to approve the Ann Arbor Campus General Fund budget and tuition and fee rates and it was approved unanimously.

### **Dearborn Campus General Fund Operating Budget and Student Tuition and Fee Rates**

Regent Brandon moved approval of the Dearborn Campus General Fund operating budget and student tuition and fee rates, as described in the Regents Communications. Regent White seconded the motion, and it was approved unanimously.

### **Flint Campus General Fund Operating Budget and Student Tuition and Fee Rates**

Regent White moved approval of the Flint Campus General Fund operating budget and student tuition and fee rates, as described in the Regents Communications. Regent Brandon seconded the motion, and it was approved unanimously.

### **2005-2006 Fee Assessments for Michigan Student Assembly, Student Legal Services, and School/College Governments**

Regent Deitch moved approval of the following fees for 2005-2006: \$7.19 per student per term for Michigan Student Assembly, \$6.00 per student per term for Student Legal Services, and \$1.50 per term for school and college governments. Regent White seconded the motion. It was pointed out that these figures represent a total increase in student fees of \$1.00 per student per term.

Regent Newman stated that she would be voting against this proposal on the grounds that student organizations need to constrain costs, use resources more effectively, and raise money

just as other units need to do. Regent Richner commented that he supports the Student Legal Services fee increase but not the increase for MSA.

The vote was then taken and the motion was approved, with Regent Deitch, Maynard, Taylor, and White in favor and Regents Brandon, Newman, and Richner opposed.

### **FY 2006 University Health Service Fee**

Regent Deitch moved approval of the proposed 7.4% increase (\$10.17 per student per term) in the University Health Service Fee. Regent White seconded the motion, and it was approved unanimously.

### **FY 2006 University of Michigan Hospitals and Health Centers Operating Budget**

Regent Taylor moved approval of the FY2006 University of Michigan Hospitals and Health Centers (UMHHC) operating budget, as described in the Regents Communication. Regent White seconded the motion, and it was approved unanimously.

### **Further Comments about the Budget**

President Coleman thanked the Board for their support of the budget requests, especially in light of the very difficult circumstances they were presented with.

Regent Taylor commented that nobody takes any joy in increasing the price of education, but said that it is important to put this action into the context of the value being offered by the University to resident undergraduates. He believes that the rate of about \$9,200 per year constitutes one of the best buys in the United States. In terms of the market, he said, it is “an absolute bargain,” and in absolute terms, he said, “it is an extremely good buy.” He noted that premier private K-12 schools cost far more than attending the University of Michigan.

## **Committee Reports**

**Finance, Audit and Investment Committee.** Regent Brandon reported that the committee had met that morning and considered four agenda items. As part of its study of risk management issues, the committee met with Dr. Robert Todd and Ms. Judith Nowak, associate vice presidents for research, and Carol Senneff, executive director of University audits, for a briefing about research compliance. The second agenda item involved a review of human resource metrics with Laurita Thomas, associate vice president and chief human resource officer, to begin to gain a greater understanding of trends associated with those important cost elements of the University. The committee next conducted the first annual review of the University's lease portfolio, meeting with Associate Vice President Hank Baier and Mary Krasny, assistant director of plant extension, real estate, and support services. Lastly, the committee received a bimonthly update of internal audits, with Carol Senneff and Paul Millis, manager of IT Audits.

**Personnel, Compensation and Governance Committee.** Regent Taylor reported that the committee had spent the majority of its session discussing internal affairs of the committee, developing a list of topics that are within the jurisdiction of the committee and preparing a preliminary calendar for the next 18 months. These items are still being vetted within the administration, and will be finalized at the September meeting. The committee also received a report from President Coleman on the status of ongoing searches and various other personnel matters.

The Regents then turned to the remainder of the consent agenda.

## **Consent Agenda**

**Minutes.** Vice President Churchill submitted for approval the minutes of the meeting of June 16, 2005.

**Reports.** Executive Vice President Slottow submitted the Investment Report, the Plant Extension Report, the Regents Quarterly Report on Non-Competitive Purchases over \$5,000 from Single Sources for March 16-June 15, 2005, and the Human Resources and Affirmative Action Report.

