

The Board of Regents, State of Iowa, met on Monday and Tuesday, December 15 and 16, 2003, at Iowa State University, Ames. The following were in attendance:

	<u>December 15</u>	<u>December 16</u>
<u>Members of the Board of Regents, State of Iowa</u>		
Dr. Newlin, President	All sessions	All sessions
Dr. Arbisser	All sessions	All sessions
Ms. Arnold	Excused	Excused
Dr. Becker	All sessions	By telephone beginning at 10:55 a.m.
Mr. Downer	Arrived at 2:00 p.m.	All sessions
Mr. Forsyth	All sessions	All sessions
Mr. Neil	All sessions	All sessions
Ms. Nieland	All sessions	All sessions
Dr. Turner	Excused	All sessions
<u>Representing the Office of the Board of Regents at the Board Table</u>		
Executive Director Nichols	All sessions	All sessions
Director Barak	Excused	Arrived at 11:30 a.m.
Director Wright	All sessions	All sessions
Minutes Secretary Briggie	All sessions	All sessions
<u>Representing the State University of Iowa at the Board Table</u>		
President Skorton	All sessions	All sessions
Interim Provost Cain	Excused	All sessions
Vice President True	All sessions	All sessions
Director Katen-Bahensky	All sessions	Excused
<u>Representing Iowa State University at the Board Table</u>		
President Geoffroy	Excused	All sessions
Provost Allen	Excused	All sessions
Vice President Madden	Excused	All sessions
<u>Representing the University of Northern Iowa at the Board Table</u>		
President Koob	Excused	All sessions
Provost Podolefsky	Excused	All sessions
Vice President Schellhardt	Excused	All sessions
<u>Representing the Iowa School for the Deaf at the Board Table</u>		
Superintendent Prickett	Excused	All sessions
Director Heuer	Excused	All sessions
<u>Representing the Iowa Braille and Sight Saving School at the Board Table</u>		
Superintendent Thurman	Excused	All sessions
Director Woodward	Excused	All sessions

THE CORRESPONDING DOCKET MEMORANDUM FOR
EACH AGENDA ITEM IS AVAILABLE ON THE
BOARD OF REGENTS WEBSITE AT:

www.state.ia.us/educate/regents

COPIES OF THESE MEMORANDA CAN ALSO BE
OBTAINED FROM THE BOARD OFFICE
BY CALLING 515/281-3934.

BOARD OF REGENTS, STATE OF IOWA

The following business was transacted on Monday, December 15, 2003, beginning at 9:15 a.m.

EXECUTIVE SESSION. President Newlin requested that the Board meet in closed session pursuant to Iowa Code §21.5(1)(i) to consider a request from an employee whose performance was being considered.

MOTION: Regent Becker moved to enter into closed session. Regent Forsyth seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Becker, Forsyth, Neil, Newlin, Nieland.
NAY: None.
ABSENT: Arnold, Downer, Turner.

MOTION CARRIED.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 9:16 a.m. on December 15, 2003, and adjourned therefrom at 10:20 a.m. on that same date.

President Newlin reconvened the meeting at 10:30 a.m.

GOVERNANCE SEMINAR: ACADEMIC HEALTH CENTERS.

The facilitators for this seminar were Robert Baker, President/CEO of the University HealthSystem Consortium, and David Burnett, Vice President and Director, Clinical Practice Advancement Center of the University HealthSystem Consortium.

Mr. Baker and Dr. Burnett each provided PowerPoint presentations, which are attached. Topics included the academic health center components, academic medical center hospitals and the current environment, quality and safety, governance, and challenges for academic medical center hospitals.

Mr. Baker and Dr. Burnett presented the following policy considerations for the University of Iowa Hospitals and Clinics:

1. How should the hospital and clinics address the growing cost of providing unreimbursed care as state fund support continues to decline?
2. Should the hospital and clinics be restructuring under a public authority?
3. How should the governing body be structured to provide effective governance?

Questions and discussion included a comparison of the operating margins of academic medical center hospitals and community hospitals; referrals to the University of Iowa Hospitals and Clinics from the community hospitals; separation of the University of Iowa Hospitals and Clinics from the University of Iowa; legislative funding of the University of Iowa Hospitals and Clinics; Iowa demographics; Six Sigma; and the "leap frog" group.

The following items are to be provided to the Board in follow up to the discussion:

- A sample of academic health center governance boards that are perceived as being especially effective. The sample is to include governance boards of hospitals that have separated from their universities and ones that remain part of their universities.
- Executive summaries of the two Institute of Medicine studies referenced by the presenters.
- The national ranking of the Board of Trustees of the University of Iowa Hospitals and Clinics.

MEETING OF THE BOARD OF REGENTS, STATE OF IOWA, AS THE BOARD OF TRUSTEES OF THE UNIVERSITY OF IOWA HOSPITALS AND CLINICS.

Director Katen-Bahensky presented the report of the University of Iowa Hospitals and Clinics Director. She said it had been a busy and successful first quarter of FY 2004. She discussed each of the four priority initiatives for FY 2004 (workplace of choice, pursuing excellence, improving efficiencies, financial strength). This fiscal year there will be an effort to benchmark workplaces of choice, which will include best practices. She itemized several critical recruitments that have been concluded, including Head of Emergency Medicine, Chair of Cardiothoracic Surgery, Head of Graduate Medical Education, and two Assistant Deans and Senior Assistant Hospital Directors. She also reviewed activities that have taken place related to the application for magnet hospital designation, the results of which are expected by mid-January, most notably the two-day on-site review of every unit and every clinic, as well as a public forum. Meetings have taken place with legislators and those will continue over time. Building of community relationships will continue. Director Katen-Bahensky presented the

upcoming strategic plan timeline. The process will begin with an external assessment and an internal assessment involving many groups. The trustees will be involved in the development of strategies once the University completes its strategic plan.

Associate Director Rice presented the quarterly update on operations and programs. She assessed the progress for first quarter 2004 in the four priority initiatives identified by Director Katen-Bahensky.

Discussion followed regarding the employee vacancy rate versus employee turnover. University of Iowa Hospitals and Clinics officials will present both turnover and vacancy data in future reports. They will also present separately the turnover rate of registered nurses. Associate Director Rice noted that the vacancy rate for nurses is 11.1 percent, down from 16 percent a year ago. Regent Neil asked that the information on nurses be presented on the basis of turnover.

Associate Director Rice continued to discuss performance related to the priority initiatives. She referred to the increased vacancy rate, which she attributed to the heavy turnover in housekeeping this fall. She stated that the average length of inpatient stay has continued to decline.

Regent Forsyth questioned whether it was realistic to have annual benchmarks of 100 percent for "patient satisfaction with overall care" and for "recommend to others." It was agreed that this discussion would be withheld until an external benchmarking survey is completed.

Associate Director DeFurio presented the quarterly update on finances. He stated there was an 11.4 percent revenue growth before adjustments. He attributed the revenue growth to an increase in inpatient admissions and an increase in outpatient clinic activities.

President Newlin requested that future reports show separate data for outpatients and inpatients. He also asked that the financial reports include asterisks at the bottom of the tables that explain the reasons for large increases and large decreases.

Regent Forsyth asked if the incremental growth was consistent with the overall payor mix. Associate Director DeFurio responded affirmatively.

Associate Director DeFurio stated that salaries and fringes have increased 7 percent, which is due entirely to increased payroll costs. The FTE only increased by 0.2 percent. Use of agency nurses has declined by 33 percent.

Regent Forsyth said it was impressive that University of Iowa Hospitals and Clinics officials were able to handle an 11 percent patient growth with only a 0.2 percent growth in FTE.

Regent Downer referred to the category of bad debt, and requested that, at the next trustees meeting, the Board be presented with information on accounts receivable and an aging of accounts receivable.

Associate Director DeFurio presented data on increased admissions in the various specialties. He said there has been a slight decline in the severity of illness (case mix index). He pointed out that the year-end financial audit was delayed by a few weeks due to additional auditing necessitated by the IDX conversion.

Senior Assistant Director Fick presented an update on preparation for the Joint Commission on Accreditation of Healthcare Organizations process for accrediting the University of Iowa Hospitals and Clinics. He noted that most of the hospitals in Iowa are not accredited by the Joint Commission. Director Katen-Bahensky stated that this accreditation is an extremely expensive process.

Dr. Fick discussed the Joint Commission's effort to develop a consumer-friendly accreditation report.

Questions and discussion followed regarding the financial ramifications of not achieving Joint Commission accreditation. Mr. Hesson stated that loss of Joint Commission accreditation would likely result in the immediate loss of the University of Iowa Hospitals and Clinics' private contracts.

