

JULY MEETING, 1999

*The University of Michigan
Ann Arbor
Thursday, July 15, 1999*

The Regents convened at 9:10 a.m. in the Regents' Room. Present were President Bollinger and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, Taylor, and White. Also present were Provost Cantor, Executive Vice President Kasdin, Executive Vice President Omenn, Vice President Feagin, Interim Vice President Harper, Vice President and General Counsel Krislov, Interim Chancellor Schmoll, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Chancellor Renick was absent; Provost Simpson attended in his place.

President Bollinger called the meeting to order and announced the appointment of Juan Mestas as chancellor of the University of Michigan-Flint. Dr. Mestas, who was present, said that he was honored to be asked to lead the University of Michigan-Flint campus and he was eagerly looking forward to joining the University of Michigan family. A round of applause followed.

Resolution in honor of Beverly Schmoll

Regent Taylor called Interim Chancellor Schmoll to the podium and read the following resolution:

Regents' Resolution

The Regents of the University of Michigan express their sincere appreciation to Beverly J. Schmoll for the leadership and vision she has provided as interim chancellor of the University of Michigan-Flint since August 1, 1998.

A loyal and effective advocate for students, faculty, and staff as well as for the City of Flint and surrounding communities, Interim Chancellor Schmoll has provided strong representation for the campus at the Regents' table and in Lansing. She facilitated the smooth integration of the Northbank Center property

into the Flint campus and preparations for the new Professional Studies Classroom Building to be built later this year. She also has made important contributions to the UM-Flint's self-evaluation for the campus's upcoming North Central Association accreditation visit.

Interim Chancellor Schmoll has maintained communication with members of the UM-Flint community through monthly reports, open door sessions she hosted for individuals who wished to speak with her personally, and innovative faculty and staff appreciation activities. Through her own positive outlook and determination to keep the UM-Flint on course, Interim Chancellor Schmoll has led the campus community through an important transition and prepared it for a new administration.

With deep gratitude and high praise for a challenging assignment performed masterfully, the Regents commend Beverly J. Schmoll for her distinguished leadership to the University of Michigan-Flint and extend warmest best wishes to her as she resumes her duties as dean of graduate programs and research and as professor of physical therapy on the Flint campus.

A round of applause followed. Interim Chancellor Schmoll said that it had been a privilege to serve as interim chancellor this past year and thanked everyone for their support.

1999-2000 Revenue and Expenditure Operating Budgets

President Bollinger called on Executive Vice President Kasdin, who noted that the University is in excellent financial shape, with a strong balance sheet, a sound health system, and a general fund operating budget that is fully consistent with the University's financial health. Maintaining the University's financial health, he said, involves effectively tracking and managing financial performance; determining whether the current circumstances are consistent with protecting the University's balance sheet, as determined by the mix and quality of assets, the relationship of current assets to current liabilities, and the size and nature of the University's liabilities; and evaluating the proposed budgets to ensure they maintain the University's overall financial health.

Regarding performance, Executive Vice President Kasdin noted that the University had rotated its outside auditors during the past year. He reported that significant progress had been

made in implementation of the M-Pathways system; that new and consistent management reports were being developed across the University; and that an ongoing internal controls task force had been created to review business operating procedures throughout the University. He also emphasized that close collaboration continues among the provost, the chief financial officer, and the executive vice president for medical affairs, noting that this factor is crucial to maintaining the University's financial health.

Executive Vice President Kasdin displayed charts indicating the mix of assets and mix of liabilities for FY 1998-99. He noted that in evaluating the FY 1999-00 budgets, he asked four questions: 1) Are diverse revenue sources being used? 2) Is there a demonstrated ability to control costs? 3) Is there adequate maintenance of physical properties? 4) How is debt being utilized?

In response to the first question, he displayed charts indicating that the University continues to have diverse revenue streams as compared to FY 1990-91. He pointed out that the Hospitals and Health Centers constitutes a larger proportion of the revenue stream than it did during 1990-91 (36 percent compared to 43 percent), which indicates that the activities of the health system have a profound influence on the University's overall financial circumstances. During this time, state appropriations have gone from 17 percent of revenue to 12 percent. However, he pointed out that these funds are crucially important and that the University is grateful to taxpayers for the support they provide.

Excluding the revenue provided by the UM Hospitals and Health Centers, student fees comprise 30 percent of budgeted FY 1999-2000 revenues and state appropriations provide 21 percent. He pointed out that investment income provides 5% of revenue, whereas at peer private institutions, investment income provides 20 to 30 percent of the operating budget. Therefore it is

important to increase the role of endowment income in the operating budget through development efforts and enhancing investment performance.