**Litigation Report.** Vice President Krislov submitted the Litigation Report.

**Research Report.** The Regents received the report of projects established, June 1-June 30, 2005.

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

**Division of Student Affairs.** There was no additional report from the Division of Student affairs.

**University of Michigan-Dearborn.** Chancellor Little reported on recent and ongoing activities on the Dearborn campus and highlighted the new degree program being submitted for approval at this meeting.

**University of Michigan-Flint.** Chancellor Mestas reported on a recent visit to the campus by MSA president Jesse Levine. He also expressed his personal appreciation and that of the UM-Flint community for Paul Courant's work as provost of the Ann Arbor campus.

**Michigan Student Assembly Report.** Jesse Levine, president of MSA, noted that he had received a great deal of positive feedback about the work being done by MSA. He reported that MSA's mission is to improve the campus community and significantly and positively affect campus, and its financial priorities remain to provide increased funding for Student Legal Services and for events and activities for students. He noted that MSA has established bylaws and guidelines to ensure that its funding processes are conducted in a viewpoint- and

content-neutral fashion. A fundraising committee will be launched in the fall with the goal of increasing the proportion of the group's revenues provided by means other than student fees. He reported on upcoming MSA activities, noting that "this is an exciting time for MSA."

**Voluntary Support.** Vice President May submitted the Report of Voluntary Support for June 2005, noting that complete reports for June, July, and August, 2005 would be submitted in September.

**Personnel Actions/Personnel Reports.** Provost Courant submitted a number of personnel actions and personnel reports.

Provost Courant said he had just received word that Michigan State University had approved a tuition increase of 13.5% for incoming first-year students, with a corresponding increase in financial aid.

Provost Courant announced that the agenda includes recommendations for the appointments of seven faculty as distinguished University professors, each of whom has extraordinary accomplishments: Philip H. Bucksbaum (Physics), Sheldon H. Danziger (public policy and social work), Sid Gilman (neurology), Donald S. Lopez, Jr. (Buddhist and Tibet Studies), Joyce Marcus (anthropology), Coimbatore K. Prahalad (business), and Abigail J. Stewart (psychology and women's studies). He also pointed out the recommended appointment of Janet A. Weiss as dean of the Horace H. Rackham School of Graduate Studies and vice provost for academic affairs-graduate studies, and Deborah Ball as interim dean of the School of Education.

President Coleman called attention to the reappointment of Alan Saltiel as director of the Life Sciences Institute.

Chancellor Little highlighted recommendations for the reappointment of Thomas A. Baird as vice chancellor for institutional advancement, and noted the recent appointment of the director of the Armenian Research Center.

**Retirement Memoirs.** Vice President Churchill submitted memoirs for 10 retiring faculty members. Provost Courant commented on the careers of Professors Henry Pollack and Nancy Reame.

**Memorials.** No deaths of active faculty members were reported to the Regents this month.

**Degrees.** Provost Courant submitted for approval the August 2005 doctoral degree list, final degree lists for the Spring 2005 commencements, and changes to previously approved degree lists.

**Approval of Consent Agenda.** On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved the Consent Agenda.

The Regents then turned to consideration of the regular agenda.

#### **University Real Estate Policy: Annual Report on Leases Exceeding 50,000 Square Feet**

Executive Vice President Slottow submitted the first annual report on all leases in which the total square footage being leased in a particular building or in a related complex of buildings exceeds 50,000 square feet, as required by the recently approved University Real Estate Policy.

#### **Alternative Asset Commitment (*Merit Energy Company*)**

Executive Vice President Slottow reported on the University's recent follow-on investment commitment to Merit Energy Partners X, L.P.

***Alternative Asset Commitments (CP Investment Fund II, L.P., Rockwood Capital Real Estate Partners Fund VI, L.P., SSC II, L.P.)***

Executive Vice President Slottow reported on the University's recent follow-on investments with three previously approved real estate partnerships: CP Investment Fund II, L.P., Rockwood Capital Real Estate Partners Fund VI, L.P., and SSC II, L.P.