Associate Director Hesson provided information on and a history of the indigent patient care program in Iowa, which included the following points:

- The program enables every Iowa county and state institution to refer patients for care at the University of Iowa Hospitals and Clinics at no cost to the patient, the county or the institution.
- The program includes patient transportation service, care management program and prescription drug refill program.
- University of Iowa Hospitals and Clinics are compensated through a fixed, annual state appropriation that is less than the value of services provided.
- No reimbursement for physician services.
- Indigent patients receive the same high quality of care as all other patients.
- Indigent patients with chronic medical and psychosocial co-morbidities increase the diversity of the University of Iowa Hospitals and Clinics patient base and thereby enhance the University's health science education programs.

Regent Forsyth asked why reimbursement for physician services was not included in the state funding for indigent patient care. Associate Director Hesson responded that, at the time the statute was first enacted, there was minimal faculty involvement in the care of patients. Patient care was mainly provided by resident physicians.

Regent Neil asked if the counties are utilizing their entire quotas. Associate Director Hesson responded that usage remained steady at approximately 75 percent.

Regent Becker said it was her recollection that, periodically, other hospitals have indicated an interest in assuming some of the indigent care responsibilities. Associate Director Hesson responded that others who have indicated such an interest did so without fully understanding the limited reimbursement. He stated that 60 percent of the indigent care in the state is provided by University of Iowa Hospitals and Clinics and by Broadlawns Hospital in Des Moines.

Associate Director Hesson pointed out that the state of Iowa receives better than a seven times return on its investment in the indigent patient care program.

Regent Forsyth said it would be helpful to consider the value of the University of Iowa Hospitals and Clinics' tax-exempt status as well as the value of the services provided to Department of Corrections patients.

Regent Neil asked if the University reimburses the City of Iowa City for fire protection. Vice President True responded that the University pays over \$1 million per year for those services, based on its square footage.

Regent Forsyth asked about usage of telemedicine within the indigent patient care program. Director Katen-Bahensky responded that telemedicine within the indigent patient care program is used primarily for mental health services for Department of Corrections patients.

Associate Director Hesson stated that, until recently, there was a telenursing program for the indigent patient care program.

President Skorton stated that five or six areas of the University utilize telemedicine. He offered to provide a summary of those activities, in a week.

President Newlin said the appropriation for indigent care is estimated at \$27 million. He asked if a dollar value of the indigent patient care program can be attributed to the College of Medicine for medical education. Director Katen-Bahensky said Hospital officials could discuss that matter with College of Medicine officials. However, quantifying the value would be difficult.

Regent Forsyth stated there is a symbiotic relationship between the indigent patient care program and medical education. Perhaps one could show what the balance is and why it is so powerful.

Director Katen-Bahensky suggested there may be some value in a numbers verification of the last 5 or 10 years of how many patients have been cared for and what that means to the education of medical students.

Director Katen-Bahensky presented the following “take aways” and key questions, and then discussion of those items took place.

- Indigent patient care program is a critical part of University of Iowa Hospitals and Clinics’ service and educational missions.
- Services provided extend beyond care for medical needs.
- Over time the value of services provided has increased, while the real value of the appropriation has decreased.
- The state of Iowa has received a significant return on its investment.
- University of Iowa Hospitals and Clinics absorbs significant costs associated with the provision of indigent care, while accommodating 847,000 other patient visits.

Questions:

1. Should University of Iowa Hospitals and Clinics continue to subsidize the indigent patient care program and, if so, to what extent?
2. How should funding shortfalls be addressed?
3. What is the relative priority of the indigent patient care appropriation relative to other key legislative issues relating to the University?

Regent Downer asked if there have been any initiatives with the General Assembly in the past to increase funding for the indigent patient care program or to articulate the points made at this meeting.

Director Katen-Bahensky responded that, last year, some legislators recommended no funding for the indigent patient care program for a couple of years and that the University of Iowa Hospitals and Clinics use its reserves for the program. University of Iowa Hospitals and Clinics officials wish to address the policy questions about reserves and operating margins at the February trustees meeting because those issues are critical to the concept of subsidizing the indigent patient care program.

Associate Director Hesson stated that it has been many years since the University of Iowa Hospitals and Clinics had a legislative initiative to increase state funding. The University of Iowa Hospitals and Clinics' initiative has been to avoid further cuts in the program.

Regent Downer asked if there have been any approaches taken other than addressing the funding. Associate Director Hesson responded that there have been several decentralization issues over the years.

Regent Forsyth asked about times when the legislature has imposed restrictions on the program. Associate Director Hesson responded that, prior to 1985, if there were across-the-board cuts in appropriations there would have also been across-the-board cuts in the quota. However, because the legislative rider has been in place, that option has been removed. Cuts in appropriations have left the University of Iowa Hospitals and Clinics with responsibility for caring for the same number of patients. To deal with the cuts and to manage the care of patients in very limited ways, University of Iowa Hospitals and Clinics officials have eliminated some peripheral services.

Dean Robillard noted that the Carver College of Medicine trains 50 percent of the physicians in the state.

Senior Assistant Director Cyphert noted there have been many studies by many groups of the indigent patient care program.

President Skorton stated the data show that the University of Iowa has continued to subsidize the indigent patient care program. Should the University continue to subsidize the program and, if so, how much? If the University continues to subsidize the indigent patient care program while accumulating an additional funding shortfall, how does that need compare to other key legislative and capital issues for the University? University officials requested some general policy discussion with the Board about those issues. Are those still the Board's "marching orders" for the University?

Regent Becker questioned whether a legislative issue might be to request that the rider be removed so University officials could adjust the number of indigent patients accepted each year. President Skorton questioned the feasibility of Regent Becker's suggestion. Regent Becker said the discussion needs to take place.

Associate Director Hesson expressed concern that lifting the rider would cause the county relief offices to bear the brunt of the problem. He stated that the increase in patients is from the Department of Corrections.

Regent Becker suggested that addressing the Department of Corrections patient population might be another legislative issue.

Director Katen-Bahensky suggested the Board might request the placement of a quota on the prison population, similar to that of the counties.

Regent Becker expressed her preference for a quota on the Department of Corrections or a change in the rider. The Board has to do something in anticipation that funding is going to keep getting tighter.

Regent Arbisser suggested the message include an indication that the University of Iowa Hospitals and Clinics will care for the truly indigent patients but will bill the state for the prison population.

In response to a question by Regent Downer, Associate Director Hesson described the screening process utilized in the prisons to ascertain those most in need of the services of the University of Iowa Hospitals and Clinics.

Regent Forsyth stated that the indigent patient care program should be part of the Board's legislative agenda, if not this year, then next year.

President Newlin stated that the following day several issues would come before the Board regarding budgets and legislative priorities. He said this items needs to be considered in the context of the total picture.

President Skorton stated that funding of the indigent patient care program is a need that is not going to go away. He then summarized his understanding of the Board's directives. For the upcoming legislative session, University officials should continue to explore ways to express the value of the indigent patient care program in both monetary and non-monetary terms, including quantifiable and non-quantifiable variables related to medical education.

Director Katen-Bahensky stated that University of Iowa Hospitals and Clinics officials will also quantify all of the efforts to better coordinate patient care and to reduce expenditures without compromising the quality of patient care.

Executive Director Nichols stated the Board is likely to pursue a number of deregulation-type initiatives in the upcoming legislative session. He believes there will be an opportunity in the 2004 legislative session where the issue of administration of the indigent patient care program could be pursued.

President Skorton asked that the Board consider a resolution supporting the continued use and funding of the indigent patient care program by the state legislature. He stated that funding for the program is the largest non-general University fund appropriation the University receives.

MOTION: Regent Forsyth moved to adopt a resolution of continued support for the indigent patient care

program as a critical program that works in the interest of the state's population and of the medical training programs of the University of Iowa. The program is being eroded because of the disproportionate growth in Department of Corrections utilization at the same time that state appropriations to the indigent patient care program are eroding. Regent Neil seconded the motion.

Director Katen-Bahensky cautioned that there not be an appearance that the Board is trying to cost shift to another part of state government.

Regent Neil asked that staff work in the necessary "whereases" in the resolution, including the numbers, the increase in patients served from the prison population, and that the Board wants some relief from the legislature.

President Skorton offered the following as his interpretation of the motion: The Board of Trustees of the University of Iowa Hospitals and Clinics expresses its concern about the growth in Department of Corrections usage of its services. It was his understanding that a motion would be drafted for the Board of Regents' consideration the following day as part of the legislative agenda.

