

## **JULY MEETING, 2006**

*The University of Michigan  
Ann Arbor  
July 21, 2006*

The Regents convened at 9:35 a.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, and Taylor. Also present were Vice President and Secretary Churchill, Vice President Forrest, Vice President Harper, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks. Regent White participated by telephone.

### **Call to Order**

President Coleman called the meeting to order. She noted that the annual Ann Arbor Art Fairs, a symbol of the vitality of the community, were underway, and that the presence of this type of activity had played a key role in the recently announced decision of Google to establish a corporate office in Ann Arbor. She welcomed them as a new neighbor.

President Coleman reported that Allen Lichter, dean of the Medical School, had announced his decision to step down from that position to become chief executive officer of the American Society of Clinical Oncologists. She thanked him for his excellent service as dean and as a faculty member, noting that he had played a key role in the development of the Life Sciences Institute and the Biomedical Sciences Research Building.

President Coleman also commented on the sudden death of former mayor Jerry Jernigan, noting that he had also had a 30-year career at the University of Michigan.

**Michigan Stadium Renovation.** President Coleman reported that the stadium renovation website had recently been enhanced and would soon include preliminary site plans. Once the draft schematic designs have been completed, there will be a period of public review and discussion, and the designs will be posted on the website for comment and feedback.

### **2006-2007 Revenue and Expenditure Operating Budgets**

President Coleman commented that the University appreciates the support shown by the governor and the legislature in their decision to increase the its appropriation by 3%. However, she pointed out that the University would still be making up for previous cuts in state funding. To this end, the proposed budget reflects more than \$18 million in cost cuts, including greater efficiency in energy use, renegotiated contracts with vendors, and changes in purchasing and inventory management. The budget also includes new funding for such important new initiatives as recruitment and retention of faculty, modest salary increase for faculty and staff, and several new academic initiatives. The budget provides for a modest tuition increase of 5.5% for the majority of undergraduate students, and an increase in undergraduate financial aid of 7.7%, pursuant to the University's long-standing commitment to provide financial aid for all qualified resident undergraduate students.

### **Report of Executive Vice President and Chief Financial Officer**

Executive Vice President Slottow said that his report would provide context to the proposed operating budgets by focusing on the University's balance sheet, which is a measure of the University's overall financial health. He noted that two factors protect the balance sheet: sound financial policies and a strong internal control structure. He commended the Finance, Audit and Investment Committee for the progress it had made over the past 18 months in

strengthening the internal controls, noting that the committee had completely restructured its charter to increase the transparency of internal controls and best practices consistent with Sarbanes-Oxley legislation. He reported that as a result, vice presidents, deans and department heads must sign certification letters asserting to their financial controls, and this year's certification would include additional requirements, including IT security, conflict of interest, and tightening of all controls surrounding employment and pay.

Executive Vice President Slottow gave a presentation illustrating the strength of the balance sheet, including charts that indicate the healthy relationship between assets and liabilities and the relationship of financial assets to notes and bonds payable. He pointed out liabilities that are not formally listed as liabilities, such as post retirement health benefits and deferred building maintenance and noted that the majority of non-hospital financial assets are in the form of endowment, which are subjected to use restrictions. Other major threats to the balance sheet include the volatility of capital markets, the state of the Michigan economy and rising costs for health care and energy.

Executive Vice President Slottow then reported on the University's efforts with respect to short-term, non-endowment assets. He stated there has been a continued focus on getting cash in faster, particularly with respect to the long term disability program, in which the rate of long term disability payments has been decreased by 17%, and by restructuring banking services. In the case of banking services, redundant services are being consolidated and redundant cash handling is being eliminated through remote deposit and electronic cash receipts.

Regarding the endowment, Executive Vice President Slottow reported that it is the 10th largest in the country and the distribution comprises about 6% of the University's operating revenues. The endowment supports financial aid, faculty and academic programs, and he said

that the University will need to rely more heavily on private giving and investment returns in the future than it has in the past.

Mr. Slottow then reviewed the University's physical assets and displayed a chart showing the University's sustained commitment to renewal of the physical plant over time, with about \$150-\$175 million per year in constant dollars allotted to renovate existing structures. He also displayed a chart depicting the facilities condition ratio, which is a measure of the cost of a building's infrastructure needs compared to the building's replacement value. He said that a ratio is computed for each General Fund building on the Ann Arbor campus, and the ratios illustrate continued improvement in our facilities for recent years.

Executive Vice President Slottow described a new project being conducted jointly by the provost's office and his office involving a multi-year, comprehensive effort to enhance the operating efficiency and utilization of General Fund buildings. Components include encouraging off-peak use of facilities, providing budgetary incentives to increase productivity of space, and improving energy utilization, among others.

