

## **SEPTEMBER MEETING, 1998**

*The University of Michigan  
Ann Arbor  
Wednesday, September 16, 1998*

The Regents convened at 4:05 p.m. in the Regents' Room. Present were President Bollinger and Regents Deitch, Horning, Maynard, McFee, McGowan, Newman, Power, and Taylor. Also present were Provost Cantor, Executive Vice President Kasdin, Executive Vice President Omenn, Vice President Feagin, Vice President Hartford, and Interim Co-General Counsel Barry. Vice President Neidhardt, Chancellor Renick, and Interim Chancellor Schmall were absent.

### **Announcement**

President Bollinger announced that a sophomore student, Christopher Giacherio, had been discovered dead in an off-campus apartment that morning. He noted that the student's father is a professor in the Medical School and his mother is a teacher at an Ann Arbor elementary school. Vice President Hartford said that a vigil had been held in the Residential College at noon, and that personnel are being made available for students to help them deal with the death.

### **Public Comments**

The Regents heard comments from Sumeet Karnik, member of MSA, on student/Regent relations.

### **Executive session**

Regent Horning then made the following statement:

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

The meeting then continued in executive session.

*Thursday, September 17, 1998*

The Regents met at 9:40 a.m. in the Regents' Room. Present were President Bollinger and Regents Deitch, Horning, Maynard, McFee, McGowan, Newman, Power, and Taylor. Also present were Provost Cantor, Executive Vice President Kasdin, Vice President Feagin, Vice President Hartford, Chancellor Renick, Interim Chancellor Schmoll, and Interim General Counsel Barry. Executive Vice President Omenn arrived shortly after the start of the meeting, and Vice President Neidhardt arrived at 10:55 a.m.

### **Appointment Recommendations**

President Bollinger announced that several recommendations for vice presidential appointments were listed as part of the consent agenda. He noted that Marvin Krislov, recommended for appointment as vice president and general counsel, and Cynthia Wilbanks, recommended for appointment as vice president for government relations, were both present at the meeting.

President Bollinger observed that Mr. Krislov had been selected following a national search that had yielded an exceptional pool of candidates, and that Elizabeth Barry, who is currently serving as interim co-general counsel, was among those candidates. Ms. Barry is being recommended for appointment as associate vice president and deputy general counsel.

President Bollinger stated that Cynthia Wilbanks, currently serving as associate vice president for university relations, had been doing an outstanding job in state government relations, and that in her new role she would assume the additional responsibilities of federal relations and community relations. He noted that Lisa Tedesco, his recommendation for vice president and secretary of the University, is a noted scholar and administrator in the School of Dentistry.

Regent Newman commented to President Bollinger that “you continue to amaze with the wonderful people that you find to fill these positions, and that is a terrific credit to you and to the institution.” She said that she is very excited about all of the appointments.

Regent Power said that he shares Regent Newman’s enthusiasm about President Bollinger’s appointments, and moved approval of the appointment of Marvin Krislov as vice president and general counsel. Regent McFee seconded the motion, and it was approved unanimously.

Regent Deitch moved approval of the appointment of Cynthia H. Wilbanks as vice president for government relations. Regent Newman seconded the motion, and it was approved unanimously.

Regent Newman moved approval of the appointment of Lisa A. Tedesco as vice president and secretary of the university. Regent Power seconded the motion and it was approved unanimously.

Regent Maynard moved approval of the appointment of Elizabeth Barry as associate vice president and deputy general counsel. Regent Taylor seconded the motion and it was approved unanimously.

Regent Power observed that in the past, the University had been reluctant to create very many positions of vice presidential rank. He asked President Bollinger to speak about the organizational structure that he is setting into place, along with his feelings about titles.

President Bollinger responded that when he became president, he saw a need to enhance the legal services and representation within the University, and he wanted to symbolize that by elevating the position of general counsel to the vice presidential level. This is a common status for that position in other institutions. Creation of the position of associate vice president and deputy general counsel was done so as to take advantage of the talents and experience of Elizabeth Barry.