***Alternative Asset Commitments (Garnet & Helfrich Capital, L.P.; Claremont Creek Ventures, L.P.; PrivatVärde Fund, L.P.; and Embarcadero Capital Investors Two, L.P.)***

On a motion by Regent Brandon, seconded by Regent Taylor, the Regents approved the following investments: Commitment of an additional \$6 million from the Long Term Portfolio to Garnet & Helfrich Capital L.P. (venture capital commitment); \$10 million from the Long Term Portfolio to Claremont Creek Ventures, L.P. (venture capital commitment); \$45 million to PrivatVärde Fund, L.P. for the University Investment Pool (absolute return investment); and \$20 million to Embarcadero Capital Investors Two, L.P. (real estate investment).

***Harlan Hatcher Graduate Library North and South Emergency Power Upgrade***

On a motion by Regent Brandon, seconded by Regent Taylor, the Regents unanimously approved the Harlan Hatcher Graduate Library North and South Emergency Power Upgrade Project as described in the Regents Communication, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

***Student Activities Building Renovation***

On a motion by Regent Taylor, seconded by Regent White, the Regents unanimously approved the Student Activities Building Renovation Project as described in the Regents Communication, and authorized commissioning Gensler Architecture, Design & Planning Worldwide for its design. It was noted that approximately two-thirds of the project will be

funded by the State of Michigan, from the Fiscal Year 2005 Supplemental Capital Outlay Request.

**University of Michigan Hospitals and Health Centers (UMHHC) Canton Health Center Infusion Treatment and Computed Tomography (CT) Services Leasehold Improvements; University of Michigan Hospitals and Health Centers (UMHHC) Eye Center Expansion Project**

Executive Vice President Slottow noted that these projects are an integral part of the Hospitals long-term ambulatory care strategic plan. Executive Vice President Kelch explained that both projects are part of a multiple-step project to expand the Hospitals' outpatient facilities for cancer care and geriatric care.

Regent Brandon moved approval of the UMHHC Canton Health Care Infusion Treatment and Computed Tomography Services Leasehold Improvements Project and the UMHHC Family Medicine Relocation to Domino's Farms Leasehold Improvements Project, as described in the Regents Communications. Regent Taylor seconded the motion, and it was approved unanimously.

**University of Michigan Hospitals and Health Centers (UMHHC) Eye Center Expansion Project**

Executive Vice President Slottow noted that the Eye Center Expansion Project is included in the UMHHC master plan, and the project includes the Brehm Diabetes Research Center, funded by a gift from William and Delores Brehm. Executive Vice President Kelch introduced Mr. John Ballew, newly appointed director of health system facilities planning.

Mr. Ballew noted that the purpose of the project is to replace and expand the existing eye center in order to address increasing growth in clinical volume and research volume, to provide physical space to realize part of the Brehm Center gift for diabetes Type I research, and to provide shell space for future research needs. He displayed a diagram of the site location within

the Medical Center Master Plan and reviewed the vision for the Wall Street district. He also provided an image of the current eye center facilities and explained the reasoning behind predictions for large increases in demand for these facilities. He then reviewed the vision for the Brehm center and described the basic conception for the project. He described short-term plans for accommodating the parking spaces that will be eliminated by the project, and said that long-term needs will be provided by implementation of the first phase of the Health System's parking strategy. It was noted that a significant portion of funding for the project is expected to be provided by philanthropy.

Regent Taylor moved approval of the UMHHC Eye Center Expansion Project as described, and authorization for commissioning TSA of Massachusetts LLP for its design. Regent White seconded the motion, and it was approved unanimously.

### **Conflict of Interest Items**

President Coleman announced that the agenda includes nine conflict of interest items, each of which requires six votes for approval.

On a motion by Regent Deitch, seconded by Regent Newman, the Regents unanimously approved the following nine items.

