

MARCH MEETING, 2001

*The University of Michigan
Ann Arbor
Thursday, March 15, 2001*

The Regents convened at 9:10 a.m. in the Regents' Room. Present were President Bollinger and Regents Brandon, Deitch, Horning, Maynard, McGowan, and White. Also present were Provost Cantor, Vice President Feagin, Vice President Harper, Executive Vice President Kasdin, Vice President and General Counsel Krislov, Chancellor Little, Chancellor Mestas, Executive Vice President Omenn, Vice President Rudgers, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Regents Newman and Taylor were absent.

President's Opening Remarks

President Bollinger called the meeting to order. He noted that the campus is in the midst of a three-week visit by the Royal Shakespeare Company (RSC), and that the level of excitement and energy this has generated is unprecedented. He said the company would be returning to campus in 2003 and 2005, events that both parties are eagerly anticipating. He described some of the events that have been held in conjunction with the RSC residency, including performances attended by local school children and by potential UM students.

Regent McGowan observed that the RSC has been generous in its praise of both the University and the University Musical Society regarding all aspects of the residency. She also pointed out that the provost's office and other University offices have purchased tickets that allow University students who might not otherwise have had the opportunity to attend the

performances, resulting in an audience that reflects a cross-section of the University and the broader community.

President Bollinger observed that the Life Sciences Institute would be holding a kickoff celebration on April 11. He called attention to a number of other recent and upcoming events and achievements and noted that Provost Nancy Cantor would be receiving an achievement award from the Anti-Defamation League. He also reported on the deaths of UM alumnus Claude Shannon, known as the father of information theory, and former faculty member Michel Oksenberg. Vice President Ulaby commented that a bust of Claude Shannon is going to be placed at the University of Michigan and a celebration is being planned in conjunction with that event.

Regent Deitch reported on the death of Theodore Sachs, a 1951 graduate of the University of Michigan Law School, who he described as a distinguished lawyer, brilliant scholar, and the embodiment of what the University of Michigan is about.

Regent Deitch also noted that President Bollinger had been prominently featured in the local and natural press in recent weeks. He said that “we are thrilled to work with you” and “we all look forward to working with you and your colleagues to build even more greatness at this university in the years to come.” Regent Maynard also commented that she is delighted that President Bollinger and Mrs. Bollinger would be staying in Ann Arbor.

Stadium Revenue Plan

President Bollinger called on Athletic Director Bill Martin.

Mr. Martin enumerated the financial challenges facing the Athletic Department, which include significant growth of the program over time; that it supports 100% of student scholarship costs; declining revenues from licensed products; that all 25 teams are supported primarily by revenues from football, ice hockey, and men’s basketball; and that the costs to remain

competitive continue to grow. To ensure a strong future, the Athletic Department is examining additional ways to cut costs and wisely utilize existing resources; developing a long-term strategic plan that includes facilities needs and means for funding them; implementing a significant fundraising program; evaluating additional revenue opportunities; and increasing football ticket prices for Fall 2001.

Mr. Martin reported that before deciding on a new football ticket pricing program, the department performed a thorough analysis of revenues, expenditures, and trends, both at Michigan and at other programs; held 15 focus groups of alumni, fans, and donors; and enlisted a professional firm to conduct a “fan experience survey” of 3,000 season ticket holders which had a highly unusual 65% response rate. He reviewed the results of the survey, noting that it revealed a high level of understanding about the department’s financial status.

Mr. Martin announced that for the 2001 season a tiered seating model would be implemented with four different price levels, based on seat location. Mandatory seat donations would not be implemented at this time, and there would be no forced reseating at the stadium based on the level of donations. The discount for faculty and staff will be 10%, and for 2001 student prices will be 55% lower than the lowest priced seats. He displayed a diagram showing the locations of the four stadium seating levels and announced the pricing schedule, which also includes a “premium” game with a higher single ticket price. For 2001 the premium game will be Ohio State University.

Mr. Martin reported that ticket prices will be reviewed and adjusted annually. He pointed out that the availability of the best seats at both Ohio State and Pennsylvania State universities is based on donation history, so that the actual cost of the tickets per game at these institutions is far greater than the face value.