Mr. Slottow noted that higher education is the most frequent target of IT system hackers, and described some of the improved information technology security practices that have been undertaken to improve the University's security in this area. He then described some initiatives being taken to invest in the University's human capital, noting that the University employs a higher percentage of minorities and women than the state and region. Among the efforts underway in this area are the Healthy Community Initiative, VOICES of the Staff, and implementation of the eMploy applicant management system.

In the area of liability management, Mr. Slottow observed that the University continues to enjoy the highest possible credit ratings from both Standard & Poor's and Moody's. The

University undertakes aggressive interest expense management, maximizes insurance coverage to obtain the lowest premiums, and takes management actions to reduce post-employment benefits liability.

Executive Vice President Slottow concluded by noting that the proposed operating budget is consistent with maintaining the University's overall financial health, and quoted from Standard & Poor's that "UM is one of only three U.S. public universities that have an 'AAA' rating from Standard & Poor's," and this rating is based upon "strong financial liquidity, ...solid financial performance, ...modest debt burden, ...manageable 10-year capital plan, ...strong fund raising capacity, and ...a national reputation for excellence in academics and research."

#### **Proposed Ann Arbor General Fund Operating Budget and Student Tuition and Fee Rates for FY 2006-07**

Provost Sullivan commented that this budget includes an increase in the state appropriation of 2.9% for the Dearborn campus, 3.0% for the Flint campus, and 3.0% for the Ann Arbor campus. She displayed a slide summarizing the current fund budget totals for all campuses, indicating that total revenues will equal \$4,874,145,918 in 2006-07 and total expenditures will equal \$4,817,317,644. She explained that the budget is developed with three main objectives in mind: excellence, achieved by recruiting and maintaining excellent faculty; access, achieved through the University's policy of meeting the demonstrated financial need of all Michigan resident undergraduate students; and innovation, achieved by providing funding for key academic initiatives.

Provost Sullivan gave examples of cost savings that illustrate the University's prudent management of the General Fund budget, including changes in procurement processes, consolidation of administrative operations and service reductions, elimination of duplication, and

shifting costs from the General Fund to other sources. She delineated the factors that comprise the \$80.5 million budget challenge for 2006-07. These include cost increases of \$52.7 million for continuing operations including facilities, salaries, benefits, and general inflation, and \$27.8 million for such essential initiatives as faculty growth, academic program initiatives, information technology, and compliance. The sources of funding to meet the \$80.5 million challenge will be derived from \$62.2 million in net new revenue and \$18.3 million in reductions and reallocations.

Provost Sullivan observed that while the University is grateful for the increase in state funding, this year's expected allocation of \$326 million is less than the allocation of \$363 million that the University received in FY 2002. After providing for inflation, the latter figure would now equal \$413 million, leaving a gap of \$87 million between the current allocation and that received in FY2002. She displayed a graph illustrating that as the amount of state appropriation has decreased, the percentage of the General Fund budget provided by tuition and fees has increased.

Provost Sullivan reported that 2006-07 tuition for lower division resident LSA students, which enrolls about 64% of the undergraduate population, will increase by \$510 per year (5.5%). Tuition for the Schools of Art, Music, Theatre and Dance, and Nursing, will be equal to that charged by the College of LSA, but the increase will be \$600 (6.6%) because their rates had previously been lower. Tuition for the School of Dentistry will increase by 5.5%, for the College of Engineering, 7.0%, and Kinesiology by 5.5%. In the case of engineering, she explained that the additional funds will provide for significant technology enhancements and the hiring of 27 additional faculty in order to reduce the student faculty ratio from 16:1 to 15:1. In total, 76% of undergraduate students will be subject to a 5.5% tuition increase.

Provost Sullivan displayed charts comparing tuition and fee increases among Big Ten institutions, Michigan public universities, and select private universities, noting that Michigan's figures are among the lowest in both groupings. She concluded by recommending the proposed FY 2007 Ann Arbor Campus General Fund Operating Budget, of \$1,295,048,000, for approval.

**Proposed Flint Campus General Fund Operating Budget and Student Tuition and Fee Rates for FY 2006-07**

Chancellor Mestas noted that the proposed budget coincides with the three pillars outlined in the recently-adopted strategic plan: academic excellence, student centeredness, and engaged citizenship. The budget assumes a 3% increase in state funding and a 2% drop in enrollment. The proposed tuition and fee increase for resident undergraduate students for 2006-07 equals \$240 per semester, a 7.9% increase. The proposed increase for resident graduate students would be \$130 per semester, or 4%.