### **Purchasing Contract with Wright Medical Technology**

The Regents approved a purchasing contract with Wright Medical Technology for hip and knee implant systems. Because Dr. J. David Blaha, stockholder in Write Medical Technology, is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statue. 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 Department of Orthopaedic Surgery and Wright Medical Technology.
2. The goods provided are knee and hip implant systems to be provided for the period from August 1, 2005, through July 31, 2008, at a total amount of \$5,000,000.
3. The pecuniary interest arises from the fact that Dr. J. David Blaha, a University of Michigan employee, is a stockholder in Wright Medical Technology.

### **Purchasing Contract with Monoky & Associates**

The Regents approved a purchasing contract with Monoky & Associates for textbooks for the Ross School of Business's Executive Education Center. Because John F. Monoky, principal consultant of Monoky & Associates, is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statue. 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 Ross School of Business's Executive Education Center and Monoky & Associates.
2. The products provided are textbooks to be purchased through December 2006 at a cost of \$6,450.
3. The pecuniary interest arises from the fact that John F. Monoky, a University of Michigan employee, is principal consultant of Monoky & Associates.

### **Purchasing Contract with Valley View Farm**

The Regents approved a purchasing contract with Valley View Farm for breeding and boarding sheep for use in medical research projects in the Department of Pediatric Endocrinology. Because Douglas Doop, sole owner of Valley View Farm, is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statue. 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 Department of Pediatric Endocrinology and Valley View Farm.
2. The service to be provided is boarding and breeding sheep for the purpose of medical research. The service will be provided from September 1, 2005, through August 31, 2008, at a cost of \$70,000.

3. The pecuniary interest arises from the fact that Douglas Doop, a University of Michigan employee, is the sole owner of Valley View Farm.

### **License Agreement with Avidimer Therapeutics, Inc.**

The Regents approved a license agreement with Avidimer Therapeutics, Inc. for “Multi-functional Engineered Nano-devices” (UM File No. 2908); “Process for the Production of Highly Pure Dendrimers” (UM File No. 2914); “Targeted Delivery of Imaging Agents and/or Therapeutics to Prostate Cancer Cells” (UM File No. 3125). Because Dr. James Baker, Jr., has ownership interest in Avidimer Therapeutics 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. The parties to the contract are the Regents of the University of Michigan and Avidimer Therapeutics, Inc.
2. The terms of the agreement include giving Avidimer an exclusive license with the right to grant sublicenses. Avidimer will pay a royalty on sales and reimburse patent costs, and the University will retain ownership of the licensed technology and may continue to further develop it and use it internally.

No use of University services or facilities, nor any assignment of University employees is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties.

3. The pecuniary interest arises from the fact that Dr. James Baker, Jr., a University of Michigan employee, has ownership interest in Avidimer Therapeutics, Inc. He has waived any personal participation in the sharing of revenue received by the University.

### **License Agreement with Pipex, Inc.**

The Regents approved a license agreement with Pipex, Inc., for commercialization of the intellectual property “Copper lowering treatment of inflammatory and fibrotic diseases” (UM File No. 2169). Because Dr. George Brewer has ownership interest in Pipex, Inc., and is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of

Interest Statue. 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 Pipex, Inc.
2. The terms of the agreement include giving Pipex an exclusive license with the right to grant sublicenses, and Pipex will pay a royalty on sales and reimburse patent costs. The University will retain ownership of the licensed technology and may continue to further develop it and use it internally.

No use of University services or facilities, nor any assignment of University employees is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties.

3. The pecuniary interest arises from the fact that Dr. George Brewer, a University of Michigan employee, has ownership interest in Pipex, Inc. He has waived any personal participation in the sharing of revenue received by the University.