Regent Forsyth asked that the motion to be presented to the Board the following day include a reference to the value of the University of Iowa Hospitals and Clinics' tax-exempt status.

President Newlin asked that the resolution be drafted in consultation with the Board Office.

VOTE ON THE MOTION: MOTION CARRIED UNANIMOUSLY.

Director Katen-Bahensky stated that this discussion, along with the preceding governance seminar, represented the best trustees meeting she has attended since she has been CEO of University of Iowa Hospitals and Clinics.

Director Katen-Bahensky then announced that the following day there would be an announcement of the 2003 Best Doctors in America database by Best Doctors, Inc. She stated that President Skorton will be identified as one of the best doctors in cardiovascular disease.

ACTION: President Newlin stated the Board received the quarterly report on the University of Iowa Hospitals and Clinics, by general consent.

The following business was transacted on Tuesday, December 16, 2003, beginning at

9:13 a.m.

EXECUTIVE SESSION. President Newlin requested that the Board meet in closed session pursuant to Iowa Code §21.5(1)(i) to consider a request from an employee whose performance was being considered.

MOTION: Regent Downer moved to enter into closed session. Regent Turner seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Downer, Forsyth, Neil, Newlin, Nieland, Turner.
NAY: None.
ABSENT: Arnold, Becker.

MOTION CARRIED.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 9:14 a.m. on December 16, 2003, and adjourned therefrom at 10:22 a.m. on that same date.

President Newlin reconvened the meeting at 10:38 a.m.

APPROVAL OF MINUTES OF BOARD MEETING OF NOVEMBER 11-12, 2003.

President Newlin asked if there were any additions or corrections to the minutes. There were none.

ACTION: President Newlin stated the Board approved the minutes of the November 11-12, 2003, meeting, as written, by general consent.

CONSENT ITEMS. (a) Board Meetings Schedule. Approval of the Board meetings schedule was requested.

President Newlin stated that the January 14, 2004, telephonic meeting would convene at 3:00 p.m.

(b) Institutional Personnel Transactions. Ratification of the following personnel transactions was requested. *University of Iowa:* Register of Personnel Changes for October 2003. *Iowa State University:* Register of Personnel Changes for November 2003. *University of Northern Iowa:* Registers of Personnel Changes for October and November 2003. *Iowa School for the Deaf:* Register of Personnel Changes for November 2003. *Iowa Braille and Sight Saving School:* Register of Personnel Changes for October 2003.

(c) Approval of Vendors with a Potential Conflict of Interest. Approval was requested of the following additions to the respective institution's list of approved vendors with a potential conflict of interest: *Iowa State University*: EAT IOWA and Story Construction Co.; *Iowa School for the Deaf*: Hugh Prickett.

Regent Forsyth asked for additional information about the request to add Hugh Prickett to the list of approved vendors with a potential conflict of interest at the Iowa School for the Deaf. Superintendent Prickett stated that Hugh Prickett is an interpreter and there is a chronic shortage of interpreters. On rare occasions, when there would not be an interpreter, the School would call on Mr. Prickett for interpretive services. She noted that, while in Hawaii, there was an ethics interpretation which allowed utilization of Mr. Prickett's services.

(d) Report on Requests for Professional Development Assignments. Approval was requested of the requests for professional development assignments for FY 2005.

Regent Forsyth said he was pleased that the universities were continuing to invest in faculty through professional development assignments during these difficult economic times.

Regent Downer referred to statistics on professional development assignments by race/ethnicity, and stated that some of the numbers appeared to be incorrect. President Geoffroy provided the correct numbers.

(e) Regent Merit System Classification Revisions. Approval of the revisions to the Regent Merit System Classification System, as presented, was requested.

(f) Suspension of Admissions to the M.A. Program in Theatre, UNI. Approval of the request for suspension and termination of M.A. Program in Theatre at the University of Northern Iowa was requested.

Regent Forsyth commended University of Northern Iowa officials for suspending admissions to the program. He then asked if there was a regular process to determine whether a program has an adequate number of students.

Interim Provost Cain said she was unfamiliar with the rule at the University of Iowa but assumed it was similar to that of the other two universities.

Provost Allen stated that programs are reviewed every five years at Iowa State University. Enrollment is one of the factors considered in the review. He reminded Board members that a task force is currently reviewing the University's academic programs.

Provost Podolefsky stated there are two processes for academic program review at the University of Northern Iowa: 1) the regular academic program review process which

occurs every five years and 2) the biennial curriculum review process where programs are reviewed for changes within majors, elimination of programs, or addition of new programs. He noted there is no specific rule for the number of students because different programs have different costs. In some programs, an enrollment number might not be relevant to program cost.

(g) Purchase and Installation of 800 MHz NMR System, SUI. Approval was requested for the purchase of an 800 MHz Nuclear Magnetic Resonance (NMR) System totaling \$2,750,000 for the University of Iowa.

(h) Iowa State Center Annual Report, ISU. Receipt of the annual report on the Iowa State Center for the year ended June 30, 2003, was requested.

Regent Neil asked for the source of funds for replacing the north entrance of the Iowa State Center and installing new lobby lights. Vice President Madden responded that repairs to the Iowa State Center generally come from funds generated by operations, depending on the building. Occasionally, University building repair funds are used.

(i) P&S Classification Revision, SUI. Approval was requested of the Professional and Scientific Classification System revision at the University of Iowa.

MOTION: Regent Neil moved to approve the consent docket, as presented. Regent Turner seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin commented on the impending retirement of Charles Wright as Director of Legal Affairs, Human Resources and Information Systems. After summarizing Mr. Wright's lengthy and varied career, President Newlin wished Charles and his wife, Betty, the best in their future endeavors.

Executive Director Nichols stated he concurred with President Newlin's comments about Director Wright's value to the organization. He said a search process has begun for a new director, which he described. Executive Director Nichols presented an analogy indicating that although a successor will be hired, a replacement for Director Wright can never be found.

ANNUAL REPORT ON ECONOMIC DEVELOPMENT.

Assistant Director Girardi provided a PowerPoint presentation of the annual report on economic development and technology transfer. The presentation included information on activities of the Regent universities to promote Iowa's economy, in addition to education of its citizens. He addressed activities related to research, service and collaboration.

With regard to jobs supported through research, Assistant Director Girardi stated there are 36 Iowa jobs created for each \$1 million in external support for research. Using this multiplier, research funding translates to 15,446 Iowa jobs. Jobs supported through research are one subset of the jobs supported by Regents economic development activities.

Assistant Director Girardi stated that other means of jobs creation and support include business incubation, technical assistance to existing companies, and assistance to local economic development groups. In the last two years, for example, the University of Northern Iowa's business incubation program has launched 30 new ventures which have created more than 130 jobs in Iowa. Technical assistance provided by Regent universities, such as efficiencies related to plant layout and manufacturing techniques, helps existing companies create and retain jobs. Through collaboration, Regent universities leverage resources and expertise. The universities collaborate with each other as well as with other service providers in the state.

Regent Neil asked if the 36 jobs for every \$1 million in external support were only in research. Assistant Director Girardi responded that the jobs were not only in research. However, external support for research ripples through the economy to support jobs throughout the economy.

Interim Vice President Decker presented highlights of the University of Iowa's annual report on economic development and technology transfer. He discussed activities that are taking place at the University to facilitate new business innovation and job creation. He stated the University has provided support to individuals in 60 cities and in 20 surrounding counties. The average salary of those individuals is over \$50,000. He presented examples of the University's corporate outreach.

With regard to intellectual property management, Interim Vice President Decker said the University of Iowa had another record year for grants and contracts. Compared to their peers, Iowa State University ranked 22nd of over 150 institutions and the University of Iowa ranked 26th, both of which are respectable rankings. If the universities were considered together, they would have ranked 14th.

Regent Neil said the universities appear to be doing a good job considering the limited resources. He asked what opportunities have been lost as a consequence of reduced state appropriations.

Interim Vice President Decker responded that the reduced appropriations for economic development most likely impacted funds that would have been used to engage in a more proactive technology commercialization program.

Vice President Bloedel presented highlights of Iowa State University's economic development and technology transfer annual report. He stated that Iowa State University has a very successful and well-integrated technology transfer and economic

development program. The excellence in its intellectual property program has been sustained in the face of budget cuts. He reviewed several aspects of Iowa State University's technology transfer and economic development program. Iowa State University set another record this year in the area of sponsored funding. Sponsored funding has increased almost 25 percent since FY 2000. He stated that Iowa State University is one of the top three universities in the nation in the development of patentable biotechnology.

Vice President Bloedel next discussed trends in technology transfer as well as economic development activities. He said Iowa State University's Research Park is a true success story, for which he provided examples.

