

Minutes of 28 November 2016 SACUA

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THE UNIVERSITY OF MICHIGAN
Senate Advisory Committee on University Affairs (SACUA)
Monday, November 28, 2016 3:15 pm
Regents' Room, Fleming Building

Present: Atzmon, Carlos, Ortega, Schultz (chair), Szymanski, Weineck: Potter; Schneider and Snyder

Absent: Lehman, Wright

Guests: Members of the press

3:14 Call to Order/Approval of Agenda and Minutes/Announcements

The Meeting was called for order; Chair Schultz suggested that time be added to the agenda to discuss the Tri-Campus task force. The motion was approved

3:18: Professor Smith provided an update on the Research Policies Committee, saying that there were proposals to streamline the process for approving the use of animals in research. There has yet to be a meeting attended by the Vice President for Research.

Professor Potter called attention to the meeting on "Covering Trump: The Presidency and the Press in Turbulent Times."

Professor Potter called attention to the suggestion that the white supremacist Tim Spencer planned to come to the University and suggested that SACUA think of ways to coordinate responses to such instances.

Professor Weineck suggested that a mandatory course be created to deal with fake news.

3:25 Executive Vice President (EVP) and Chief Financial Officer (CFO) Kevin Hegarty:

EVP Hegarty discussed his 14-year career at the University of Texas, and the issues arising from former governor Rick Perry's appointment of four regents (out of nine) who espoused Mr. Perry's ideals, which included the view that "a good education is good enough for Texans," who did not like the fact that academic enterprises subsidized research, and believed that all research should be ceded to the private sector.

As CFO, EVP Hegarty is responsible for six areas

1. Paying bills, and managing the portfolio, and managing risk;
2. Facilities and operations, monitor the building of facilities, and the people who think about the future of the campus, ensuring that we have a physically attractive campus;
3. Human resources, overseeing all the benefit programs;
4. Shared Services Center;
5. Investments (the endowment is the largest component);

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6. Data analytics, making the resources of the university more useful to people in the University, giving people access to data that is available and helping people analyze the data. This is a dual report 50% to the CFO and 50% to Chief Information Officer, which can be rethought if the reporting structure becomes an impediment.

EVP Hegarty is trying to establish an outward looking service organization. He feels that the slogan “We make Blue Go” means that his job is to help. To do this he identified four goals

1. Get to “yes”
 - a. Finance groups can be very inward looking; the orientation should be ensuring that things can be accomplished rather than simply to impose restrictions through rules
2. Be a great place to work. He spent the first 25 years of his career in the private sector and was familiar with both good and bad institutions to work for—people should enjoy where they work
3. Promote leadership, there is a responsibility, whether for a new employee or a long-term employee to help them succeed, but there is no syllabus that can describe success. If a person’s aspiration is to work some place, to show people how to get there.
4. Stewardship, protection of assets, the reputation of the University (how we use our brands)

EVP Hegarty said that the University closed the fiscal year in strong financial shape. University assets are valued at \$18 billion, the annual budget is around \$7.8 billion. The University ended the last fiscal year with \$2-2.1 billion in debt which means that the University is not over-leveraged. He feels that the University has prudent debt management, the management has been cautious—he does not believe in the over-use of debt. After his experience as an executive at Dell where the approach to policy making was “Ready, Fire, Aim,” he has come to prefer a more measured approach.

Professor Smith asked EVP Hegarty if he had a role in marketing the university, saying that people do not know what the University does for them, and that, as a result of the public’s ignorance, State Government finds it easier to cut education because the public does not see value arising from it. EVP Hegarty agreed that this is a problem, and said that President – Emerita Coleman, as head of the American Association of Universities (AAU), is looking at how to translate the story of what Universities do to the public.

Professor Weineck asked what percentage of tuition revenue comes from Federal Student Loans, EVP Hegarty said he did not have that information.