Mr. Martin noted that the new ticket pricing plan will yield \$5 million in additional revenue and the Nike contract will result in \$2.2 million in revenue for 2001. However to meet continuing needs for facility renovation and renewal and new construction and to enhance the endowment, additional revenue options will be explored such as stadium advertising, enclosed seating, and voluntary seat donation incentives. In addition, major fundraising initiatives will be launched.

The meeting then continued with consideration of the Consent Agenda.

Consent Agenda

Minutes. Vice President Tedesco submitted the minutes of the meeting of February 15, 2001.

Reports. Executive Vice President Kasdin submitted Reports on Investment and Plant Extension. With respect to the Investment Report, he reported that compared to its benchmarks, the University's portfolio is doing well, although it will be a difficult period in terms of real wealth accumulation.

Vice President Krislov submitted the Litigation Report.

Vice President Ulaby submitted the Report of Projects Established for February 2001.

University of Michigan Health System. Executive Vice President Omenn noted that the health system is in good shape financially and that major initiatives are on track.

Student Affairs. There was no report from the Division of Student Affairs.

UM-Dearborn. There was no report from the Dearborn Campus.

UM-Flint. There was no further report from the Flint Campus.

Discussions between the University of Michigan Department of Transportation and the Ann Arbor Transportation Authority (AATA). Executive Vice President Kasdin

observed that as followup to concerns raised at the last meeting, meetings have been set up with a number of student groups and open meetings have been scheduled for staff and students on this topic. He said that he welcomes an opportunity to hear and to respond to any and all concerns surrounding this issue. He also reported that AFSCME has requested and received the background information about this proposal and that his staff would like to meet with them as well. He said he would report back next month on the results of all of these discussions.

Regent Deitch requested that the Regents receive a summary of the findings prior to the next meeting. Regent Deitch apologized to Executive Vice President Kasdin for any sharpness in tone that may have been conveyed by his comments on this issue at the previous meeting.

Voluntary Support. Vice President Feagin submitted the Report of Voluntary Support for February 28, 2001.

Personnel Actions/Personnel Reports. Provost Cantor submitted Personnel Actions and Personnel Reports.

Michigan Student Assembly. MSA president Hideki Tsutsumi stated that he would be addressing the proposed agreement with the Ann Arbor Transportation Authority. He noted that MSA had passed unanimously a resolution opposing the outsourcing of major parts of the University bus service, and introduced Eric Roder, sponsor of the resolution and a student in the College of Engineering. Mr. Roder commented that he has not come across one person in the College of Engineering who is in favor of this proposal, and that one of the major causes for concern is the lack of communication to students. He read the unanimous resolution from MSA, titled "A Resolution Opposing Outsourcing of Major Parts of the University Bus Service to the Ann Arbor Transportation Authority" and commented further on the reasons for student opposition to the proposal.

Retirement Memoirs. Vice President Tedesco submitted for adoption one retirement memoir.

Memorials. Vice President Tedesco reported the death of William R. Mancini, Ph.D., assistant professor of pharmacology and member of the Upjohn Center for Clinical Pharmacology.

Degrees. President Bollinger submitted for approval a recommendation that honorary degrees be awarded to the following individuals: William M. Davidson (Doctor of Laws); The Honorable Ruth Bader Ginsburg (Doctor of Laws); William Ivey (Doctor of Humane Letters); Adam Michnik (Doctor of Laws); Robert Pinsky (Doctor of Humane Letters); and Marshall Sahlins (Doctor of Humane Letters).

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

Financial Statements and Reports Pursuant to Federal Office of Management and Budget (OMB) Circular A-133

Executive Vice President Kasdin submitted Financial Statements and Reports to OMB Circular A-133 for the year ended June 30, 2000. He announced that he and Vice President Ulaby have formed a committee to be chaired by Marvin Parnes, associate vice president for research, and Tim Slottow, associate vice president for finance, to review the entire research process at the University to ensure that the University is positioned to provide the best possible support for faculty research endeavors.