President Newlin asked for an estimate of the return on investment impact of the Research Park. Research Park President Carter stated that an economic impact study was conducted last year by an economist at Iowa State University. It was Mr. Carter's recollection that the total state investment in the Research Park is approximately \$12 million. Employees at the Research Park pay approximately \$4.7 million per year in state income tax. The Research Park pays approximately \$750,000 in annual property taxes. Total wage income, which has a multiplier effect throughout the economy, is approximately \$30 million a year.

Regent Neil asked for the multiplier effect of wages. Research Park President Carter responded that the multiplier effect of wages is four to five times. He said that information is also included in the study and would be provided to the Board.

President Geoffroy clarified that the total state investment in Iowa State University's Research Park, over the life of the Research Park, is \$12 million. The other figures reported by Mr. Carter, such as employee payroll and state income tax paid by employees, were annual figures. One would have to multiply those figures by the number of years of the Research Park's existence, which would be a very large number.

President Newlin requested that the economic impact data concerning the return on investment in the Research Park be provided to the Board Office. Research Park President Carter responded that would be done.

President Skorton reminded Board members that the three Regent universities' Iowa Values Fund requests included a return on investment calculation. Perhaps the economic development representatives could include that calculation with the other information for a Regent-wide perspective.

President Newlin said that was a good idea.

Director Pilkington presented highlights of the University of Northern Iowa's annual report on economic development and technology transfer. In the aggregate, the University has served approximately 450 communities in local economic development in

all 99 counties in the state. The University has served more than 4,000 businesses across the state in economic development and waste reduction activities. He expressed pride in the linkage with faculty and with students. In this past year, over 90 faculty members were involved in business and community services outreach programs. More than 900 students worked on experiential learning activities with the University's clients. Local development groups report that the University of Northern Iowa's technical assistance services have helped to create 1,000 to 2,000 jobs per year.

Director Pilkington reported that the University of Northern Iowa's incubation and acceleration facility in downtown Waterloo has graduated five tenants. He stated that virtual services were provided in four rural communities on a pilot basis. Those two programs have generated 130 new jobs in 30 business starts. He said the University's Ag-Based Industrial Lubricants Center is recognized as *the* center for bio-based lubricants in the United States. The Center has nine new products and commercialization is going very well.

With regard to the impact of state budget cuts, Director Pilkington stated that four of the University of Northern Iowa's programs received cuts in state funding over the last two years: Institute for Decision Making, Metal Casting Center, and Small Business Development Center (cut by two-thirds), and Ag-Based Industrial Lubricants Program (funding was zeroed out). He said the four programs have had to reduce faculty and student participation by 50 percent. The programs are serving fewer Iowa clients which transfers the costs to Iowa communities and businesses. Director Pilkington stated that, in order to have high-tech companies in this state, the state has to be willing to support the companies. The Regent universities can serve the needs of high-tech companies.

Regent Downer referred to student participation in economic development and technology transfer programs. He asked if there is any way to assess whether a program had stimulated student interest in pursuing careers in the state. Director Pilkington responded that students who form companies close to universities tend to stay in the region.

Regent Forsyth stated the presentation had left him perplexed. He said the state of Iowa is refocusing efforts on economic development; the Regent institutions have a history of economic development and value added. The point was also made about the leverage factor of state funds by the universities. He said the meeting materials presented information on the significant budget cuts. The new Iowa Values Fund presents opportunities for Regent institutions.

Regent Forsyth expressed his belief that the Board has not done a good job over time of demonstrating the value added by the Regent institutions. The Board does not have a crisp message and it needs to deliver a very crisp message to the legislature. He said there is also a need to get the business and community clients activated relative to the legislature.

Regent Downer stated that Regent Forsyth had made an excellent point. He said he would like for the appropriate personnel at each of the three universities to work with the Board Office to develop a common format for sending the crisp message. There is a clear expectation on the part of the state that the institutions provide economic development and technology transfer but there is a disconnect in the state's providing of funding. He stated that some sort of presentation needs to be made in an effort to reverse the funding trend.

President Newlin stated that such an activity would fall under the purview of Regent Downer's study group.

Regent Downer responded that Interim Vice President Decker chairs an interinstitutional committee on economic development and technology transfer which includes Regent representation (Regents Nieland, Forsyth and Downer). He assured the Board that the economic development and technology transfer interinstitutional committee would pursue the Board's request.

MOTION:

Regent Arbisser moved to (1) receive the report on technology transfer and economic development and (2) direct that this report and copies of complete institutional reports and their executive summaries be forwarded to the Secretary of the Senate, the Chief Clerk of the House of Representatives, and the Legislative Fiscal Bureau by January 15, 2004. Regent Forsyth seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Turner expressed concurrence with the need to present a crisp message. She suggested the message be presented in the form of a graph or table to include data on new businesses, jobs, communities served, etc., for a given year. Doing so would facilitate understanding of the reports.

Regent Neil asked that the data include projects that are abandoned or incomplete, or that had to be turned away. Doing so would provide an understanding of the opportunities that are being missed. He urged the universities to track that data.

Regent Arbisser said he would like to include data on annual tax revenues from all of those employees because it substantially exceeds the state's contribution to the project.

Regent Downer expressed interest in also including data on retention of students in the state.

REGENT LEGISLATIVE PROGRAM.

Executive Director Nichols provided Board members with up-to-date information on state revenue estimates for FY 2004 and FY 2005. He said that at its December 8, 2003, meeting, the State Revenue Estimating Conference revised slightly downward its estimates of available revenues for expenditure in both FY 2004 and FY 2005. The revenue estimate for the current fiscal year was lowered by a modest amount. At this time, there is no plan for further reductions in the current year's budgets for the Regent institutions. He said the Revenue Estimating Conference estimate for FY 2005, which is not substantially different than earlier estimates, will be used by the Governor and the General Assembly in constructing budgets, unless the Revenue Estimating Conference lowers the estimate at a later time. Should the Conference raise the estimate, it would not affect the budget making of the Governor and legislature.

Executive Director Nichols stated that public discussion has begun about the overall state budget for FY 2005. Discussion has also begun about the built-in state expenditure increases already passed by the Governor and legislature for the next fiscal year as well as projected increases in mandatory expenditures. He said the gap between general fund revenues available for expenditure in FY 2005 and the built-in and projected expenditures, as well as ongoing commitments, is \$300 million to \$330 million.

Executive Director Nichols said prudent planning suggests that state-funded enterprises plan, on a contingency basis, for potential reductions next fiscal year. The \$300 million to \$330 million potential gap would require a 6-8 percent budget reduction in the fiscal year beginning July 1, 2004, compared to current budgets as revised following the across-the-board cuts of this fall.

The Board Office recommended that the Board adopt a resolution to provide a framework for contingency planning in the event of a significant state budget reduction. Executive Director Nichols stated the resolution would provide direction to the institutions in planning for the budget cuts. The resolution would also inform the public, including people on the campuses, of the consequences that will be considered should there be a significant budget reduction.

The Board Office also recommended two specific additions to the legislative program for the upcoming session: 1) support efforts to change statutory tuition-setting deadlines for the Board of Regents and 2) actively pursue state financing mechanisms other than direct capital appropriations for critical life safety and academic capital projects.

Executive Director Nichols stated the aforementioned resolution was drafted in consultation with members of the Board and with the institutional heads. The resolution, in part, describes the current fiscal circumstances and provides prioritization direction to institutional heads as they begin planning for future possible state cutbacks. The

resolution would also allow the Board to take part in discussions with partners in state government about alternatives to avoid consequences where possible and desirable.

President Newlin asked that the Board first address the Board Office recommendation to reaffirm the legislative program with the addition regarding statutory tuition-setting deadlines.

Regent Forsyth referred to interactions he had that day at breakfast with staff and at lunch with faculty. He suggested adding a statement that the state should make public education its top funding priority and make no further reductions in appropriations to public education including the Regent institutions.

MOTION: Regent Neil moved to amend the legislative priorities with the additional statement that the state of Iowa should make public education its top funding priority once again and make no further reductions in appropriations to public education, including the Regent institutions. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin asked Executive Director Nichols to address the pursuing of state financing methods.

Executive Director Nichols said the language would authorize the liaisons and others to actively pursue with the General Assembly and the Governor various financing methods in addition to direct capital appropriations.

MOTION: Regent Downer moved to actively pursue state financing methods, other than direct capital appropriations, for critical safety and academic capital projects. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin asked for a motion to reaffirm the Board's legislative program and budget recommendations.