Chancellor Mestas pointed out that this increase is significantly below the average tuition increase for the past five years of \$499 for all of Michigan's public universities. The budget includes a 10% increase in institutional financial aid to help offset the increase in tuition and fees. He noted that raising funds for student scholarships is a top priority of the Flint Campus's capital campaign. The budget provides for a 3% faculty and staff salary increase and addresses the issue of faculty salary compression by proposing an additional 1% increase in the salaries of associate and full professors. The Flint campus also plans to establish an equity fund meant to address individual cases of compensation inequality among faculty and staff.

Chancellor Mestas noted that the generous support for higher education in 2006-07 provided by the governor and legislature have enabled the campus to limit the increases in tuition and fees, even in the face of major increases in operational expenses caused mostly by

rising costs for energy and health care. However, he observed that the losses inflicted through years of under-funding cannot be reversed in one year. For 2006-07, state funding will comprise 33% of the campus's budget, compared to 50% seven years ago. Even so, he noted that the combination of cost and quality provided at the University of Michigan-Flint continues to make it one of the best educational values in the state.

### **Proposed Dearborn Campus General Fund Operating Budget and Student Tuition and Fee Rates for FY 2006-07**

Chancellor Little described the extensive, consultative process used to derive the budget. He acknowledged the 2.9% increase in state funding for 2006-07, but noted that the campus is still left with \$2.5 million less than it had in 2002 in real dollars. He stated that the priorities for the Dearborn campus are preserving educational quality, sustaining accessibility, and maintaining a positive and equitable work environment for faculty and staff. The recommended tuition increase is 8%, with a 12.9% increase in institutionally funded financial aid, and a 3% salary program for faculty and staff. In addition, \$200,000 will be earmarked to address faculty equity and compression issues. The remaining funds will be used to cover new space operations, increased utility costs, and a small number of new initiatives.

### **2006-2007 University Health Service Fee**

Vice President Harper introduced Dr. Robert Winfield and other leaders of the University Health Service (UHS) who were present. She noted that in addition to supporting medical visits, laboratory testing, and other primary health care services without additional out-of-pocket costs for students, the student fee also supports extensive student health educational programs across campus in the areas of alcohol, relationships and sexuality, and eating disorders. UHS also takes

a leadership role in other campus-wide health-related initiatives, such as the pandemic influenza preparedness initiative.

Vice President Harper stated that while UHS continues to emphasize revenue and cost containment measures, a rate increase of 5.5% (\$8.11) per student per term is being requested to provide funding for inflationary operating increases, utilities expense increases, and public health and health promotion enhancements related to alcohol.

### **2006-07 Fee Assessments for Michigan Student Assembly (MSA), Student Legal Services (SLS), and School/College Governments**

Vice President Harper reported that no increase is being requested in the current fee assessments of \$7.19 per student per term for MSA, \$6.00 per student per term for SLS, and \$1.50 per student per term for school and college governments. She pointed out that MSA leadership works with staff in the Division of Student Affairs to ensure the sound financial management of the funding provided by these student fees.

### **Michigan Student Assembly (MSA) Financial Report**

Vice President Harper submitted the annual financial report for MSA for the period December 31, 2005 and December 31, 2004, and noted that MSA continues to be a responsible steward of its Regentally-approved funding.

### **University of Michigan Hospitals and Health Centers (UMHHC) FY2007 Operating Budget**

Executive Vice President Kelch congratulated all faculty and staff at the University of Michigan Health System for a remarkable year. He introduced Mr. Tony Denton, chief operating officer, and Mr. Tom Marks, interim CFO. He introduced Mr. Douglas Strong, director and chief executive officer designate of UMHHC, to present the proposed budget.

Mr. Strong observed that the UMHHC has a well-deserved reputation for high quality, innovative patient care. The institution is on sound financial footing and enjoys a strong partnership with the Medical School and other schools at the University.

Mr. Strong reported that the UMHHC had originally budgeted an operating margin of 4% for FY2006, but now has projected a margin of 5.5% due to the consistently high level of performance of staff and faculty and a continued increase in inpatient and outpatient activity and demand. He said that producing the necessary operating margin requires a combination of achievement in activity levels, revenue per case, expense per case, and managing capacity, and he described the ways in which the emphasis has changed among these factors over time. For FY2006 and FY2007, there is a growing pressure from payers to reduce the rate of growth in health care expenses, and the UMHHC focus will turn to managing capacity, improving productivity, and continuing to emphasize activity increases.

The objectives for FY2007 are to provide additional capacity to permit growth in both inpatient and outpatient activity, to achieve a 4% operating margin, to maintain a market-competitive pricing strategy, to provide a market-competitive salary program, and to establish a leadership expectation that operations must be managed within a volume-adjusted budget. Mr. Strong displayed a chart illustrating budgeted results for FY2006 and expectations for FY2007 in the areas of discharges, outpatient cases, and total adjusted cases. He noted that budgeted growth rates are more aggressive than for the previous year. Regarding capacity issues, the emphasis for FY2006 and FY2007 is to create capacity within existing bed resources, while in FY2008, inpatient capacity will be expanded through the opening of the Cardiovascular Center and other renovations. He also described the areas in which the UMHHC has added ancillary capacity since 2005.