Vice President Feagin reported that gifts from individuals represent 62 percent of the total of \$175 million in gifts received in FY 1998-99. The fact that this figure continues to rise is seen as a very positive sign, because these gifts tend to be more directed toward academic priorities.

Executive Vice President Kasdin displayed a slide which illustrates the University's demonstrated ability to control actual expenditures as compared to budgeted expenditures. He observed that the University is committed to putting most of its resources into rehabilitation of its existing physical plant, as compared to new buildings.

Regarding liabilities, he noted that the important point is not the amount of the University's debt, but how it is used. The University's philosophy is that debt is a means of financing, and not of payment, and therefore debt should be used largely to finance cash flows. He noted that the University adheres to a consistent debt management policy and it continues to look at opportunities to manage aggressively the related interest expense.

In conclusion, he observed that the budgets being presented are fully consistent with maintaining the University's overall financial health, and he recommends their approval.

1999-00 Ann Arbor Campus General Fund Operating Budget and Student Tuition and Fee Rates

Provost Cantor observed that as a great public research university, the University of Michigan has several missions which include keeping pace with new knowledge and imparting that knowledge to each generation of students, and maintaining the historical imperative of being inclusive and wide-ranging in programmatic offerings. Permeable boundaries within the University and with the broader society are needed in order to fulfill the University's mandate of

creating knowledge and applying knowledge in the public interest. Within the University, she continued, maximum advantage also needs to be taken of a diversity of methods, people, and ideas, so that research, teaching, and service all contribute to the others' strengths. The hallmark of this budget is the degree to which people and programs thrive beyond their immediate boundaries.

Provost Cantor asserted that being well-educated implies knowing that there are multiple ways to an answer, with no sense of certainty that the first way chosen is the only way. Provost Cantor thanked the state and its citizens for 150 years of support that has enabled the University to provide a superb faculty, strong shared public culture, and the richest possible learning environment. She noted that this year's unusually generous state appropriation has made it possible for the University to seek the lowest increase in undergraduate tuition rates in over a decade.

She described how the proposed budget reciprocates the generosity of the state and fulfills the University's mandate, noting that every new venture is built on some prior advances. Provost Cantor gave a number of examples of such innovation in the context of existing strength in the proposed budget, including the Center for the Study of Complex Systems; a laboratory for the study of brain function; reconfiguration and reinvigoration of the International Institute and the Center for Afroamerican and African Studies to add to the University's strengths in a global context; the Provost's Academic Program Support, which allows the provost to respond quickly to emerging academic needs and demands for innovation; establishment of a state and local policy center within the School of Public Policy; and funding for the Arts of Citizenship program, a new dramatic writing series, libraries, the Museum of Art, and the Media Union, all of which enrich the shared public culture and stretch the classroom from its formal confines into

the community. Other areas of emphasis are LS&A learning centers in writing, languages, math, and science, which create new forms of collaboration between students and faculty; and enhancement of the Center for Community Service and Learning, the LS&A First Year Seminars Program, and the College of Engineering's Curriculum 2000.

Provost Cantor noted that the University budgeting system is a combination of an activity-based system, in which tuition and research revenues follow the activities that generate them, and a system of conscious deliberation on the part of the president, provost and others. This allows for a relatively high variation in the percentage change in budgeted expenditures across units over a two year period.

The budgeting assumptions for the FY 1999-00 Ann Arbor General Fund Operating Budget are an increase in state appropriations of \$15.4 million; tuition and fee increases of 2.8 percent for undergraduate programs and 3.0 percent for most graduate and professional programs (yielding an increase of \$20.3 million); an increase of \$1.9 million in indirect cost recovery from sponsored research; internal reallocations and cost control in a number of areas; and growth in the budget directed as much as possible towards academic activities. The total recommended General Fund Budget is \$928.4 million, an increase of \$38.1 million.

Provost Cantor emphasized that over 75 percent of the new General Fund revenues in this budget is directed toward academic programs. The major initiatives in the FY 2000 budget are providing competitive salaries in order to retain faculty and staff; strengthening of academic units, including the School of Public Policy, the College of LS&A, the Museum of Art, and the University Library; and extending the boundaries of the classroom, through such entities as learning centers, scholars programs, and the Undergraduate Research Opportunities Program.

Provost Cantor concluded by observing that it is a privilege to speak on behalf of a University that embraces diversity of people, methods, and ideas, where people do not shy away from collaborations that are difficult. In this atmosphere people recognize that another person may have a better solution than one's own.

Regent McGowan commented that she welcomed the recognition in Provost Cantor's presentation of the length and strength of generosity of the state. She also said she appreciated the provost's early articulation from months prior of what the budget priorities were likely to be, noting that this shows a respect for the funding provided by students and the public.