### **Research Agreement with Cyclos Semiconductor, Inc.**

The Regents approved a research agreement with Cyclos Semiconductor, Inc., for a technology entitled “Charge Recovery Technology Evaluation.” Because Dr. Marios C. Papaefthymiou, part owner of Cyclos Semiconductor, Inc., is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statue. 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 Cyclos Semiconductor, Inc.
2. The terms of the agreement conform to University policy. A total contract of \$94,502 is anticipated to cover the period of May 1, 2005, through July 31, 2007. The University’s standard contract provisions will apply. Since research agreements are often amended, the subcontract includes provisions for changes in time, amount, and scope of the research. University procedures for approval of these changes will be followed and additional review by the conflict of interest review committee will be done as appropriate.
3. The pecuniary interest arises from the fact that Dr. Marios C. Papaefthymiou, a University of Michigan employee, is also part owner of Cyclos Semiconductor, Inc. He has waived any personal participation in the sharing of revenue received by the University.

### **License Agreement with POM Group, Inc.**

The Regents approved a license agreement with POM Group, Inc., for the technology entitled: “Method for Fabrication Overhang Structure by Deposition of Sacrificial Material to Form Cavity During Direct Metal Deposit (DMD)” (UM File No. 1721) and “Method of Tailoring Residual Stress and Hardness During Direct Metal Deposition” (UM File No. 1722). Because Dr. Jyotirmoy Mazumder, part owner of POM Group, Inc., 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. The parties to the contract are the Regents of the University of Michigan and POM Group, Inc.
2. The terms of the agreement include giving POM Group, Inc., an exclusive license with the right to grant sublicenses. POM Group, Inc., will pay a license fee and reimburse patent costs. The University will retain ownership of the licensed technology and may continue to further develop it and use it internally.

No use of University services or facilities, nor any assignment of University employees is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties.

3. The pecuniary interest arises from the fact that Dr. Jyotirmoy Mazumder, a University of Michigan employee, is also part owner of POM Group, Inc. He has waived any personal participation in the sharing of revenue received by the University.

### **Amendment to License Agreement with Discera, Inc.**

The Regents approved a license agreement with Discera, Inc., for the technology entitled: “Non-intrusively Supported Wine Glass Disk Resonator” (UM File No. 2439); “Extensional Wine Glass Resonator” (UM File No. 2571); and “Hollow Disk Micromechanical Resonator” (UM File No. 2729). Because Dr. Clark Nguyen, part owner of Discera, Inc., 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. The parties to the contract are the Regents of the University of Michigan and Discera, Inc.
2. The terms of the agreement include giving Discera, Inc., an exclusive license with the right to grant sublicenses. Discera, Inc., will pay a royalty on sales and reimburse patent costs. The University will retain ownership of the licensed technology and may continue to further develop it and use it internally.

No use of University services or facilities, nor any assignment of University employees is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties.

3. The pecuniary interest arises from the fact that Dr. Clark Nguyen, a University of Michigan employee, is also part owner of Discera, Inc. He has waived any personal participation in the sharing of revenue received by the University.

### **Option Agreement with Vortex Hydro Energy LLC**

The Regents approved an option agreement with Vortex Hydro Energy LLC for the technology entitled “Converter of Current/Tide/Wave Energy” (UM File No. 2973). Because Dr. Michael Bernitsas, part owner of Vortex Hydro Energy LLC, 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. The parties to the contract are the Regents of the University of Michigan and Vortex Hydro Energy LLC.
2. The terms of the agreement include giving Vortex Hydro LLC a one-year exclusive option to negotiate an exclusive license with the right to grant sublicenses. Vortex Hydro Energy LLC will reimburse patent costs during the term of the option agreement, and would pay a royalty on sales and reimburse patent costs if the option is exercised and a license is executed. The University will retain ownership of the licensed technology and may continue to further develop it and use it internally.

No use of University services or facilities, nor any assignment of University employees is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional review by the conflict of interest review committee will be done as appropriate.

3. The pecuniary interest arises from Dr. Michael Bernitsas’ ownership interest in Vortex Hydro Energy LLC. He has waived any personal participation in the sharing of revenue received by the University.

### **Henry Russel Lecturer for 2006**

President Coleman informed the Regents that Huda Akil, Gardner C. Quarton Distinguished University Professor of Neuroscience in Psychiatry, has been selected as the Henry Russel Lecturer for 2006.