MOTION: Regent Neil moved to reaffirm the earlier Regent legislative program issues and budget recommendations and to add the following: "The Regents will support efforts to change the statutory timing requirement for setting tuition at the state universities". Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin asked for discussion regarding the proposed resolution.

Regent Neil suggested there needs to be a stronger illustration of what the public institutions are doing with the public investment. Perhaps the names and locations of companies that are helped by the universities' economic development initiatives should be included. He stated the Regent institutions are far too modest and are victims of their own successes.

President Newlin stated that Regent Neil's suggestion was very good.

Regent Arbisser said he wished to take Regent Neil's suggestion as far as is appropriate. He suggested making public a list of students from the individual communities to be delivered to the appropriate legislators and the local newspapers. The numbers of people from the various ZIP codes within the state who benefit from the University of Iowa Hospitals and Clinics could also be provided.

Regent Neil said there was also a suggestion to employ University of Iowa students to hand out information sheets about the benefits provided by the public dollars to the University of Iowa Hospitals and Clinics. He stated that the Board should at least try different avenues of demonstrating to the public the positive activities of the Regent institutions.

Regent Turner said this should not be a one-time effort. She stated that a database of information provided in the economic development reports should be developed and readily available for use at all times.

There was consensus among Board members that Regent Turner's suggestion should be adopted.

President Newlin recognized the institutional heads to address the proposed resolution to provide a framework for contingency planning in the event of a significant state budget reduction.

President Skorton provided a PowerPoint presentation of what life would be like at the University of Iowa if the cuts discussed by Executive Director Nichols came to pass. He stated that the enterprise needs to activate three strategies to succeed in the current economic climate: 1) revenue enhancements, 2) tuition, and 3) expenditure controls. He highlighted the guiding principles for the FY 2005 budget to maintain excellence. He said the right decisions must be made to protect the research enterprise and the scholarly enterprise.

President Skorton stated that multiple empirical studies indicate that opportunities in the areas of cultural life, quality of life, economic development, and access to employment opportunities are greater in the presence of high-quality public higher education institutions.

President Skorton next discussed the history of budget reductions and tuition increases since FY 2001, and the impact of budget cuts on jobs funded by the general education fund. He noted that 84 percent of the University of Iowa's jobs are not funded by state appropriations.

President Skorton concluded his remarks by stating that a cut of the magnitude that was anticipated would not be handled by the usual approaches. Expenditure controls would necessitate some very unpopular and painful choices. He requested the Board's flexibility in allowing each institution to do what is necessary in investing in areas of centrality, quality and focus.

Regent Arbisser asked about the academic quality of incoming non-resident students. Interim Provost Cain responded that the abilities of students who come to the University of Iowa from out of state are equal to or higher than those of incoming Iowa students.

President Geoffroy provided a PowerPoint presentation of Iowa State University's response to the potential state budget shortfall of \$300 million. He stated that, in these very challenging budget times, it is all the more important to remain true to the University's strategic plan and priorities. Those priorities are to 1) maintain the excellence of educational programs, 2) maintain and grow the excellence in research, and 3) maintain the excellence in service to Iowans as a land grant university.

President Geoffroy addressed the Board's proposed resolution. He said the projected state budget shortfall amounts to a 7.1 percent (\$16.1 million) budget cut for Iowa State University, which would mean a reduction of 300 faculty and staff jobs. To fully replace the lost funds would require a 10 percent increase in tuition revenue. He noted that an appropriation reduction of \$16.1 million would return Iowa State University's appropriations to 1995 levels. He pointed out that \$16.1 million is larger than the budgets of five of the University's eight colleges.

President Geoffroy stated the goal will be to maintain enrollment at approximately the current level. However, a 7.1 percent budget cut would force the elimination of educational programs, resulting in a reduction of enrollment. The proposal to achieve administrative efficiencies through enterprise-wide collaboration or the creation of enterprise-wide, non-academic administrative services would require careful assessment of the cost savings to be realized. Consideration should also be given to the impact of shared administrative services on the overall quality of services. He stated that eliminating selected off-campus centers and outreach services will impact services to Iowans.

President Geoffroy stated that selective strategic cuts in on-campus academic programs will affect students. Academic program reviews are currently in progress at Iowa State University. He referred to the instructional cost of academic programs and said it costs four times as much to offer a course in chemical engineering as in sociology. Should

students in the higher-cost courses pay more? With regard to the directive to make selective internal budgetary allocations that will protect existing revenue streams, President Geoffroy stated that all service units will be made as self supporting as possible.

President Geoffroy concluded by stating that a budget cut of 7.1 percent would surely result in the elimination of educational opportunities for lowans.

President Newlin thanked President Geoffroy for the thorough analysis.

President Koob provided a PowerPoint presentation of the University of Northern Iowa's response to the potential additional cut in state appropriations. He stated that in FY 2002, when the fiscal bubble burst for the nation, the University's management team developed plans for short-term and for long-term losses of income. University officials have been thinking long term as a result of that initial planning session.

President Koob presented a chart which illustrated the impact of budget cuts versus tuition revenue for the period FY 2000 – FY 2004. He said the University experienced appropriations cuts and salary underfundings of \$31.7 million during that period while net tuition increases amounted to \$20.5 million. The tuition increase revenue has offset the increase in mandatory costs. He presented charts which illustrated that, despite the budget cuts, the University has been able to maintain the organized sections of classes very close to the strategic plan guideline both in class size and use of tenured/tenure-track faculty.

With regard to indicators of educational quality, President Koob stated that the University had just achieved the goal to maintain the five-year academic equipment budget when the budget reduction occurred. He presented a graph which illustrated the decline in building repair budgets. President Koob presented information on University centers/institutes serving the state that have experienced budget cuts or elimination. For example, the budget of the Institute for Decision Making, which impacts Iowa communities, was reduced to one-third of what it was two years ago.

President Koob stated that every reduction in state appropriations means the University must 1) offer less services, 2) charge more or 3) pay less for services. For every one percent additional loss of appropriation, the University would lose 100 students, six faculty and five staff, and would have to increase tuition by \$68 per student or freeze \$770,000 in salaries. Over the past three years, all three of these activities have taken place. In response to a five percent reduction in state appropriations, the University of Northern Iowa would lose 500 students, 30 faculty and 25 staff, and would have to increase tuition by \$340 per student. To "put a face" on the statistics, he stated that if the University lost five percent of its state appropriations, no student from Scott County could come to the University of Northern Iowa. He stressed that each decision that is made affects students.

President Newlin thanked President Koob for the thorough analysis of the situation.

Superintendent Thurman stated that the Board's directive to the special schools identified two priorities that cannot be violated: health and safety of students, and compliance with all services delineated in the students' IEPs. To illustrate the importance of the services provided to blind children, he related the story of a student who was an avid baseball fan and knew most of the Boston Red Sox's statistics, whom he took to a Red Sox game while he was a teacher at the Perkins School for the Blind. Following the game, he walked the student around the bases to help him understand the layout of a baseball diamond and the relationship of the bases and outfields. This outing was an example of the type of individualized services that are provided to blind students.

Superintendent Prickett stated that she has come quickly to appreciate the long-standing support of the Regents and the legislature for the special schools. It was because of that support that she left Hawaii for Iowa. She said there are some areas at the Iowa School for the Deaf which, if additional cuts were made, would compromise the School's ability to serve students. Additional state appropriations cuts will 1) challenge the ability to individualize the School's programs, 2) mean a loss of a few positions, and 3) result in larger classes and less individualization, reduced psychological counseling, reduced curriculum coordination, reduced outreach efforts, reduced dormitory supervision, and a reduced summer session.

Superintendent Prickett concluded by stating that the Iowa School for the Deaf still has one of the strongest programs for deaf children in the nation.

MOTION: Regent Arbisser moved to adopt the resolution to provide contingent direction to the institutions in planning for potential reductions in FY 2005 state operating appropriations. Regent Forsyth seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin recognized Director Katen-Bahensky in follow up to the previous day's meeting of the Board of Trustees of the University of Iowa Hospitals and Clinics.