1999-00 Fee Assessments for Michigan Student Assembly (MSA), Student Legal Services (SLS), and School/College Governments

Interim Vice President Harper introduced several students who were attending the meeting to represent their student governments: Joshua Trapani from MSA; Seema Pai, president of LSA student government; and Damon Fairfield, president of Rackham Student Government. She noted that neither MSA nor SLS is requesting additional funding, but both are in full support of the modest requested increase of \$0.50 per student per term for school and college governments. She said that the funds would be used to strengthen and support student governments at the school and college level that provide funding for various student initiatives in the schools and colleges, and pointed out that the last funding increase occurred ten years ago.

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

Interim Chancellor Schmoll observed that the UM-Flint budget reflects a generous increase of 7.4 percent in state funding, as well as a proposed increase of 2.8 percent for tuition and fees for lower division undergraduate resident student tuition and fees and slightly less than 3 percent for all other programs. She noted that the budget will allow the transfer of some

programs to base funding that until this point have been funded through soft funds. It will also provide an opportunity to experiment with alternative modes of service delivery outside of the traditional classroom setting. The budget also includes a 3.5 percent salary program.

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

Provost Simpson observed that although much of the program on the Dearborn campus focuses on the undergraduate level, the campus has consciously been expanding its masters-degree level graduate programs in recent years. He also pointed out that in keeping with the campus' founding principles of blending the theory of the classroom and the practical application of work, over 40 percent of its students are engaged in co-op and internship programs.

He noted that the proposed budget reflects a very generous state appropriation increase of 8.6 percent, and a tuition and selected fee increase of 2.9 percent. Expenditure increases will focus primarily on three areas: a 3.0 percent merit-based salary increase, new support for academic programs, and funding for the operation of new facilities.

A break followed at 10:25 a.m., and the meeting resumed at 10:35 a.m.

1999-2000 University of Michigan Hospitals and Health Centers Operating Budget

Executive Vice President Omenn observed that the Health System has four components: the Medical School, whose budget is included in the Provost's General Fund Operating Budget; the Hospitals and Health Centers (UMHHC); M-Care, whose budget will be presented in the fall; and the Michigan Health Corporation. This budget presentation focuses on the UMHHC operating budget.

Executive Vice President Omenn observed that added value for patient care is achieved through the UMHHC's research and training functions, while outstanding patient services

contribute to the strength of educational and research activities. He noted that the UMHHC's customers include patients and families; referring physicians in other health systems; people who pay individually for services; employers who purchase health care services for their employees; private insurers and government agencies, which pay for and oversee the provision of health care services; and students. He reported that the UMHHC has improved patient and referring physician satisfaction scores and has increased its business, thereby spreading fixed costs over a greater volume. He introduced several key UMHHC administrators: Larry Warren, executive director; Thomas Biggs, chief financial officer; Kathleen Moore, director of finance; and Douglas Strong, associate vice president of the University of Michigan Health System for finance and strategy.

Executive Vice President Omenn displayed slides indicating a steady increase in volume at the health centers, as measured by the number of discharges and clinic visits. To illustrate the Health System's statewide mission and its focus on enhancement of patient services, he noted that the UM Comprehensive Cancer Center has a number of collaborative arrangements with other health centers around the state which work to the benefit of all, providing the potential for improvements in patient care throughout the state.

Pressure for continuing to reduce costs is exerted by Blue Cross Blue Shield of Michigan and the federal and state payers for Medicare and Medicaid, he noted. He explained that each of these entities has reduced the rates of reimbursement, making it necessary for the Health System to absorb more costs and improve productivity. The combined cumulative impact of these reimbursement rate reductions is greater than \$200 million over a five-year period, requiring savings of at least \$40 million per year.

Executive Vice President Omenn noted that the proposed FY2000 budget projects total operating revenue of \$864.1 million, an increase of 5.5 percent, which, he said, is remarkable given the fact that payers are reducing their reimbursements by 4-5 percent. Total operating expenses are projected to be \$856.941 million, yielding a projected operating gain of nearly \$7.2 million. At a time when other academic medical centers are experiencing financial difficulties, he concluded that the University of Michigan Health System is healthy and financially viable and has finished the FY1999 year in the black. Health System officials believe they can achieve the same outcome for FY2000.

Regent Taylor noted that a national magazine had recently published ratings of U.S. hospitals, and that in every category for which a Michigan hospital was included, the University of Michigan Health System ranked substantially higher than the others. Executive Vice President Omenn responded that the magazine had done a survey of 150 physicians in each specialty, asking them to rank the top five hospitals in their specialty in the country. The survey indicated that the University of Michigan has earned a reputation as one of the most outstanding hospitals in the country.