Mr. Strong displayed a chart describing the proposed FY2007 UMHHC budget, which calls for total operating revenue of \$1,549.6 million and total expenses of \$1,487.4 million, for an operating margin of \$62.2 million (4.0%). He pointed out that the institution is aggressively reinvesting its margin in its future so that it will be better able to serve the population of the state and beyond. Major challenges for FY2007 include managing inpatient capacity and high occupancy rates, managing within the volume adjusted budget, reacting to continued changes in the payer climate, implementing an Orders Management Project, and start-up costs associated with the opening of the Cardiovascular Center. He observed that the proposed budget is assertive, but achievable, and is necessary to fulfill the mission, goals, and aspirations of the Health System, and requested approval.

#### **FY2007 University of Michigan Athletic Department Operating Budget**

Mr. Bill Martin, athletic director, presented the Athletic Department operating budget for FY2007. He said that his primary goal upon assuming his position had been to stabilize the budget, and this goal was achieved largely through implementation of the Michigan Stadium priority seating program. The current work plan includes fundraising efforts on behalf of other capital projects, and, with regard to Michigan Stadium, completion of the schematic design, developing a marketing plan for premium seating, and developing major gift proposals in support of the project.

Mr. Martin discussed renewal rates for the preferred seating program, noting that the increase in renewal rate that occurred in FY2006 is an indication of the success of the program. Total donations received through this program increased from \$6,046,270 in FY2005 to \$11,262,075 in FY2006. He reported that the wait list for season football tickets currently stands at up to 9,000 accounts, or a minimum of 18,000 seats.

Mr. Martin reported that projected total revenues for FY2006 are projected to total \$80,360,000, with expenses totaling \$64,176,000. For FY2007, the revenue budget is \$76,015,000, and the expense budget is \$68,844,000, for a total operating surplus of \$7,171,000. Capital expenditures are projected to total \$5,135,000, yielding a net margin of \$2,036,000. He noted that the calculations are based on very conservative budget estimates. He also pointed out that \$4.5 million will be transferred into the deferred maintenance fund. Mr. Martin also noted that financial aid for student athletes will constitute \$13,725,000 in FY2007. There will be a projected operating surplus of \$4,668,000.

Mr. Martin reported that the newly completed Academic Center has been enthusiastically received by student athletes, and the new football locker room and Junge Family Champions Center (an events center) are being used by all teams as well as other University units for various functions. In the area of major capital initiatives, funding needs to be identified for an indoor fieldhouse, a basketball practice facility, and renovation of Crisler Arena. Crisler, he noted, has become a second-rate facility that is in dire need of improvement.

President Coleman then called for discussion and vote on all of the budget action requests.

### **2006-2007 Revenue and Expenditure Operating Budgets**

On a motion by Regent White, seconded by Regent McGowan, the Regents approved the revenue and expenditure operating budgets for the period July 1, 2006 through June 30, 2007, as described in the Regents Communication. The motion was approved by a vote of 7 to 1, with Regent Newman opposed.

### **Proposed Ann Arbor FY 2006-07 General Fund Operating Budget**

On a motion by Regent White, seconded by Regent Maynard, the Regents approved the Ann Arbor General Fund operating budget for FY2006-07, as described in the Regents Communication. The motion was approved by a vote of 7 to 1, with Regent Newman opposed.

### **Proposed Ann Arbor FY 2006-07 Student Tuition and Fee Rates**

On a motion by Regent White, seconded by Regent Maynard, the Regents approved the Ann Arbor FY2006-07 student tuition and fee rates, as described in the Regents Communication. The motion was approved by a vote of 7 to 1, with Regent Newman opposed.

### **Proposed Flint Campus FY 2006-07 General Fund Operating Budget**

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents approved the Flint Campus FY 2006-07 General Fund operating budget, as described in the Regents Communication. The motion was approved by a vote of 7 to 1, with Regent Newman opposed.

### **Proposed Flint Campus FY 2006-07 Student Tuition and Fee Rates**

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents approved the Flint Campus FY 2006-07 student tuition and fee rates, as described in the Regents Communication. The motion was approved by a vote of 7 to 1, with Regent Newman opposed.

### **Proposed Dearborn Campus FY 2006-07 General Fund Operating Budget**

On a motion by Regent White, seconded by Regent Maynard, the Regents approved the Dearborn Campus FY 2006-07 General Fund operating budget, as described in the Regents Communication. The motion was approved by a vote of 7 to 1, with Regent Newman opposed.