Director Katen-Bahensky stated that, upon direction of the Board of Trustees, the following resolution regarding the Indigent Patient Care Program was presented for Board consideration:

WHEREAS the Indigent Patient Care Program provides access to high-quality health care at the University of Iowa Hospitals and Clinics for Iowans who otherwise might not have access to care;

WHEREAS patients referred to the University of Iowa Hospitals and Clinics via the

Indigent Patient Care Program have access to comprehensive services at a single location;

WHEREAS the University of Iowa Hospitals and Clinics and the University of Iowa Carver College of Medicine provide all patients with a single standard of high-quality care;

WHEREAS counties are protected from health care costs by being able to refer patients to the University of Iowa Hospitals and Clinics at no cost to the counties or the patients;

WHEREAS the University of Iowa Carver College of Medicine and other University of Iowa health science programs benefit from having the Indigent Patient Care Program population available for academic purposes;

WHEREAS the physicians at the University of Iowa Carver College of Medicine provide care to Indigent Patient Care Program patients without charge;

WHEREAS the University of Iowa Hospitals and Clinics is able to leverage federal dollars to reduce the cost of the Indigent Patient Care Program to the state;

WHEREAS state appropriations for the program have consistently and increasingly been less than the costs of operation;

WHEREAS state institutions, including the Iowa Department of Corrections, are permitted to refer an unlimited number of patients to the University of Iowa Hospitals and Clinics without cost, and the number of such patients and the cost of these patients to the University of Iowa Hospitals and Clinics and the University of Iowa Carver College of Medicine have been dramatically increasing;

WHEREAS increases in costs and decreases in state support have made providing benefits of the Indigent Patient Care Program more challenging, and the projected gap between state revenues and projected expenditures threatens further reductions in state support for the program;

THEREFORE;

The University of Iowa Hospitals and Clinics Board of Trustees, exercising its governance authority:

Expresses its intent to seek budgetary, regulatory, and statutory relief necessary to permit the Indigent Patient Care Program to continue to provide high-quality care to Iowans, while simultaneously enhancing the health and medical education programs at the University of Iowa.

Regent Forsyth stated that he made the motion at the Board of Trustees meeting to adopt a resolution, and the resolution presented by Director Katen-Bahensky was consistent with his intent.

MOTION: Regent Forsyth moved to adopt the resolution, as presented. Regent Neil seconded the motion.
MOTION CARRIED UNANIMOUSLY.

REPORT ON MEETING OF THE IOWA COORDINATING COUNCIL FOR POST-HIGH SCHOOL EDUCATION.

Director Barak offered to answer questions about the information provided in the meeting materials. There were none.

ACTION: President Newlin stated the Board received the report of the December 3, 2003, meeting of the Iowa Coordinating Council for Post-High School Education, by general consent.

INSTITUTIONAL AGREEMENTS, LEASES AND EASEMENTS.

Associate Director Racki presented the agreements, leases and easements for Board approval.

MOTION:

Regent Turner moved to (1) approve the leases for the benefit of the institutions as summarized below and (2) authorize the University of Iowa to add the house at 229 Melrose Court in Iowa City to its tenant property inventory, to be leased at the rate of \$1,200 per month effective January 1, 2004, through June 30, 2004: University of Iowa—Lease renewal with American Institute of Sustainable Science and Technology for its use of business incubator space in the Technology Innovation Center at the Oakdale Research Park; Lease renewal with the U.S. Government, Department of Veterans Affairs Medical Center, for its continued use of laboratory research space in Carver College of Medicine facilities. New tenant lease for house at 229 Melrose Court in Iowa City. Iowa State University— New lease with ISU Research Park Corporation for the University's use of office space in Ames for the Iowa Assurance Center. Regent Arbisser seconded the motion, and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Turner.
NAY: None.
ABSENT: Arnold.

MOTION CARRIED.

REPORT OF THE BANKING COMMITTEE.

Regent Arbisser reported on the December 15, 2003, meeting of the Banking Committee. He said the Banking Committee approved a reimbursement resolution on behalf of the University of Iowa, extension of the master lease agreement with Wells Fargo, Iowa State University master lease financing for improvements at Jack Trice Stadium, a minor modification to Policy Manual section 7.04 (the Board's investment policy), and a temporary banking relationship for the University of Iowa. He said the Banking Committee received a report on savings from bond refundings, state audit reports, an external audit report, and internal audit reports.

Regent Arbisser stated that, during discussion of the quarterly investment report, Banking Committee members raised concerns regarding recent allegations and investigations of fund managers Alliance Bernstein and Invesco. The Banking Committee recommended that the Board change both fund managers. He said the amounts involved total \$210 million.

Regent Neil said the Banking Committee's decision was based on reported unethical practices of the fund managers.

Regent Nieland said she applauded the Banking Committee for addressing the issue of the fund managers. Doing so sends the message that the Board expects high standards of ethical conduct.

MOTION: Regent Arbisser moved to change the Board's fund managers Alliance Bernstein and Invesco, and for the universities to work with the Board Office and Wilshire Associates, the Board's investment advisor, to transition the portfolios expeditiously. Regent Neil seconded the motion.
MOTION CARRIED UNANIMOUSLY.

Regent Arbisser stated a motion was required for the reimbursement resolution for the University of Iowa utility system.

MOTION: Regent Arbisser moved to Adopt a Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Iowa Utility System for certain original expenditures paid in connection with specified projects. Regent Neil seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Turner.
NAY: None.
ABSENT: Arnold.

Regent Arbisser stated a motion was required to extend the master lease agreement with Wells Fargo and to authorize master lease financing in the amount of \$850,000 for Iowa State University.

MOTION: Regent Arbisser moved to (1) approve extension of the master lease agreement with Wells Fargo for the three-year extension period provided under the current agreement and (2) authorize Iowa State University to utilize master lease financing in

the amount of \$850,000 to provide deferred maintenance improvements to four concession/ toilet buildings at Jack Trice Stadium. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

ACTION: President Newlin stated the Board received the remaining report of the Banking Committee, by general consent.

ANNUAL REPORT ON FIRE AND ENVIRONMENTAL SAFETY AND DEFERRED MAINTENANCE.

Associate Director Racki presented highlights of the annual report on fire and environmental safety and deferred maintenance. She stated the Regent enterprise consists of more than 32 million gross square feet (60 percent of the gross square feet of all state facilities) with a replacement value exceeding \$6 billion. When including utility and telecommunications systems, the total increases to nearly \$7 billion. She said the report focused on general fund facilities, which represent more than 15.7 million gross square feet with a replacement value of more than \$2.9 billion.

Associate Director Racki reported that institutional officials indicated that the budget reductions of recent years and the resultant decreases in building repair funds are negatively impacting their ability to correct fire safety deficiencies and deferred maintenance. She stated that adequate funding in the operating budgets for building repair is a critical factor in reducing fire and environmental safety deficiencies and current deferred maintenance, and minimizing future facility needs. Institutional officials indicate that \$4.9 million is needed to correct fire safety deficiencies in general fund facilities identified in past inspections by the State Fire Marshal.

With regard to deferred maintenance, Associate Director Racki stated that institutional officials have identified \$147.5 million of estimated deferred maintenance in general fund facilities and utilities. Heating, ventilating and air conditioning work is the largest single need.

Regent Forsyth said he felt there was a lack of clarity in the definition of fire and environmental safety. There was an indication in the materials that if there is a life-threatening situation, a building is closed until such time as the situation is remedied. There were other situations that appeared to not be life threatening although those were also listed under the category of fire and environmental safety; however, those situations were not being addressed to be in compliance from a fire and safety perspective. He stated that the first situation that should be fixed are fire and safety violations; therefore, he questioned whether the categorization was incorrect.

Associate Director Racki provided the example of the Biology Annex at the University of Iowa. Prior to the building being renovated, the fourth floor could not be used. In the late-1990s, the four floor deficiencies were addressed as part of the renovation of the Biology Phase I project.

Regent Forsyth asked if Associate Director Racki was saying that if an area is not in compliance with fire and safety standards, the space is not used.

Vice President True stated that if the Fire Marshal indicates there is a life safety issue, the space is closed. It is usually the lack of a second exit that causes the closing of space for life safety reasons. That component of the building is not used until a second exit can be constructed. Other elements of fire safety, which are based on analyses by the Fire Marshal or the University, are not immediate life safety issues. He said there are additions and subtractions to the fire safety list every year. The University works progressively on accomplishing the recommendations which are not immediate life safety issues. Sometimes those are accomplished in the course of a larger project, as indicated by Associate Director Racki.

Vice President True referred to the presentation of the data for this report. He stated there may be difficulty in understanding the data because there is so much change. Corrective actions are accomplished each year but at the same time new items that need correction are added to the list.

Regent Forsyth suggested there may be a better way to present the information to provide a clearer picture of what is occurring within the institutions. He asked that the Board Office and the institutions consider a clearer way to present the data.

ACTION: President Newlin stated the Board, by general consent, (1) received the governance report on fire and environmental safety and deferred maintenance and (2) encouraged the institutions to continue to correct identified fire safety and deferred maintenance deficiencies within the limits of available resources.

ANNUAL REPORT ON DIVERSITY.