Regent Brandon commented that it is an extraordinary accomplishment for the hospital to be in such excellent fiscal condition, especially given the current environment for health care. Regent Deitch agreed, noting that the current situation is even more remarkable given predictions made several years ago that the system would not survive unless changes were made in the operation of the medical center and its relation to the University.

Regent Newman complimented Larry Warren, who has made a successful transition from chief operating officer to executive director of the UMHHC and is doing a terrific job.

Executive Vice President Omenn also complimented Mr. Warren on his outstanding achievements.

1999-2000 Department of Athletics Budget

President Bollinger called on Tom Goss, Donald R. Shepherd Director of Intercollegiate Athletics. Mr. Goss observed that the University of Michigan has the best combination of academics and athletics in the country, and he had accepted the position as athletic director to build on that tradition. He noted that for the past two years, over 300 student athletes have had grade point averages greater than 3.0 for two semesters in a row. He said the department intends to continue to field nationally competitive sports programs and is committed to operating a financially sound program.

Mr. Goss reviewed the core values introduced two years ago in the Athletic Department. These include honesty and integrity, accountability, responsibility, respect and compassion, competitive spirit, and “the team must come first.”

Mr. Goss reported that the department is a national and Big Ten Conference leader in Title IX and gender equity issues. Within the NCAA, he said, the department has taken a leadership role with its position on freshman eligibility, and is continuing to advocate against instituting a football playoff game. He noted that during the past year Michigan had won three national championships and numerous Big Ten Conference championships.

Mr. Goss reported that the department had a projected operating deficit of approximately \$2 million for 1998-99, which will be funded from reserves. As a result of this situation, he said that the department will have a paradigm shift. In the past, he explained that the department had been protected from rising costs by increases in royalty revenues from the sale of licensed merchandise, and by a seventh football game. During the past year, there was no seventh game

and royalty revenues hit an all-time low. Although a strategic plan had been developed in 1997 which emphasized new revenue streams, he said that in hindsight, it would have been more prudent to also focus on cost control.

Mr. Goss observed that it was clear to him that a proposed football ticket price increase announced earlier in the year was necessary and fair. Because the department's needs were not communicated effectively and the plan was criticized, it was decided to implement a more modest increase. This will have an impact of \$2 million on the 1999-2000 budget. In the future, the department plans to improve communications and to manage its resources more effectively. He said that the department is committed to an operating surplus in future years, and will institute safeguards to insure the budget is adhered to. Contingencies are also built in that will allow adjustments to be made in the second half of the fiscal year if necessary. For the first time, a capital replacement fund has been established in the 1999-2000 budget.

Mr. Goss then presented details of the proposed budget. He pointed out that during 1998-99 the department had had a number of Academic All-American and Academic All-Conference athletes. With 11 men's and 12 women's sports, the department won one national championship, in men's gymnastics, and seven conference championships. Regarding gender equity, 49.03 percent of the athletes are female.

Mr. Goss said that projected revenues from the FY 2000 budget are \$47.6 million, an increase of 8.2 percent, and that spectator admissions fees constitute the most important source of revenue. Budgeted expenses total \$46.72 million, an increase of 2.1 percent, yielding a projected surplus of \$880,000. This surplus will be used to fund the capital expenditures budget.

Regent Taylor noted that capital replacement had not been addressed previously and was now being instituted with symbolic funding. He suggested that a study be conducted to

determine what the capital requirements will be over the next 5-10 years and to then consider transferring money from the reserve fund into the capital replacement fund so that adequate funding can begin in this area. Mr. Goss responded that these measures are already being taken into consideration.

In response to a question from Regent Maynard about implementation of men's soccer and women's water polo as varsity sports, Mr. Goss noted that soccer will begin in the Fall of 2000 and water polo will begin in January, 2001, as planned.

Regent Newman noted that athletic department expenses have increased by 31.4 percent over the last three years, while revenues have only increased by 17.5 percent, and at this rate, expenses will soon exceed revenues. She said that we need to understand why expenses are growing at such a high rate and why the rate of expenditure exceeds the rate of revenue generation, and that these trends are disturbing.

Regent Newman expressed concern about "the misinformation provided throughout the year to the Regents, the administration, and the general public through the media." She noted that she had been surprised to learn of the 30 percent increase in football ticket prices that had been approved by the Board in Control of Intercollegiate Athletics earlier in the year, because information previously provided had indicated that such an increase was unnecessary. She had received a number of explanations when she started inquiring about this, and focused on the increase in operating expenses as the only logical explanation.

Regent Newman praised the interim report of the review committee appointed by the president, noting that it had properly outlined the challenges faced by the department. However, the report did not address whether the decisions that have been made since then have addressed the problems, and she believes the decisions need to be reviewed. She said that it is a question

of the management and execution of the plans, not the need to generate revenue, and she believes that spending money to make money has not been a good decision.