### **Proposed Dearborn Campus FY 2006-07 Student Tuition and Fee Rates**

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents approved the Dearborn Campus FY 2006-07 student tuition and fee rates, as described in the Regents Communication. The motion was approved by a vote of 7 to 1, with Regent Newman opposed.

### **Proposed 2006-07 Fee Assessments for Michigan Student Assembly (MSA), Student Legal Services (SLS), and School/College Governments**

On a motion by Regent McGowan, seconded by Regent White, the Regents unanimously approved the 2006-07 fee assessments of \$7.19 per student per term for Michigan Student Assembly, \$6.00 per student per term for Student Legal Services, and \$1.50 per student per term for school and college governments.

### **Proposed 2006-2007 University Health Service Fee**

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved a fee increase of 5.5% (\$8.11 per student per term) for the University Health Service. The new fee will equal \$155.65 per student per term.

### **Proposed University of Michigan Hospitals and Health Centers (UMHHC) FY 2007 Operating Budget**

On a motion by Regent Taylor, seconded by Regent Brandon, the Regents unanimously approved the proposed University of Michigan Hospitals and Health Centers FY 2007 Operating Budget.

### **Committee Reports**

**Finance, Audit and Investment Committee.** Regent Brandon reported on the agenda items reviewed by the committee. These included an update from Steven Schram, interim director of Michigan Public Media, on audits and system implementations at Michigan Radio, with

Carol Senneff, executive director of University audits, in attendance. Ms. Senneff also provided a routine internal audit update, and the Regents received assurance in a private meeting with her that she is continuing to receive a high level of cooperation and response from University management and administration. The committee also received a Human Capital Report from Associate Vice President Laurita Thomas.

**Personnel, Compensation and Governance Committee.** Regent Taylor reported that the committee had met with Provost Sullivan regarding the issues of excess compensation, unreported income and benefits, lack of transparency, and related governance issues at other universities, that have received wide media attention in recent months. He noted that the committee is reviewing the area of compensation and expenses at the University of Michigan, but is satisfied at this point that the University's policies and procedures are sufficient to prevent these types of incidents from occurring here.

The committee also received an update on current dean searches. The committee asked to receive further information about a recent Michigan Supreme Court decision on the Freedom of Information Act.

#### **Committee Chairs for 2006-07**

Regent Maynard announced that for 2006-07, the Regents Personnel, Compensation and Governance Committee would be chaired by Regent Taylor and the Finance, Audit and Investment Committee would be chaired by Regent McGowan. Regent Maynard expressed great appreciation for the excellent work Regent Brandon has done as chair of the Finance, Audit and Investment Committee during the past two years, and said she was pleased that he would continue to serve on that committee.

## **Consent Agenda**

**Minutes.** Vice President Churchill submitted for approval the minutes of the meeting of June 16, 2006.

**Reports.** Executive Vice President Slottow submitted the Investment Report, the Plant Extension Report, and the Human Resources and Affirmative Action (HRAA) Report. He noted that a contract ratification vote is being scheduled with the Police Officers Association of Michigan.

**Litigation Report.** Vice President Krislov submitted the Litigation Report. He noted that the Michigan Supreme Court had just issued an opinion in a case involving Eastern Michigan University that reaffirmed the importance of protecting from disclosure the frank communication that is part of the deliberative process, while providing additional guidance that will be taken into account. He said he would continue to advise the Regents about this decision.

**Research Report.** Vice President Forrest submitted the Report of Projects Established, June 1-30, 2006.

**University of Michigan Health System.** Executive Vice President Kelch called attention to the recommendation for the appointment of Dr. William Barsan, chair of the Department of Emergency Medicine, to the University of Michigan Hospitals and Health Centers Executive Board, and thanked Dr. Marc Lippman for his service on the board.

**Division of Student Affairs.** Vice President Harper noted that the division has been involved in a coordinated effort to ensure that the needs of all faculty, staff and students who are in Lebanon and Israel during this period of conflict are being met.

**University of Michigan-Flint.** No additional report was submitted.

**University of Michigan-Dearborn.** Chancellor Little called attention to two new degree programs, in the School of Education and School of Management, being presented for approval at this meeting.

**Michigan Student Assembly Report.** Josh Kersey, treasurer of Michigan Student Assembly, thanked the Regents for approving the MSA fee for 2006-07. He reported that MSA is dedicated to being financially responsible and has developed educational programs for committees that fund student groups. He also updated the Regents on the assembly's summer activities and programs that are planned for the fall. He reported that one of the MSA goals for this year is to make students more aware of MSA by becoming more visible on campus.

**Voluntary Support.** It was noted that the year end reports, along with reports for June, July, and August 2006, would be submitted at the September meeting.