### **Henry Russel Awards for 2006**

President Coleman informed the Regents that two faculty members had been selected to receive the Henry Russel Awards for 2006: Amy K. Porter, associate professor of flute, School of Music, and Dennis M. Sylvester, associate professor of electrical engineering and computer science in the College of Engineering.

### **Revision of SPG 201.65-1: Conflicts of Interest and Conflicts of Commitment**

Provost Courant reported that a faculty and staff committee had been charged with developing a new conflict of interest and conflict of commitment policy to replace the original SPG 201.65-1 that would be consistent with current norms for higher education. The resulting document has been issued as a revised Standard Practice Guide 201.65-1 (included as an attachment to the Regents Communication and available on the University of Michigan website). Companion procedures establish a process for developing, reviewing, approving, and monitoring implementation policies in the schools, colleges, and administrative units, and these implementation policies will be established during the 2005-2006 academic year.

### **Delores S. And William K. Brehm Center for Type I Diabetes Research and Analysis**

Executive Vice President Kelch commented on the generosity of Delores and William Brehm in providing funds for a center for diabetes research. Regent Newman said that she had

recently met the Brehms and was impressed by their dedication to finding a cure for both Type I and juvenile Diabetes.

On a motion by Regent Brandon, seconded by Regent Taylor, the Regent unanimously approved establishment of the Delores S. And William K. Brehm Center for Type I Diabetes Research and Analysis.

**Michigan Health Corporation Business Plan**

On a motion by Regent Taylor, seconded by Regent Newman, the Regents unanimously approved the Michigan Health Corporation FY2006 Annual Business Plan and Budget.

**Regents' Meeting Schedule for 2006**

Vice President Churchill submitted a proposed schedule of Regents' Meeting for 2006, noting that informal sessions would generally be held on Thursday afternoons and the formal sessions would be held Friday mornings, with Public Comments scheduled for 11:00 a.m.

On a motion by Regent Taylor, seconded by Regent Brandon, the Regents unanimously approved the following schedule of Regents' Meetings for 2006:

<u>Informal Session</u>	<u>Formal Session</u>
January 19	January 20
February 16	February 17
March 16	March 17
April 20	April 21
May 18	May 19 ( <i>Dearborn Campus</i> )
June 15	June 16
July 20	July 21
September 21	September 22
October 19	October 20 ( <i>Flint Campus</i> )
November 16	November 17

December 14

December 15

**New Degree Program for University of Michigan-Dearborn College of Arts, Sciences, and Letters (“Bachelor of Arts degree in Women’s and Gender Studies”)**

On a motion by Regent Brandon, seconded by Regent Taylor, the Regents unanimously approved a new degree program to be offered by the College of Arts, Sciences, and Letters at the University of Michigan-Flint: “Bachelor of Arts degree in Women’s and Gender Studies.”

**University of Michigan-Dearborn Bylaws**

On a motion by Regent Taylor, seconded by Regent Richner, the Regents unanimously approved revised University of Michigan-Dearborn Bylaws. The revised bylaws are included as an attachment to the Regents Communication.

A ten-minute break followed.

**Public Comments**

The Regents heard comments from the following people on the topic of amending the Regents Bylaws to include a nondiscrimination statement regarding gender identity and expression: Jeffrey Montgomery, citizen and executive director of the Triangle Foundation; Sandra Samons, alumna; Brent Bilodeau, citizen and director of the Michigan State University Office of LBGT Concerns; Amanda Simpson, citizen; Amy Hammock, student; and Kate Runyon, citizen and associate of the American Friends Service Committee Lesbian, Gay, Bisexual and Transgender Issues Program. The following individuals also commented on the topics indicated: Jim Mogensen, citizen, on the town-gown relationship; Alice Ralph, alumna and commissioner of the Washtenaw County Historic District Commission, on the Gordon Hall Historic District; and

Carmel Salhi, alumnus and member of Students Allied for Freedom and Equality, on a committee to investigate investments in military companies in Israel.

There being no further business, the meeting was adjourned at 5:45 p.m. The next meeting is scheduled for September 15, 2005.