Assistant Director Newell provided highlights of the annual report on diversity which included the Minority and Women Education Enhancement Program. She stated the institutions work very hard to enhance diversity. The individual reports indicated the breadth of efforts to enhance the diversity of the campus communities. She highlighted some of the challenges faced by the Iowa institutions as well as the data provided by each institution.

Assistant Director Newell presented trend data for women and minorities which shows positive progress in many areas. However, she noted that even though the size of the service/maintenance workgroup has steadily declined over the past decade, the number of minority employees in that group has steadily increased, and this trend should be monitored to ensure there will continue to be steady progress in providing equal employment opportunity to all.

Regent Turner referred to the analysis of the data which was presented in the meeting materials. She asked that, when presenting percentages, the Board Office also include the corresponding numbers in parentheses.

Regent Turner said she applauded the Board Office for bringing forward the issue regarding service and maintenance employees. She stressed the importance of monitoring that area carefully.

Regent Forsyth expressed commendation to the institutions for maintaining and enhancing diversity during these times of budget cuts, and said that does not happen by accident.

MOTION:

Regent Arbisser moved to (1) receive the annual reports on Affirmative Action and on the Minority and Women Educators Enhancement Program; and (2) authorize the Executive Director to transmit to the Iowa General Assembly this report, as required by Iowa Code §19B.5, as well as the report required by Iowa Code §262.93, on Minority and Women Faculty Enhancement. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

REVISIONS TO POLICY MANUAL.

Director Wright thanked President Newlin for his kind words at the beginning of the meeting. He stated that he has appreciated working for the Board of Regents, working with an exciting staff in the Board Office, and working with excellent administrators and staff at the Regent institutions.

Director Wright presented the proposed Policy Manual revisions. He stated that, last month, the Board was presented with the statewide plan for public radio, which was presented for final approval at this meeting. The Board was also presented with editorial changes to the Policy Manual, which he summarized.

MOTION: Regent Neil moved to (1) approve for final reading and publication in the Board of Regents Policy Manual §6.37: Statewide Plan for Public Radio; and (2) approve editorial changes to Board of Regents Policy Manual as follows: §4.16: Holidays, §4.31: Drug-Free Environment and Controlled Substances, Subsection C, §6.05: Academic Review and Program Approval, §5.06: Affirmative Action Committee, and §7.09: Printing, Subsection D-4. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

Executive Director Nichols informed the Board members that, prior to his departure, Director Wright would develop some additional changes in the Policy Manual to correspond with changes in the Board's governance schedule.

PERSONNEL APPEALS.

Assistant Director Newell presented the Board Office recommendation to deny an employee's appeal of a decision of the Director of the Regent Merit System regarding arbitration of the employee's grievances. The employee had asked for an oral hearing before the Board, and that the decision regarding arbitration be overturned. At its October meeting, the Board denied the request for an oral hearing, but offered the parties an opportunity to submit written arguments. These arguments were received and considered.

MOTION: Regent Neil moved to (1) deny the employee's appeal and (2) affirm the decision of the Director of the Regent Merit System. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

INSTITUTIONAL REGISTERS OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

(a) University of Iowa.

Vice President True stated there were several items on the University's capital register, in addition to the project to renovate Kinnick Stadium. One such project was the University of Iowa Hospitals and Clinics ambulatory surgery suite.

Regent Forsyth asked if consideration was given to locating the ambulatory surgery center off site. Senior Associate Director Staley introduced the following individuals to respond to questions: Dr. Richard Williams, Head of the Department of Urology, and Dr. David Brown, Head of the Department of Anesthesia.

Dr. Brown said the plan provides the option to move part of the ambulatory surgery center off site in the future. He stated there will be a separate parking entrance for the ambulatory surgery center for ease of entrance by the patients. At present, the plans are that all personnel will be exclusively ambulatory surgery center personnel so there would not be a main operating room culture.

Regent Forsyth stated that the University of Iowa's findings were much different from those of other institutions that have moved ambulatory surgery centers off site. He asked what is different at the University of Iowa than at most other places.

Dr. Brown responded that he disagreed in concept that most others' ambulatory surgery centers have located off site. University of Iowa officials believe this proposal to be the best for patients. There is shelved space available and the internal rate of return will be between 15 and 18 percent.

Dr. Williams stated that it is far more expensive to go off site in the University of Iowa Hospitals and Clinics' current environment. Although many institutions have indeed done as reported by Regent Forsyth, doing so has not worked out well for all of them. He said the faculty surgeons and residents have missions within the institution that would be difficult to maintain if the facility were located off site.

Regent Arbisser stated that, as a physician who is part owner of a free-standing ambulatory surgery center, he shared some of the concerns expressed by Regent Forsyth. Regent Arbisser noted that he has a long-standing concern about parking in Iowa City and believes the parking situation will be exacerbated with the location of this facility on campus. Also, from the standpoint of efficiency, a free-standing unit that is off campus would be more convenient for patients and would force the surgeons to compartmentalize their days.

Regent Turner expressed her belief that it would be difficult for a full-time academician to perform outpatient surgery at an off-site location. She said there would be

inefficiency in moving between the two locations. She said she would defer to what makes more sense to the faculty.

Dr. Williams stated the ambulatory surgery center is intended to be the most efficient of the University of Iowa Hospitals and Clinics' surgical practices.

MOTION: Regent Forsyth moved to approve the University of Iowa capital register, as presented, with the exception of the Kinnick Stadium project. Regent Neil seconded the motion. MOTION CARRIED WITH REGENT ARBISSER VOTING "NO".

Vice President True began the presentation on the renovation of Kinnick Stadium by reviewing the project timeline and milestones.

President Skorton stated that, at this meeting, University officials would present a summary of the project, and in February would return with the final program statement, schematic design, detailed financial plan and project budget review. He then presented the reasons that he is strongly in favor of pursuing the Kinnick Stadium renovation. He stated that, in a state with no major league professional sports teams, Panther, Hawkeye and Cyclone sports loom larger than they might otherwise loom. He said there is no single destination for sports in the state like Hawkeye football. He presented a map which showed Kinnick Stadium ticket holders in every county of the state in 2003, and said Hawkeye football is a large part of the cultural life of the state.

Director Bowsby provided detail of the need for the Kinnick Stadium renovation project. He stated that, next October, Kinnick Stadium will be 75 years old. He presented the rationale for choosing a renovation versus building a new stadium: 1) the tradition and ambiance of Kinnick Stadium and 2) the cost of \$300 million to \$450 million to replicate the current 70,000-seat stadium. The three major elements of the project are 1) replace the south end zone, 2) infrastructure (new water, sewer, rest rooms and concessions), and 3) replace the 50-year-old press box. University officials view this as a segmented project that will proceed sequentially over a 2-1/2 year period.

Director Bowsby discussed each of the project elements and how they are interrelated. He stated the south end zone has begun to deteriorate, and is reaching the end of its effective life. There is a need to reinvest in the basic services and infrastructure for the future of this venue. The third phase, which is the press box and upscale amenities, is designed to pay for the first two phases.

Director Bowsby stated that University officials have gathered anecdotal and scientific information on contributions and fund raising, and have conferred with fund-raising consultants and financial consultants. He said there are currently approximately 20 boxes in the press box. The boxes have been 100 percent occupied for the last 20 years. Boxes were added in 1992 and those were oversubscribed. He noted that five

athletic facilities have been built at the University of Iowa in the last 13 years, all of which were paid off before opening. He stated that Hawkeye fans are very enthusiastic about this project. University officials are seeking to restore an icon in our state.

Although there is no perfect time to undertake this project Director Bowsby stated that favorable bond interest rates will save millions of dollars over the life of the project. He said Kinnick Stadium has significant deficiencies, and he appreciated the Board's consideration of this project.

Kevin Monson of Neumann Monson Architects provided a PowerPoint presentation of the master plan and program statement. He showed slides of a site location map and illustrations of the crumbling footings. He presented a diagram of the south end zone replacement and site improvements. Two photographs of the east concourse illustrated the congestion and gridlock experienced at half time as well as restroom capacity issues.

Mr. Monson stated that the press box was built in the 1950s and does not meet the current standards. The new press box would provide current technology and include more suites, providing new sources of revenue. He presented photographs of typical club suites, indoor club seating and outdoor club seating at other university stadiums.

Mr. Monson presented the project timeline and milestones, noting that the stadium must be in operation during the football season.

Vice President True stated that Board members had already indicated to University officials certain aspects of this project to which attention should be paid. Among those are sympathy to the architecture of Kinnick Stadium and not relying on student fees.