**Personnel Actions and Personnel Reports.** Provost Sullivan highlighted the recommended appointment of Kathleen Potempa as dean of the School of Nursing and professor of nursing, effective October 1, 2006. She also called attention to the recommended reappointment of Dean Rosina Bierbaum at the School of Natural Resources and Environment, and the appointment of James Wooliscroft as interim dean of the Medical School, effective August 1, 2006. Dr. Kelch expressed his pleasure at the appointments of Kathleen Potempa and of James Wooliscroft as interim dean of the Medical School, and commented on the distinguished service that had been provided by Dr. Lichter.

**Retirement Memoirs.** Vice President Churchill submitted memoirs for 10 retiring faculty members. Provost Sullivan called attention to the retirement of Professor Burton Barnes, as well as former professor, dean, and interim provost Ned Gramlich. Chancellor Mestas highlighted the retirement of Provost Renate McLaughlin. Regent McGowan reiterated the

contributions of these individuals and also called attention to the retirement of Dr. Amnon Rosenthal, noting that his incredible surgical skills were equaled only by his amazing humanity.

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

**Degrees.** Provost Sullivan submitted for approval final degree lists for the April 2006 commencements and changes to previously approved degree lists.

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

The Regents then turned to consideration of the regular agenda.

***Alternative Asset Commitments (TA Associates, Francisco Partners II, L.P., Pacven Walden Ventures VI, L.P., Kleiner Perkins Caufield & Byers, Canyon Capital Realty Advisors LLC: Discretionary Mortgage Investment Account II)***

Executive Vice President Slottow reported that follow-on investments had been made in the following previously approved partnerships: \$40 million and \$15 million, respectively, in TX X, L.P. and TA Sub Debt Fund II, L.P., funds established by TA Associates; \$25 million to Francisco Partners II, L.P.; \$10 million to Pacven Walden Ventures VI, L.P.; \$5 million to KPCB XII and \$1.65 million to KPCB Pandemic and Bio Defense Fund, both funds of Kleiner Perkins Caufield & Byers; and \$75 million to Canyon Capital Realty Advisors LLC: Discretionary Mortgage Investment Account.

**Sale of Gifted Real Estate**

Executive Vice President Slottow reported the sale of a gift of three timeshare weeks in Spicebush at Sea Pines, Hilton Head, South Carolina, for a total of \$4,500.

### **Ray Fisher Baseball Stadium Renovation**

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved issuing the Ray Fisher Baseball Stadium Renovation Project for bids and awarding construction contracts providing that bids are within the approved budget. Regent McGowan thanked Athletic Director Martin and his staff for treating the baseball and softball stadium renovation projects with the respect that each deserves.

### **Alumni Field Renovation**

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved issuing the Alumni Field Renovation Project for bids and awarding construction contracts providing that bids are within the approved budget.

### **University of Michigan Golf Course New Maintenance and Storage Building**

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Golf Course New Maintenance and Storage Building Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

### **Marie Dorothy Hartwig Administration Building Renovation**

Executive Vice President Slottow introduced Bob Powell, CEO of Jickling Lyman Powell Associates, Inc., to review the schematic design. He noted that this building was constructed in 1912, and the renovation will be sensitive to the building's historic character.

Mr. Powell described the siting of the building on the Athletic Campus and displayed a photo of the exterior, noting that it will be physically connected to both the Academic Center and

Weidenbach Hall. He displayed drawings of the floor plans and said that the intent is to preserve the existing spatial character of the interior while upgrading all of the infrastructure.

Mr. Powell displayed a rendering of how the renovated structure will look from the street, and it was noted that while features of the entrance would be preserved, the stairs would be removed and it would no longer serve as a point of entry. President Coleman observed that retaining the door without the stairs looks odd, and requested that the architects provide her with additional details. Mr. Powell stated that they would revisit this feature.

On a motion by Regent McGowan, seconded by Regent Taylor, the Regents unanimously approved the schematic design for the Marie Dorothy Hartwig Administration Building Renovation Project as presented at the meeting, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

#### **University Stores Building Iodination Laboratory Renovation**

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the University Stores Building Iodination Laboratory Renovation Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

#### **Newberry Hall Kelsey Museum Addition and Renovation**

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved issuing the Newberry Hall Kelsey Museum Addition and Renovation Project for bids and awarding construction contracts providing that bids are within the approved budget.

**University of Michigan Hospitals and Health Centers University Hospital Front Entrance Traffic Flow Improvements**

On a motion Taylor, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Front Entrance Traffic Flow Improvements Project as described, authorized commissioning the engineering firm of URS Corporation for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

**University of Michigan Hospitals and Health Centers Domino’s Farms Leasehold Improvements for the Division of Allergy**

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Hospitals and Health Centers Domino’s Farms Leasehold Improvements for the Division of Allergy Project as described in the Regents Communication.