He observed that the title of vice president for university relations had arisen relatively recently in the University's history, incorporating the former position of vice president for government relations with the role of media relations into the position held through May 1998 by Walter Harrison. He said that in his view, at this point in the life of the institution it is appropriate to separate those functions into two positions, with the individuals who perform each set of responsibilities holding the title of vice president.

Regarding the position of secretary of the university, he noted that this position has always held executive officer rank, so the addition of the title of vice president to this position involves no change in status. However, the addition of the title of "vice president" is simply a reflection of modern sensibilities, to make the title reflect the actual status of the position. He said that his goal is to create offices that provide an opportunity to have people work on the things that we think really need to be accomplished at the University. It has become necessary to have the titles shift somewhat to make that possible.

## **Consent Agenda**

**Reports.** Executive Vice President Kasdin submitted reports on Investment, Plant Extension, and Human Resources and Affirmative Action.

Interim Co-General Counsel Barry submitted the Litigation Report.

The Regents received the report of Projects Established for the months of July and August, 1998.

**Student Affairs Report.** Vice President Hartford reported that the residence hall move-in had gone extremely well, with superb cooperation and coordination among the City of Ann Arbor, the Ann Arbor Transit Authority, the Medical Center complex, and the School of Public Health. She also noted that in response to urging from the Regents, residence hall crowding has been dramatically reduced, to the point that the only overflow triples are those that have been requested by students.

Regent Power observed that this is a good example of a problem having arisen about which concern had been expressed among the Regents, and Vice President Hartford having noted the problem and taken corrective action. This is the mark of a well-managed organization.

Vice President Hartford reviewed some of the other programs that had been conducted in conjunction with residence hall move-in week. She also reported that as a result of a grant from the Kellogg Foundation, four academic units would be incorporating civic engagement through leadership and community service into specific classes.

**Medical Affairs Report.** Executive Vice President Omenn noted that the role of biomedical research is being highlighted around the state. He said that increases currently being proposed by Congress for the National Institutes of Health reflect the strong public support for biomedical research.

He noted that in general, the health system is in good shape on all fronts, and reviewed some recent initiatives and actions that had taken place in the Medical School and Hospitals and Health System.

**Voluntary Support.** Vice President Feagin called attention to the year-end report for fiscal year 1997-98. She noted that this was another record year in voluntary support, with a total of \$179.5 million having been received. This represents a 13 percent increase over the previous year. Of particular note is the \$30 million in new commitments made after the end of the campaign. She also pointed out that 58 percent of the gifts in 1997-98 came from individual donors, and this percentage has been steadily increasing. This represents an important trend, as the largest potential for significant growth in private giving to the University is from individuals.

Vice President Feagin noted that FY 1997-98 was an exceptional year for several units, including the Medical School, which raised more than \$28 million, and the College of Engineering, which raised more than \$25 million. She pointed out that the figures reported for July and August, 1998, are deceiving because the implementation of M-Pathways has delayed the crediting of gift receipts.

Vice President Feagin observed that the focus for the coming year will be on making sure that there is effective staffing and ensuring that the donors who were responsible for the success of the Campaign for Michigan are kept connected to the University in meaningful ways.

**M-Pathways.** Regent Power requested that a discussion about the implementation of M-Pathways be held at the next meeting. Executive Vice President Kasdin said that he would arrange such a discussion.

**Personnel Actions/Personnel Reports.** Provost Cantor called attention to the appointments of Beverly Ulrich as director of the Division of Kinesiology and Lucy Waskell as

professor anesthesiology. She also noted the reappointments of Dean Hinshaw in the School of Nursing and Dean Lehman in the Law School, and the extension of the appointment of Paul Boylan as vice provost for the arts.

**Retirement memoirs.** Provost Cantor submitted recommendations for the adoption of six retirement memoirs.

Executive Vice President Kasdin reported that Mr. Leo Heatley, the director of public safety and security, would be retiring as of March 31, 1999.

**Memorials.** Provost Cantor submitted memorial statements for two deceased faculty members, and also noted the recent death of Professor Sharon Stevens.