Supplemental Information to the Certified Audited Financial Report of the Board in Control of Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2000

Executive Vice President Kasdin submitted Supplemental Information to the Certified Audited Financial Report of the Board in Control of Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2000.

Funds Functioning as Endowment

Executive Vice President Kasdin explained that this is a request for confirmation by the Regents of the authority of the executive vice president and chief financial officer to establish funds functioning as endowment (quasi-endowment funds) and to treat these as endowment funds for the purposes of investment and administration.

On a motion by Regent Deitch, seconded by Regent Maynard, the Regents unanimously approved the following resolution:

RESOLUTION

RESOLVED, that the authority of the Executive Vice President and Chief Financial Officer to establish certain funds of the University as funds functioning as endowment is hereby ratified and confirmed. In accordance with the policies of the Regents, such funds shall be invested as long-term capital in a diversified portfolio intended to provide both investment returns and a hedge against inflation. Designations of funds as funds functioning as endowment may be permanent or for a term of years, generally not less than five, subject in either case to the ability of the Executive Vice President and Chief Financial Officer to expend principal of the funds in exigent circumstance resulting from unanticipated reductions in revenues or increases in expenses, as shall be determined by the Executive Vice President and Chief Financial Officer.

RESOLVED, that except as provided above, expenditures from funds functioning as endowment shall be made in accordance with the endowment expenditure policies from time to time adopted by the Regents, including any policies which may apply to any particular class of endowment funds.

RESOLVED, that it is the intention of the Regents that funds functioning as endowment are to be treated as part of the University's "endowment funds", for purposes of Article IX, Section 19 of the Michigan Constitution of 1963, as amended, and for purposes of the Uniform Management of Institutional Funds Act, subject to the right to expend principal as set forth above.

RESOLVED, that funds functioning as endowment shall be administered with other endowment funds of the University under the auspices and authority of the Executive Vice President and Chief Financial Officer.

Absolute Return Investments (*First Quadrant Premier Fund, Ltd.*)

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved First Quadrant Premier Fund, Ltd. with initial funding of \$45 million.

Absolute Return Investments (*Satellite Overseas Fund, Ltd.*)

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved Satellite Overseas Fund, Ltd. with initial funding of \$45 million.

Currency Overlay Manager (*Bridgewater Associates*)

Executive Vice President Kasdin explained the concept of currency overlay management. On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved Bridgewater Associates as a currency overlay manager.

Currency Overlay Manager (*Lee Overlay Partners*)

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved Lee Overlay Partners as a currency overlay manager.

Northwood IV Exterior Siding Repair and Stain

On a motion by Regent Maynard, seconded by Regent Horning, the Regents unanimously approved the Northwood IV Exterior Siding Repair and Stain Project as described, and authorized issuing the project for bids and awarding a construction contract providing that bids are within the approved budget.

Chemistry Building Renovations for Biophysics Research Division

Executive Vice President Kasdin explained that the reason laboratory renovation projects are more expensive than others is that these renovation projects also are used as opportunities to update the buildings' infrastructure. On a motion by Regent Brandon, seconded by Regent

McGowan, the Regents unanimously approved the Chemistry Building Renovations for Biophysics Research Division Project as described, and authorized issuing the project for bids and awarding a construction contract providing that bids are within the approved budget.

Dana Building

Executive Vice President Kasdin noted that in December the Regents had approved re-bidding the Dana Building Renovation Project. Since then, a number of bids were received significantly below the proposed budget.

Women's Gymnastics Facility

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved the Women's Gymnastics Facility Project as described and authorized issuing the project for bids and awarding the construction contract providing that bids are within the approved budget.

Naval Architecture and Marine Engineering (NAME) Building Entrance Plaza Paving and Landscaping

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the Naval Architecture and Marine Engineering (NAME) Building Entrance Plaza Paving and Landscaping Project as described, and authorized issuing the project for bids and awarding a construction contract providing that bids are within the approved budget.