**University of Michigan Hospitals and Health Centers KMS Building Leasehold Improvements Project**

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Hospitals and Health Centers KMS Building Leasehold Improvements Project as described in the Regents Communication.

**Conflict of Interest Items**

President Coleman announced that the agenda includes 8 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved each of the following items:

**Authorization to Process Payment for Robert J. Heller**

The Regents approved a payment by the Language Resource Center for Robert J. Heller for a refurbished vending machine. Because Mr. Heller is a University of Michigan employee,

this payment falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Language Resource Center, and Robert J. Heller.
2. The product provided is a refurbished vending machine, for a total dollar amount of \$500.00.
3. The pecuniary interest arises from the fact that Robert J. Heller is a University of Michigan employee, and is receiving payment for the product being provided.

#### **Authorization to Enter into a Contract with NeuroNexus Technologies**

The Regents approved a contract for the purchase of multi-channel recording probes from NeuroNexus Technologies by the Kresge Hearing Research Institute Otolaryngology Laboratory. Because Daryl Kipke and Jamile Hetke, CEO and director of research, respectively, of NeuroNexus Technologies, are also University of Michigan employees, this contract falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Kresge Hearing Research Institute Otolaryngology Laboratory and NeuroNexus Technologies.
2. The product provided is multi-channel recording probes. The cost for the product is \$26,290.00.
3. The pecuniary interest arises from the fact the Daryl Kipke and Jamille Hetke, University of Michigan employees, are also CEO and director of research, respectively, of NeuroNexus Technologies.

#### **Option Agreement between the University of Michigan and Celerison, Inc.**

The Regents approved an option agreement between the University of Michigan and Celerison, Inc. to commercialize the following University technology: UM OTT File No. 1506, “A New Method for Determining Hemodialysis Access Blood Flow Using Intradialytic Access Doppler Ultrasound and Variable Dialysis Blood Pump Flow Rates”; UM OTT File No. 1506p1,

“System and Method for Determining Blood Flow Rate in a Vessel”; and UM OTT File No. 1506p1d1, “System for Determining Blood Flow Rate in a Vessel using Diverted Flow Measurements.” Because William F. Weitzel is a partial owner of and director for Celerison, Inc., 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 Celerison, Inc.
2. Agreement terms include giving Celerison an option to obtain an exclusive license with the right to grant sublicenses. Celerison will pay an option and reimburse patent costs during the term of the option. 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 the changes will be followed and additional review by the Conflict of Interest Review Committee will be conducted as appropriate.
3. The pecuniary interest of Dr. Weitzel arises from his ownership interest in Celerison. He has waived any personal participation in the sharing of revenue received by the University.

#### **Patent Option Agreement between the University of Michigan and Powerix Technologies, LLC**

The Regents approved a patent option agreement between the University of Michigan and Powerix Technologies, LLC. Because Professors Jun Ni and Werner Dahm each are board members of and hold an equity interest in Powerix Technologies, LLC, and are also University of Michigan employees, 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 Regents of the University of Michigan and Powerix Technologies, LLC.
2. Option terms include giving Powerix an option to obtain an exclusive license with the right to grant sublicenses. Powerix will pay an option fee and reimburse patent costs. The University will retain ownership of the optioned 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 conducted as appropriate.

3. The pecuniary interests of Drs. Ni and Dahm arise from their ownership interests in Powerix. They have waived any personal participation in the sharing of revenue received by the University.

### **Membership Agreement between the National Science Foundation Engineering Research Center for Wireless Integrated Microsystems (WIMS) at the University of Michigan and NeuroNexus Technologies**

The Regents approved a membership agreement between the National Science Foundation Engineering Research Center for Wireless Integrated Microsystems (WIMS) at the University of Michigan and NeuroNexus Technologies (“NeuroNexus”). Because Daryl Kipke, David Anderson, and Jamille Hetke are all partial owners and officers of NeuroNexus and also are University of Michigan employees, 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 agreement are WIMS at the University of Michigan and NeuroNexus.
2. The partnership agreement conforms to University policy. It has no specific deliverables unique to NeuroNexus.
3. The pecuniary interests of Daryl Kipke, David Anderson, and Jamille Hetke arise from their status as partial owners and officers of NeuroNexus.