**MSA Report.** President Bollinger called on Mr. Trent Thompson, president of MSA. Mr. Thompson handed out the monthly MSA report, and apologized for the fact that Mr. Bram Elias, treasurer of MSA, had not been able to make it to the public comments session in time to address the Board the day before.

### **University of Michigan Financial Statements for the Year Ended June 30, 1998; 1998-99 Budgets**

Executive Vice President Kasdin submitted for information the annual financial statements for the year ended June 30, 1998, as audited and certified by Ernst & Young LLP, independent auditors. He also submitted for information the 1998-99 budget book, which formally compiles the budget that was approved in July 1998.

Executive Vice President Kasdin noted that in the past, the Regents had been asked to approve the financial statements before having had an opportunity to review them and meet with the auditors. He has adjusted the timing so that the financial statements are being transmitted in September, which will enable the Regents to review them and contact him with questions prior to receiving the report of the independent auditor the following month. Approval of the financial

statements will be sought in conjunction with the report of the independent auditor in October. He noted that Ernst & Young has offered an unqualified opinion this year.

Regarding the University's Budget Book for fiscal year 1998-99, he observed that this book has traditionally been compiled to be more responsive to accounting needs than to be a valuable configuration of information. He reported that he and Executive Vice President Omenn, along with staff in Financial Operations on central campus and the health system, would be working over the next year to make sure that the data contained in the next budget book will be more helpful and responsive to the Regents' and administration's need to have a more meaningful understanding of what is occurring.

Regent Deitch noted that in the past, the Regents had raised the issue of rotation of the University's external auditors. Executive Vice President Kasdin responded that the time to make the decision to engage a new auditor is in the winter, when the next year's audit is being planned. He said that although the University is very pleased with Ernst & Young, he has informed Ernst & Young that he and his staff will be carefully reviewing the benefits of rotation over the coming winter. A request for proposal will be sent out at that time.

### **Alternative Equity Investment**

On a motion by Regent Power, seconded by Regent McFee, the Regents unanimously approved commitment of up to \$15.0 million of the Long Term Portfolio to Berkshire Fund V, L.P.

### **Oak Investment Partners VIII, L.P.**

Executive Vice President Kasdin reported that the University had made a follow-on investment of \$10.0 million to Oak Investment Partners VIII, L.P.

### **Absolute Return Managers**

Executive Vice President Kasdin explained the investment strategies of “absolute return” managers. On a motion by Regent Deitch, seconded by Regent Power, the Regents unanimously approved the appointment of Centurion Investment Group, Farallon Capital Management, Highfields Capital, and Och-Ziff Capital Management Group, at an initial funding of \$25 million each, subject to a favorable legal review of the documents by the general counsel’s office.

### **Rackham Engineering Foundation**

Executive Vice President Kasdin reported that the Rackham Engineering Foundation is asking to be allowed to change its distribution policy so as to increase the spending of income on its endowment from 3 percent of principal to 5 percent of principal.

Regent Power noted that there had been discussion in past years of disposing of this building because the programming associated with its use is not particularly relevant to the University’s interests. Executive Vice President Kasdin responded that there have been impediments in the University’s desire to dispose of the building, and as a result, a long-term arrangement was made with Wayne State University (WSU) under which WSU would occupy and maintain the facility.

Regent McFee observed that the Rackham Engineering Foundation building represents the University’s presence in Detroit. In the past, the desirability of maintaining a presence in Detroit has perpetuated the interest in continuing to find uses for this building.

Executive Vice President Kasdin proposed presenting an item for information at an upcoming meeting that would provide further information on the relationship with Wayne State University and the status of this building.

On a motion by Regent Power, seconded by Regent McFee, the Regents unanimously approved supporting the request of the Engineering Society of Detroit to increase the Trust's distribution rate from 3 percent to 5 percent.

### **Dow Building Addition**

Executive Vice President Kasdin reported that in February 1997 the Regents had approved a \$7 million addition to the Herbert H. Dow Building. Since that time, structural ways of enhancing efficiency and additional programmatic needs have been identified. Therefore, a larger, \$18 million is now being proposed, in lieu of the originally approved addition. He called on Arthur Andersson, architect, to present the revised design for the project.