University of Michigan Health System (UMHS) General Clinical Research Center (GCRC) Expansion

Executive Vice President Omenn introduced John Wiley, director of the General Clinical Research Center, and Dorene Markel, administrator of GCRC. He noted that the GCRC is being funded by a five-year grant of \$33.6 million from the National Institutes of Health. The purpose of this project is to renovate space to be used for clinical research studies to be funded by this

project; 50% of the cost of the project will be funded by the NIH grant. On a motion by Regent Horning, seconded by Regent Brandon, the Regents unanimously approved the UMHS General Clinical Research Center Expansion Project as described, and authorized issuing the project of bids and awarding a construction contract providing that bids are within the approved budget of \$1,137,824.

University of Michigan-Dearborn University Mall Renovation

Chancellor Little noted that renovation of the University Mall would result in a fully-dedicated, highly-effective student center on the Dearborn Campus. He introduced Kenneth Neumann of Neumann/Smith & Associates.

Mr. Neumann gave an illustrated presentation about the planned renovation, including a site-plan, floor plan, and exterior views. Following the presentation, Regent Maynard moved approval of the schematic design for the University of Michigan-Dearborn University Mall Renovation Project as presented and an increase in the project budget to \$13,038,000. Regent Horning seconded the motion, and it was approved unanimously.

University of Michigan-Dearborn Fieldhouse Renovation

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved a revised budget for the UM-Dearborn Fieldhouse Renovation Project and authorized issuing the project for bids and awarding a construction contract providing that bids are within the \$3,900,000 approved budget.

Payment of Services of Global Design

On a motion by Regent Brandon, seconded by Regent Deitch, the Regents unanimously approved processing of payment for services provided by Global Design. Because a co-owner of

Global Design, Brian Porter, is also a University of Michigan employee, this purchase 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 Latin American and Caribbean Studies Department, and Global Design.
2. The service provided was graphic design of brochures, in November 2000, at a total cost of \$695.00.
3. The pecuniary interest arises from the fact that Brian Porter, a University of Michigan employee, is co-owner of Global Design.

Purchasing Contract with Results Based Leadership Group, Inc.

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved a contract with Results Based Leadership Group, Inc. Because David Ulrich is both a University employee and a shareholder in the company, this contract falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the contract are the Regents of the University of Michigan and its School of Business Administration's Executive Education Center, and Results Based Leadership Group, Inc.
2. The service to be provided is a series of seminars, to be conducted between August, 2000 through June 2001, at a total cost of \$116,000.
3. The pecuniary interest arises from the fact that David Ulrich, a University of Michigan employee, is a shareholder and co-author of work on which the seminar is based.

Reorganization of the Department of Biology in the College of Literature, Science, and the Arts

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved reorganization of the Department of Biology into two departments in the College of Literature, Science, and the Arts: the Department of Molecular, Cellular, and Developmental Biology, and the Department of Ecology and Evolutionary Biology.

Approval of Academic Calendars for the UM-Flint Campus for 2003-2004 and 2004-2005

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved the proposed academic calendars for the UM-Flint campus for 2003-2004 and 2004-2005.

Motion to Meet in Nonformal Session

Regent Horning moved that this formal session of the Regents be adjourned and a non-formal session begun, for the purpose of considering a personnel evaluation. The meeting continued in nonformal session from 10:25 until 11:00 a.m.

Public Comments

The Regents reconvened in formal session at 11:00 a.m. and heard comments from the following individuals on the topics indicated: Gary S. Hann, alumnus, on University of Michigan duplicity; Julie A. Schumaker, student, on a proposed exhibit of plastinated bodies; Cybele Blood, staff, on the utility of public hearings and bylaws on outsourcing; Matthew Rudnick, student, Warren Jenkins, AFSCME bargaining chair, and Cedric De Leon, president of the Graduate Employees Organization (GEO), on AATA/UM bus routes and outsourcing; Matthew Hannah and Peter Romer-Friedman, students and members of SOLE, on the Code of Conduct; and Michael Simon, student, on the Statement of Student Rights and Responsibilities.

There being no further business, the meeting was adjourned at 11:45 p.m. The next meeting will be held April 12, 2001.