### **License Agreement between the University of Michigan and Avicenna Medical Systems, Inc.**

The Regents approved a license agreement between the University of Michigan and Avicenna Medical Systems, Inc. to commercialize the following technology: UM OTT File No. 2577, entitled “Electrophysiology Report System” (Frank Pelosi and Juwana Jackson), and UM OTT File No. 3102, entitled “Anticoagulation Application” (Yehuda Bechar, Julie Merz, Carol Kaus, Erdwing Coronado, William Fay). Because Frank Pelosi, Erdwing Coronado, Khaled El-Safty, and Yehuda Bechar are all employees of the University of Michigan and partial owners

of and directors for Avicenna Medical Systems, Inc., 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 Avicenna Medical Systems, Inc.
2. Agreement terms include giving Avicenna an exclusive license with the right to grant sublicenses. 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 conducted as appropriate.
3. The pecuniary interests of the above named individuals arise from their ownership interests in Avicenna. They have waived any personal participation in the sharing of revenue received by the University.

**Subcontract Agreement between the University of Michigan and Omni Sciences Inc.**

The Regents approved a subcontract agreement with Omni Sciences Inc. for funding of a research agreement in the Department of Electrical Engineering and Computer Science under the direction of Associate Professor Fred Terry. Because Mohammed N. Islam, sole owner of Omni Sciences 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. Parties to the agreement are the University of Michigan and Omni Sciences Inc.
2. The terms of the proposed agreement conform to University policy. Dr. Terry will be the principal investigator for the project at the University to be conducted over a 24-month period at an estimated total of \$255,007. The subcontract includes a provision for extensions of the time period and scope of work. University procedures for approval of these changes will be followed and additional conflict of interest review will be conducted as appropriate.
3. Mohammed Islam's pecuniary interest arises from his status as sole owner of Omni Sciences Inc.

## **Subcontract Agreement between the University of Michigan and Intellectual Gaming, LLC**

The Regents approved a subcontract agreement between the University of Michigan and Intellectual Gaming, LLC to fund a project in the School of Information under the direction of Dr. Gavin Clarkson. Because Dr. Clarkson is a minority owner of Intellectual Gaming, LLC and 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. Parties to the agreement are the University of Michigan and Intellectual Gaming, LLC
2. The terms of the agreement conform to University policy. The period of performance for the project is one year and the amount of funding support is \$80,400.
3. Dr. Clarkson's pecuniary interest arises from his status as minority owner of Intellectual Gaming, LLC.

## **Alternative Asset Commitment (*Matrix Partners India I, LLC*)**

On a motion by Regent Taylor, seconded by Regent Brandon, the Regents unanimously approved a commitment of up to \$10 million to Matrix Partners India I, LLC, a partnership which will make investments in private companies in India.

Regent Newman left the meeting at this point, at 11:15 a.m.

## **Implementation of the Regents' Policy on Research Grants, Contracts, and Agreements, FY04 and FY05**

Vice President Forrest submitted a report on implementation of the Regents' Policy on Research Grants, Contracts, and Agreements for FY04 and FY05.

## **Michigan Health Corporation (MHC) Annual Business Plan**

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved the MHC FY2007 Annual Business Plan and budget

**New Degree Program to be offered by School of Management, University of Michigan-Dearborn (“*Master of Science in Management Information Systems*”)**

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved a new degree program, “Master of Science in Management Information Systems,” to be offered by the University of Michigan-Dearborn School of Management.

**New Degree Program to be offered by School of Education, University of Michigan-Dearborn (“*Bachelor of Education in Special Education*”)**

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved a new degree program, “Bachelor of Education in Special Education,” to be offered by the University of Michigan-Dearborn School of Education.

**Regents’ Meeting Schedule for 2007**

Vice President Churchill requested approval of the Regents’ Meeting schedule for calendar year 2007. It provides for 11 monthly one-day meetings on Thursdays, with no meeting in August. She noted that the committee meetings and informal sessions will take place prior to the formal session, and the formal meeting and public comments period will be held on Thursday afternoons.

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved the following meeting schedule for 2007:

- January 18
- February 15
- March 15
- April 19
- May 17 (Dearborn campus)
- June 21
- July 19
- September 20
- October 25\* (Flint campus)
- November 15
- December 13

*\*The Regents Communication incorrectly listed October 26 and this is to be officially corrected at the September 2006 meeting. The corrected dates are listed here.*

This concluded the formal business agenda, and a ten-minute break followed.

### **Public Comments**

The Public Comments session began at about 11:35 a.m. The Regents heard comments from the following individuals, on the topics indicated: David Boyle, alumnus, on Regental perquisites and responsibilities, Irwin Goldstein, emeritus professor, Albert Meyer, alumnus, John Latus, student, John Pollack, citizen, John F. Meyer, faculty, Bill Higgins, citizen, Gary Gillespie, alumnus, and Douglas C. Kelley, alumnus, all on the topic of Michigan Stadium renovations; Jim Mogensen, citizen, on town/gown relations, and Laurel Federbush, alumna, on divestment from Israel.

There being no further business, the meeting was adjourned at 12:30 p.m. The next meeting is scheduled for September 22, 2006.