Regent Newman submitted the following questions: Why will tomorrow be different from yesterday? What controls have been put into place to monitor the projected budget for this year? What is the long-term plan for the Department of Athletics?

Mr. Goss responded that the department has instituted procedures to insure that all teams and departments will operate within their budgets, including regular budget review meetings at the senior management level. A process will also be developed that will formally link each budget administrator's fiscal responsibility to that person's performance evaluation and compensation. Over the long term, the department will budget revenues realistically and conservatively, will manage expense growth as described, and will systematically evaluate administrative functions, including staffing levels and resource allocation.

Regent Newman inquired about the long-term strategic plan for the Athletic Department. Mr. Goss said that this would be brought back to the Regents at a later date. Regent Newman observed that the trend has been toward decreasing revenues and increasing expenses, and that the long-term plan should describe what will be done to insure that this trend will be reversed.

Regent Taylor commented that it would be helpful for Regent Newman to present her questions in writing. He noted that he did not agree with her comments that the Regents were given misinformation about departmental finances.

Regent Horning observed that the Athletic Department Financial Advisory Committee was charged with a two-stage mission. The first stage, dealing with budgetary matters, has been addressed, and the next stage, involving reporting lines, communications, and the role of the Board in Control of Intercollegiate Athletics, is yet to be completed. Executive Vice President

Kasdin clarified that the first report of the committee addressed the question of whether the Department of Athletics is in financial equilibrium, and the second stage, which is to be completed in the coming months, will be addressing issues of governance.

Regent Newman said that she did not mean to imply that Mr. Goss had provided misinformation to the Regents. Rather, she was addressing the lack of information that had been provided about issues that came to light in press coverage.

Regent Taylor observed that a recent newspaper article implied that the \$2 million deficit will have a profound impact, but his understanding is that this is untrue and the deficit will not affect any planned programs. Mr. Goss confirmed this, noting that the department has healthy reserves to cover the deficit.

Regent White commented that she is pleased that the department is approaching gender equity. She noted that achieving gender equity can be expensive, and these efforts could be contributing to the department's financial situation. However, she commended the department's progress over the past two years.

Regent Brandon inquired at what point did the department realize that there would be a deficit. Mr. Goss responded that the department had received a letter from its licensing company on March 16, indicating that licensing revenues would be off by about \$2.1 million from the previous year. At that point, with 90 days left in the fiscal year, adjustments had to be made very quickly. He noted that ticket prices are one of the few revenue sources that the department can control, and thus ticket price increases are critical to the department if it is to be a leader in building teams that can be nationally competitive. Corporate sponsorships, which involve contracts, are the other predictable source of income. He pointed out that costs are easier to control than revenues, and that the management team is focusing on this aspect.

Regent Deitch commented that budget making is reflective of, and a driver of, policy decisions, as exemplified by Provost Cantor's presentation of the General Fund budget. He observed that policy choices involving both revenues and expenditures have influenced the Athletic Department budget, in a manner similar to policy decisions that have driven the Health System budget. However, the Health System operates in a simpler, more business-like environment than has been imposed on the Athletic Department.

For example, to increase revenues, Regent Deitch observed that the department could institute a number of measures, such as adding additional football games, adding sky boxes and seat licenses, and naming arenas for corporate sponsors. However, due to academic and other considerations, University leadership has consciously decided against pursuing these revenue enhancement options.

On the issue of football ticket prices, Regent Deitch noted that an increase from \$27 to \$35 had been proposed earlier in the year. This was ultimately rolled back, which had a revenue implication of \$2 million per year. He believes the decision to roll back prices was wrong, due to the fact that Michigan athletics is an entertainment product, and that this fact ought to determine pricing. Students are the only consumers, he believes, who deserve subsidized, below-market prices and complete access to Michigan athletic events. The remainder of the fans deserve fair pricing, but only in the context of what the market will support.

Regent Deitch observed that he believes he was completely and properly informed on all elements related to the ticket increase. He believes that if the University does not allow the market to dictate prices, budgets will be constrained and will be politically motivated, rather than motivated by sound business decisions.

On the expense side, Regent Deitch noted that achieving gender equity costs money, and is an example of the fact that policy decisions regarding the role of athletics in the University drive expenditure decisions. He believes that the Athletic Department budget reflects choices that have been made.

Regent Taylor and Regent White both associated themselves with Regent Deitch's remarks.

The meeting recessed at this point, at 11:50 a.m. President Bollinger noted that due to the absence of any speakers, the public comments session scheduled for the afternoon session would not be used.