Regent Arbisser thanked Vice President True for addressing the issue of student fees. He asked for assurance that this project will not occur with state appropriations and there will not be an effect on the bond rating of the University.

Vice President True responded that there will be no state appropriations for this capital project nor for operation of the stadium.

Mr. Fick of Springsted, the Board's bond advisor, stated that discussions have commenced with Standard & Poor's and Moody's bond rating agencies. Representatives of the rating agencies have provided their viewpoints of other stadium projects with which they have been involved in the past year. Moody's has also provided significant information about ratios for other AA2-rated institutions that are peers of the University of Iowa. There will be discussions with the rating agencies to ensure that this project, in conjunction with the other debt of the University and of the Regents as a whole, will have as minimal an impact as possible. One element which will be beneficial from a rating perspective is that the funding source for the debt service payment will be from additional revenues projected to be generated by the stadium. He

said the goal is to have no other outside sources of revenue for the debt service payments.

Regent Neil asked if Mr. Fick was saying that student fees would not have to be pledged. Mr. Fick responded that, from a rating perspective, the pledge of student fees is positive. Representatives of the rating agencies indicate that selling bonds without the student fee pledge would decrease the rating at least two notches below the general University rating, which would put the rating at an A1 level. In the current interest rate market, that would translate to one-half percent on approximately \$100 million.

Vice President True stated that University officials anticipate providing the Board with some alternatives. He said he knew of three basic ways to debt finance this project: 1) through municipal bond insurance, 2) without the student fee pledge, and 3) with the student fee pledge, which would be a parity issue with prior Athletic Department bond issues.

Regent Neil asked if University officials plan to bring to the Board the different segments and corresponding costs. Vice President True responded that he envisions the project will have to be considered in segments. He said he anticipates the Board will be provided with the individual pieces, how the pieces fit together, and the individual prices.

Mr. Monson stated the architects are looking at cost modeling of the different segments of the project. He anticipates that the south end zone segment will cost in excess of \$20 million. He said it would be very difficult to find a money source without integrating the funds from the press box expansion.

Regent Downer asked if the Carver Hawkeye Arena bonds will be retired within the next couple of years. Vice President True responded that the last maturity of the Carver Hawkeye Arena bonds is in 2005.

Regent Nieland asked if it was typical that 10-15 percent of the cost of a project like this is raised privately, or is the amount higher? Director Bowsby responded that the amounts are "all over the board". He provided examples of private fund raising for several universities' stadium projects.

Regent Nieland said she would like to know what other institutions have been able to raise to support a project like this. Director Bowsby stated that University officials made the considered decision that a major gifts campaign is the right approach to this rather than a grass roots campaign. A major gifts campaign is consistent with the desire not to pass on to the fan in the stand any more of the cost than is absolutely necessary.

Regent Nieland asked if there is the potential to raise more than 10-15 percent of the cost in the capital campaign. Director Bowsby responded affirmatively, noting that it would come at the cost of not raising as much in other areas.

Regent Nieland expressed discomfort with voting on the project without additional information on the funding and without having more money "in hand". Director Bowsby responded that the Board's approval provides the opportunity to obtain the funds. He expects that leasing of the boxes will move rather briskly once firm information can be provided to prospective donors.

Regent Turner asked for an estimate of the annual debt service. Vice President True responded that the debt service on \$100 million would be around \$7 million annually based on a 5-1/2 percent interest rate.

Regent Downer asked for the anticipated schedule to go to the bond market and the anticipated interest rate trends over that time period. Vice President True responded that, in accordance with IRS requirements, the bond sales would be scheduled to meet cash flow requirements. The bond sales would have to fit with the Board's overall bond sale schedule. University officials will work with the Board Office and bond advisors to present the Board with the anticipated timeline for at least four separate bond sales. He noted that a relatively small segment of the bond indebtedness would be taxable.

Mr. Fick addressed the question with regard to the interest rate environment. For planning purposes, the bond advisors would add 50 to 100 basis points to current interest rates to reflect the relatively low interest rate environment currently being experienced. He said the likelihood was that in the future when these bonds are sold, there would be higher interest rates.

Regent Neil referred to Director Bowsby's earlier comment that there is no perfect time to undertake this project, and stated he could think of no worse time to proceed with this project. The public will not understand how the University has \$100 million to plow into athletics at the same time that \$100 million in education funding have been cut. He referred to the sentiments he expressed with regard to the Arena project at the University of Northern Iowa, and said the Board needs to show that it has restraint.

Regent Forsyth asked if relocation of the tennis courts is included in the \$100 million budget for the Kinnick Stadium renovation. Director Bowsby responded that the cost to relocate the tennis courts is not included in the \$100 million. He stated that a plan for the west campus area including the tennis courts would be brought forward at a later date.

Regent Forsyth asked if the tennis courts relocation is included in the \$8 million Hawkeye Recreation/Athletic Phase 2 project that was in a previous capital register. Vice President True responded affirmatively, but noted that the outdoor tennis courts are a very small piece of that project. He offered to describe in February what the cost would be for the tennis courts relocation.

Regent Forsyth asked for the size of the press box waiting list. Director Bowsby responded that there are between 6 and 12 on the waiting list.

Regent Forsyth referred to the deferred maintenance items for Kinnick Stadium and said the south end zone needs to be addressed. He referred to Regent Nieland's question about the level of philanthropy, and stated that the more philanthropy is undertaken, the easier it is for the Board to approve the project. It was his understanding that the vast majority of athletics philanthropy would not otherwise go to the broader University.

Regent Forsyth asked to be provided with a chart that illustrates other Big Ten institutions' projects to upgrade their football stadiums. The chart should include what the project entailed, how much it cost, and the role that philanthropy played.

Regent Forsyth referred to Vice President True's indication that there are three different ways one could bond for this project. He asked that University officials present information on each of the three ways.

Regent Forsyth acknowledged that University officials had indicated that the press box is the financial engine that drives the current design of the project. The optimal is to construct the entire package over a two-year period, with the third phase of the project funding the first two phases. He said there are certain assumptions that go into that analysis including future attendance figures. The Board needs to understand the sensitivity analysis related to those assumptions.

Regent Forsyth asked that University officials consider how they would proceed should the Board wish to only approve the south end zone phase of the project. He said there is a range of alternatives: doing nothing, tearing down the south end zone, redoing the south end zone, or proceeding with the entire package. He encouraged University officials to provide the Board with incremental options and the ramifications of each of those choices.

Director Bowlsby stated that proceeding with just the south end zone would cause a departure from the intent not to pass the expense along to the fan in the stands. Doing only the south end zone would entail some price increases as well as commensurate reductions in the scope of the program. Restructuring would have to take place before the Athletics Department could take on debt service for \$20 million.

Regent Nieland stated that the Board of Regents was not only the trustees for the University of Iowa but was the trustees for all five institutions. The Board has to view the general impact of its decisions on all five institutions.

President Newlin proposed that a motion be made to give preliminary approval for the capital project evaluation criteria and the program statement for the Kinnick Stadium renovation project, with the understanding that the final report will be presented in February.

MOTION: Regent Arbisser moved to give preliminary approval for the capital project evaluation criteria and the program statement for the Kinnick Stadium renovation project, with the understanding that the final report will be presented in February. Regent Downer seconded the motion. MOTION CARRIED WITH REGENTS FORSYTH, NEIL AND NIELAND VOTING "NO".

(b) Iowa State University.

Vice President Madden requested to defer consideration of the Friley Hall renovation project until the February Board meeting. He stated that several Regents had requested additional information regarding the current status of the Residence Department master plan before addressing the Friley Hall project. He then offered to answer questions regarding the remaining items on the University's capital register. There were none.

MOTION: Regent Neil moved to approve the Iowa State University capital register, with the exception of the Friley Hall renovation project. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

(c) University of Northern Iowa.

Vice President Schellhardt offered to answer questions regarding the University of Northern Iowa's capital register. There were none.

MOTION: Regent Arbisser moved to approve the University of Northern Iowa's capital register, as presented. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

EXECUTIVE SESSION. President Newlin requested that the Board meet in closed session pursuant to Iowa Code §21.5(1)(i) to consider a request from an employee whose performance was being considered.

MOTION: Regent Arbisser moved to enter into closed session. Regent Downer seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Turner.
NAY: None.
ABSENT: Arnold, Nieland.

MOTION CARRIED.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 4:10 p.m. on December 16, 2003, and adjourned therefrom at 5:45 p.m. on that same date.

ADJOURNMENT.

The meeting of the Board of Regents, State of Iowa, adjourned at 5:45 p.m. on Thursday, December 16, 2003.



Gregory S. Nichols
Executive Director