Mr. Andersson displayed a map of North Campus showing the location of the building, as well as site plans, floor plans, renderings of the exterior, and samples of the brick and "Rhein zinc" materials planned for the exterior, and described the various features of the structure.

President Bollinger reported that this project had undergone months of discussion, and that while compatible with the existing structure, it also will add to the visual interest of North Campus.

Following further discussion, Regent McFee moved approval of the revised project scope, design, and budget as described, along with authorization for soliciting bids and awarding a construction contract to the successful bidder providing the project remains within the approved budget. Regent Deitch seconded the motion, and it was approved unanimously.

### **Mason Hall and Haven Hall Renovation Project**

On a motion by Regent Horning, seconded by Regent Maynard, the Regents unanimously approved the Mason Hall and Haven Hall Renovation Project and authorized contracting with the firm of Einhorn Yaffee Prescott, Architecture & Engineering P.C. for its design.

### **Perry Building Renovation Project**

On a motion by Regent Taylor, seconded by Regent Horning, the Regents unanimously approved the Perry Building Renovation Project and authorized contracting with the firm of Einhorn Yaffee Prescott, Architecture & Engineering P.C. for its design.

### **University of Michigan Hospitals and Health Centers (UMHHC) Relocation and Expansion of Services in Briarwood Buildings 1, 3, and 5**

Executive Vice President Omenn reviewed the advancements in health care which have allowed medical and diagnostic procedures to be performed outside of the traditional hospital setting. This has led to the emergence of smaller facilities geographically distributed so as to be more conveniently located for patients. He noted that although the UMHHC now has about 30 health centers in the area surrounding Ann Arbor, some of these are dated or too small for present needs or in other ways inadequate. In keeping with the general organized expansion of ambulatory services by the UMHHC in Washtenaw County and surrounding areas, the relocation and expansion of the Briarwood Buildings 1, 3, and 5 are being proposed, as described in the Regents Communication.

Regent Horning moved approval of expansion and relocation of the UMHHC services in Briarwood Buildings 1, 3, and 5, as described in the Regents Communication. Regent McFee seconded the motion, and it was approved unanimously.

### **New Plymouth/Canton and Novi Health Centers**

Executive Vice President Omenn informed the Regents that in keeping with its goal of creating a geographically distributed health care network, the University of Michigan Health System (UMHS) has identified the Plymouth/Canton and Novi communities as two of the top areas for rapid expansion. The Health System has identified new sites in each of these communities which will replace its current sites, and has negotiated leases with local developers, as described in the Regents Communication.

Executive Vice President Omenn described the mutually-beneficial partnership that has developed between the UMHS and Providence Medical Center in Novi, noting that the new UMHS health center will be located in a building owned and operated by Providence Medical Center. He also described a similar partnership arrangement in the city of Lansing, Michigan.

Regent McFee commented that as a person who lives in an out-state community in Michigan, she appreciates the physical connection being made to the University of Michigan Health System in outlying areas. She noted that it poses quite a burden on people to have to travel to Ann Arbor to receive medical services, so she applauded the trend toward expansion of these services to other areas of the state.

### **Purchasing Contract with Hesseltine & DeMason Design, Inc.**

On a motion by Regent Maynard, seconded by Regent Power, all six Regents present unanimously approved a purchasing contract with Hesseltine & DeMason Design, Inc., for design services to be used for the Medical School Sesquicentennial celebration. Regents Deitch and McGowan were not present for this vote or the following vote.

Because Douglas H. Hesseltine is both the owner of Hesseltine & DeMason Design, Inc. and 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. Parties to the purchasing contract will be the Regents of the University of Michigan and Hesseltine and DeMason Design, Inc.
2. The terms of the contract are to provide design services for the Medical School Sesquicentennial celebration, particularly the creation and application of the Medical School Sesquicentennial logo, for the duration of the celebration, through December 31, 2000, for \$10,000.
3. Mr. Hesseltine's pecuniary interest arises from his ownership of Hesseltine and DeMason Design, Inc.