The meeting reconvened at 1:35 p.m. Present were President Bollinger and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, Taylor, and White. Also present were Provost Cantor, Executive Vice President Kasdin, Executive Vice President Omenn, Vice President Feagin, Interim Vice President Harper, Vice President and General Counsel Krislov, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Chancellor Renick was absent; Provost Simpson attended in his place. Interim Chancellor Schmoll was also absent; Provost McLaughlin attended in her place.

President Bollinger called for votes on each individual budget proposal.

Proposed Ann Arbor FY 1999-00 General Fund Operating Budget

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the proposed Ann Arbor FY 1999-00 General Fund Operating Budget.

Proposed Ann Arbor FY 1999-00 Student Tuition and Fee Rates

On a motion by Regent McGowan, seconded by Regent White, the Regents unanimously approved the proposed Ann Arbor FY 1999-00 student tuition and fee rates, as described in the Regents Communication.

1999-00 Fee Assessments for Michigan Student Assembly (MSA), Student Legal Services (SLS), and School/College Governments

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved fee assessments of \$5.69 per student per term for MSA, \$5.50 per student per term for SLS, and \$1.50 per student per term for school/college governments.

Proposed Dearborn Campus FY 1999-00 General Fund Operating Budget

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved the proposed Dearborn Campus FY 1999-00 General Fund Operating Budget.

Proposed Dearborn Campus FY 1999-00 Student Tuition and Fee Rates

On a motion by Regent White, seconded by Regent Taylor, the Regents unanimously approved the proposed Dearborn Campus FY 1999-00 Student Tuition and Fee Rates, as described in the Regents Communication.

Proposed Flint Campus FY 1999-00 General Fund Operating Budget

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved the proposed Flint Campus FY 1999-00 General Fund Operating Budget.

Proposed Flint Campus FY 1999-00 Student Tuition and Fee Rates

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved the proposed Flint Campus FY 1999-00 Student Tuition and Fee Rates, as described in the Regents Communication.

Proposed FY 2000 University of Michigan Hospitals and Health Centers Operating Budget

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the proposed FY 2000 University of Michigan Hospitals and Health Centers Operating Budget.

FY 1999-2000 Budgets

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved the FY 1999-2000 revenue and expenditure operating budgets.

Consent Agenda

Minutes. Vice President and Secretary Tedesco submitted for approval the minutes of the June 17, 1999 meeting.

Reports. Executive Vice President Kasdin submitted the Investment Report, the Plant Extension Report, and the Regents Report on Non-Competitive Purchases over \$5,000 from Single Sources, April 1, 1999 through June 30, 1999.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the report of Projects Established for June 1999.

University of Michigan Health System. Executive Vice President Omenn observed that a local newspaper had inaccurately reported the proposed room rate increase for the University of Michigan Hospitals. He also reported that the Health System was continuing to aggressively recruit new faculty members.

Division of Student Affairs. Interim Vice President Harper called attention to the recommended appointment of Frank Cianciola as interim associate vice president for student affairs and dean of students.

Dearborn Campus. Provost Simpson called attention to the appointment of Sidney M. Bolkosky as William E. Stirton Professor of History. He also reported that the Dearborn campus would be collaborating with several local organizations on the Gateway Project, which would be studying the redevelopment of the Rouge River corridor.

Flint Campus. Provost McLaughlin reported on the results of a survey of incoming freshmen on the Flint Campus. She also described some recent achievements of the Honors Program and the International Studies Program.

Voluntary Support. Vice President Feagin said that a formal report on voluntary support for FY 1998-99 would be presented at the September meeting.

Personnel Actions/Personnel Reports. Provost Cantor called attention to the recommended appointment of Michael Kennedy as vice provost for international affairs and director of the International Institute.

President Bollinger announced the appointment of Bernard W. Klein as interim chancellor of UM-Dearborn.

Retirement memoirs. Vice President Tedesco submitted retirement memoirs for four faculty members.

Memorials. Vice President Tedesco reported the death of one active faculty member: Larry Karl Flanagan, associate professor of electrical engineering and computer science.

Degrees. Provost Cantor submitted for approval the final degree lists for April, May, and June 1999 commencements; the August 1999 doctoral degree list; and changes to previously approved degree lists.

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

Camp Knight on Douglas Lake, Cheboygan County, Michigan

Executive Vice President Kasdin submitted a request for purchase of Camp Knight, located adjacent to the University's Biological Station on Douglas Lake in Cheboygan County, Michigan, at a purchase price of \$1.8 million. He noted that the price is above the appraised value, but is equal to a written bid by a third party. He reported that both the provost and dean of LS&A believe that the preservation of this land from commercial development is crucial to the continued academic work at the Biological Station. Funding for the purchase will be provided by private donations; the Biological Station; the College of Literature, Science, and the Arts; and the Office of the Provost.

Regent Deitch moved approval of the acquisition of Camp Knight at a purchase price not to exceed \$1.8 million, as described in the Regents Communication. Regent Maynard seconded the motion, noting that she was pleased that the University would be able to purchase the property, as residents of Douglas had expressed concern over its fate and had contributed funds towards its purchase.

Executive Vice President Kasdin observed that the appraisal process can be questioned in view of the fact that the bids received exceeded the appraised value. However, these bids indicate that \$1.8 million is a fair estimate of the market price.

Regent Horning observed that it appears that there is a large portion of property around Douglas Lake that is not owned by the University and that the lake has already been subjected to residential development. Executive Vice President Kasdin pointed out that although property owners who live on the lake willingly donated money to assist in the University's purchase of the property, the decision to purchase the property was not based on considerations of property owners. Rather, it is viewed as a critically important research facility for the College of LS&A.

Regent Deitch noted that a condominium development had been proposed for the property, and this type of development leads to “funnel development,” which increases exponentially motorboat and similar types of activity as opposed to what occurs with single-family homes, and that such development would in turn would have an impact on the Biological Station.

Provost Cantor emphasized that acquisition of this property is considered critical to the Biological Station, as faculty fear that any further development in the proximity of the Biological Station would undermine their experimental work. These concerns led to stopping work on another project closer to campus in order to divert those funds toward acquisition of the Douglas Lake property.

Vice President Wilbanks reported that for many years, the Department of Natural Resources has been interested in developing public access to Douglas Lake, and language is inserted in the bill each year to encourage the state not to pursue this due to the impact such access would have on the lake.

Regent Newman observed that she does not dispute the importance of the academic mission, but disagrees with the notion of spending money above the appraised value to purchase a piece of land merely to keep someone else from developing it.

Provost Cantor noted that private donations from homeowners on the lake are supplying about one-third of the purchase price, but they will have no ownership rights. Regent McGowan reiterated that this property is critical to the academic mission of the College of LS&A.

The vote was then taken, and the motion passed, with Regents Brandon, Deitch, Maynard, McGowan, Taylor, and White in favor, and Regents Horning and Newman opposed.

Literature, Science, and the Arts Building Renovation Project

Executive Vice President Kasdin reported that the University is ready to initiate planning for the Literature, Science, and the Arts Building renovation project, funding for which will be partially provided by the state. On a motion by Regent Deitch, seconded by Regent Maynard, the Regents unanimously approved the Literature, Science, and the Arts Building renovation project and authorized contracting with the firm of SHG Incorporated for its design.

Life Sciences Institute Building Project and Palmer Drive Parking Structure Project

Executive Vice President Kasdin presented a recommendation for commissioning the firms of SHG Incorporated and Venturi, Scott Brown and Associates, Inc. (VSBA) to design the Institute building, with SHG as the architect of record, and the appointment of VSBA as the design firm for the parking structure, working in conjunction with Desman Associates. On a motion by Regent Deitch, seconded by Regent McGowan, the Regents unanimously approved the site, the architects, and initiating programming and design activities for the Life Sciences Institute building project and the Palmer Drive parking structure project.

Kellogg Eye Center Second Level Renovation

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved renovation of the second level of Kellogg Eye Center, as described in the Regents Communication.

Taubman Medical Library Renovations

Regent Brandon moved approval of the budget and authorization to issue the project for bids and award a construction contract for renovations to the Taubman Medical Library for

graduate student programs, lobby, circulation, and reserve collections. Regent Maynard seconded the motion, and it was approved unanimously.

Medical Science Buildings 1 and 2 Renovations for Bioinformatics

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved a project for renovation of approximately 2,200 square feet of existing space in the Medical Science Buildings 1 and 2, as described in the Regents Communication.

University of Michigan Hospitals Mott Hospital South Roof Replacement

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved replacement of the south roof of C.S. Mott Children's Hospital.

University of Michigan Hospitals Domestic Hot Water Piping Replacement Project

On a motion by Regent Brandon, seconded by Regent White, the Regent unanimously approved a project for replacement of the domestic hot water piping in the University of Michigan Hospital.

University of Michigan Hospitals Patient Room Flooring Replacement

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved a project for replacing the flooring in approximately 300 patient rooms in levels 4-8 of the adult hospital.

Regent Taylor left the meeting at this point, at about 2:00 p.m., and was not present for any of the succeeding votes.

Purchasing Contract with Clark-MXR, Inc.