### **Purchasing Contract with Clark-MXR, Inc.**

On a motion by Regent Power, seconded by Regent Maynard, all six Regents present unanimously approved a purchasing contract with Clark-MXR, Inc. Because Gerard A. Mourou is both a partial owner of Clark-MXR, Inc. and a University of Michigan employee, this purchasing 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 purchasing contract will be the Regents of the University of Michigan and Clark-MXR, Inc.
2. The terms of the contract include the purchase of unique optical equipment, in the form of two requisitions totaling \$10,700.
3. Professor Mourou's pecuniary interest arises from his position as partial owner of Clark-MXR, Inc.

### **Residency Guidelines**

Provost Cantor reported that the Residency Guidelines approved in July 1997 contained a paragraph (section B.2.a., second paragraph) intended to provide greater clarity to the document. However, this paragraph has instead become a source of confusion among potential residency applicants, so it is now being recommended that the paragraph be deleted from the guidelines. On a motion by Regent McFee, seconded by Regent Maynard, the Regents unanimously

approved and adopted the Residency Guidelines, as amended by the deletion of section B.2.a., second paragraph, effective Fall Term, 1998.

The revised guidelines can be found in Appendix X.

### **Revision of Bylaws of the Executive Board of the University of Michigan Hospitals and Health Centers**

Regent Power moved approval of the proposed revisions to the Bylaws of the Executive Board of the University of Michigan Hospitals and Health Centers so as to move the granting of clinical privileges from the Regents to the Hospitals Executive Board, as described in the Regents Communication. Regent Horning seconded the motion, and it was approved unanimously.

### **Revision of the Medical Staff Bylaws of the University of Michigan Hospitals and Health Centers**

Executive Vice President Omenn called on Dr. Charles Watts, chief of clinical affairs at University of Michigan Hospitals and Health Centers (UMHHC), to review the proposed revisions to the UMHHC Medical Staff bylaws. Dr. Watts explained that the Bylaws revisions were necessary due to the upcoming reaccreditation process by the Joint Commission on Accreditation of Health Care Organizations, and to preserve the academic mission and the unique relationships between the Hospitals, the Medical School, and the medical staff. Other areas of concern that prompted revision involved the need to incorporate changes in state law and the need to correct the perception by the Joint Commission that there were more than one set of standards and structures for the health system's medical staff.

He reviewed each of the major substantive issues addressed in the bylaws revision process, and noted that the medical staff had approved the revisions by a vote of 406 to 7.

Regent Power moved approval of the proposed revisions to the Medical Staff Bylaws of the University of Michigan Hospitals and Health Centers, as detailed in the Regents Communication. Regent Horning seconded the motion, and it was approved unanimously.

### **Recommendations for Appointment to Medical Staff Membership**

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

### **Concluding remarks**

President Bollinger thanked the individuals who will be serving in the new vice presidential positions. He said that he would be seeking greater central coordination and reporting to the vice president and general counsel and the vice president for government relations from individuals throughout the institution who function in those areas.

President Bollinger reported a number of recent accomplishments of faculty members that have received national recognition, and also noted that the University of Michigan Hospitals had been recognized as one of the 14 best hospitals in America, according to a survey by *U.S. News and World Report*. Dr. Omenn noted that the Department of Family Medicine was just named one of three National Centers for Health Services Research in Primary Care.

### **Executive Session Motion**

Regent Horning made the following motion:

*Pursuant to Sections 8(e) and 8(h) 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 September 17, 1998, in the Regents' Room, for the purposes of consulting with our attorney regarding trial or settlement strategy in connection with specific pending litigation (section 8e) and of considering material exempt from discussion or disclosure*

*by the Michigan Freedom of Information Act (section 8h). Such exempt material consists of a written opinion from the Board's legal counsel.*

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

The meeting then continued in executive session from 11:10 a.m. until 12:00 noon, at which time it adjourned. Regents' expenses for July and August 1998 are not yet available. The next meeting will take place October 15 and 16, 1998.