On a motion by Regent Brandon, seconded by Regent Maynard, all seven Regents present unanimously approved a purchasing contract with Clark-MXR, Inc. Because Professor

Gerard Mourou is both a University of Michigan employee and a partial owner of Clark-MXR, Inc., 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 purchase contract will be the Regents of the University of Michigan and Clark-MXR, Inc.
2. The terms of the contract to support University of Michigan research, include the purchase of unique optical equipment totaling \$5,840.
3. Professor Mourou's pecuniary interest arises from his position as partial owner of Clark-MXR, Inc.

Research Agreement between the University of Michigan and Mott Children's Health Center (MCHC)

On a motion by Regent McGowan, seconded by Regent Maynard, all seven Regents present unanimously approved a research agreement between the University of Michigan and Mott Children's Health Center (MCHC). Because Daniel M. Briskie, D.D.S., is both the director of MCHC and is an adjunct faculty member at the University of Michigan, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and Mott Children's Health Clinic.
2. The terms of the proposed agreement conform to University policy. The period of performance is two years at a total cost of \$10,369.
3. Dr. Briskie's pecuniary interest arises from his position as director of MCHC.

Research Agreement between the University of Michigan and T/J Technologies, Inc. (T/J Technologies)

On a motion by Regent McGowan, seconded by Regent Maynard, all seven Regents present unanimously approved a research agreement between the University of Michigan and T/J Technologies, Inc. (T/J Technologies). Because Levi T. Thompson, Jr., is both a University of Michigan employee and chief executive officer of T/J Technologies, and his wife, Maria, is

president and chief operating officer of T/J Technologies, and they hold 27 percent and 26 percent, respectively, of the company's stock, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and T/J Technologies, Inc.
2. Agreement terms: The award document is a purchase order issued by T/J Technologies for billing purposes only. The period of performance will be one year at a total cost of \$29,950.
3. Levi and Maria Thompson's pecuniary interests arise from their partial ownership of T/J Technologies.

University of Michigan-Flint Professional Studies and Classroom Building

Executive Vice President Kasdin noted that bids received for this previously approved project had come in over budget, but due to an additional pledge of financial support from the Mott Foundation and "value engineering," the new budget was able to be met. The current understanding is that state officials will allow the University to rebid only the portion of the project involving prefabricated concrete and some mechanical equipment, rather than the whole project. If, however, it is decided that the entire project needs to be rebid, it will be brought back to the Regents for consideration in September. Regent Maynard moved approval of the revised budget and authorization of the award of a construction contract to Sorenson Gross Construction Company, Inc., as described in the Regents Communication. Regent Newman seconded the motion.

Following some discussion, the vote was then taken and the Regents authorized proceeding with the project if the state agreed to allow the University to move forward without having to rebid the entire job.

Michigan Student Assembly Financial Report

Interim Vice President Harper submitted the Michigan Student Assembly annual financial report for December 31, 1998 and December 31, 1997.

Michigan Health Corporation (MHC) Annual Business Plan

On a motion by Regent McGowan, seconded by Regent White, all seven Regents present unanimously approved the MHC 1999-2000 annual business plan, as submitted.

Establishment of Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies

Provost Cantor observed that establishment of the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies was made possible by generous gifts of \$5 million each from Samuel Zell and Ann Lurie. Regent Newman moved approval of the establishment of the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies in the School of Business Administration. Regent Deitch seconded the motion. Regent Newman commented that she believes this is a very exciting development and was thrilled to learn of it. Regent Deitch agreed, stating that he believes it will be a “fabulous thing for the University.”

The vote was then taken, and the motion was approved unanimously by all seven Regents present.

Change in Name of Department of Environmental and Industrial Health

On a motion by Regent Newman, seconded by Regent Maynard, all seven Regents present unanimously approved a change in the name of the Department of Environmental and Industrial Health in the School of Public Health to the Department of Environmental Health Sciences.

Non-Tenure Track Clinical Appointment Sequence in the UM-Flint School of Health Professions and Studies

On a motion by Regent Maynard, seconded by Regent White, all seven Regents present unanimously approved a non-tenure track clinical appointment sequence in the School of Health Professions and Studies at the University of Michigan-Flint.

New Degree Program for UM-Dearborn College of Engineering and Computer Science (“Master of Science in Software Engineering”)

On a motion by Regent White, seconded by Regent Maynard, all seven Regents present unanimously approved establishment of the “Master of Science in Software Engineering” degree program in the UM-Dearborn College of Engineering.

Michigan Greats

Vice President Ulaby gave a presentation highlighting the achievements of Marshall Nirenberg (Ph.D., biochemistry, 1957), who received a Nobel Prize in 1968 for his work in cracking the genetic code. This work laid the foundation for many of the developments that have been made since that time in DNA and the understanding of cell behavior.

There being no further business, the meeting was adjourned at 2:30 p.m. The next meeting is scheduled for September 16-17, 1999.