Professor Weineck said that faculty do not have input to the design of academic buildings, recalling a very bad experience with Dennison. She asked if there was some way to have more direct faculty input into designing faculty research and work spaces.

EVP Hegarty said that the initial consultations about building design often gave a false impression as to how much money is available for the project.

Professor Weineck asked about the ethics of investing? EVP Hegarty said that the Regents have said how they want the portfolio invested, that the Regents do not want the portfolio to be a political football, they want the maximum return within specific risk parameters. The

University's financial team goes to the board to propose an investment, and seeks the board's input on potentially risky investments.

Professor Weineck observed that the declaration that something was "not political," was a political decision.

Professor Atzmon asked about the return from long term index funds as opposed to managed funds, noting that long term funds have had a better rate of return. EVP Hegarty said there are exceptions to that rule. He said that the University are invested \$10 billion and kept between \$1 billion and \$2 billion in cash. He said that the University does little direct investing, that it picked managers who decide, within certain parameters, how the University's portfolio should be best invested. The University's investment office measures the managers' performance against benchmarks. He said that the value added over the benchmark rate since the investment office was created has been more than \$1 billion. There have been instances where some large University funds were being accused of enriching managers, the University of Michigan pays careful attention to expense loads. He observed that while the University is interested in more direct deals because of lower management fees, the opportunities are few and far in between. He said that if the University's money will dominate the fund, the University will not invest.

Professor Potter asked difference between our pay practice for our investment officers and Harvard's. EVP Hegarty said that he only knows what he reads in published reports, but said that the University's managers make 5% of what Harvard pays in the best years. He said that the University has have a structured compensation plan, that the University's managers must be paid something that is ahead of what a CFO would make or the University would not attract talent, but that the University is also offering its managers something that appeals to them: they are not on Wall Street, they can have private lives, and they are appreciated. Chief Investment Officer (CIO) Lundberg has been at the University for more than a decade. EVP Hegarty said that there an investment advisory committee which advises CIO Lundberg on the compensation structure.

Professor Szymanski asked about the funding of the Athletic Department. He understands that when the Athletic Department hands money over to the University to invest, it does not receive a return that is equivalent to the return on the University's funds as a whole.

EVP Hegarty said that the money the Athletic Department gives the University fund and is treated as a quasi-endowment; such an investment takes on more risk than an individual would take on, the athletic department receives a cash return that is equivalent to the fund's risk-free return, but a proportion of the investment stays centrally. Auxiliary Units must manage their own bottom lines; this also is true for housing and dining services. Athletics also makes some a contribution of \$1 million— \$1.5 million to support Recreational Sports.

EVP Hegarty said that the University booked a negative return this year, but noted that most other major University funds did likewise. The University is are down 1.38%, which could be compared with Harvard, which lost 6%. Yale did make a 3% return. Despite the loss the University's funds returned more than \$300 million to the academic enterprise

Chair Schultz asked what frustrated EVP Hegarty most about working in a University environment and whether a CFO become a successful University president?

EVP Hegarty said that when he became the University of Texas' CFO, he thought he could be president until he realized that the institution runs on the faculty. He feels that a CFO could go to a small, non-research, university; at a major university, the president must understand what faculty do, must understand the "frontline product." If the CFO decided what the campus looked like, it would be a boring place. EVP Hegarty's biggest frustration is the time it takes to get something done, the wide net that needs to be cast to in decision making. But, he said, the University will end up with less elapsed time, taking time to make a decision, and that even in cases of unpopular decisions, people can find some acceptance if they feel they have been listened to. He is frustrated by the way the public questions the value of a higher education, pointing out that many of his close friends are not from the United States and they regard the American system of higher education as the pinnacle of international education.

Chair Schultz asked what made EVP Hegarty lose sleep at night? EVP Hegarty discussed risk. He said that insurance products are managed through the university's captive insurance company, Veritas, which has saved us millions of dollars. He said that he is very familiar with our policies—that issues include an acceptable level of insurance for priceless collections. He noted that the University has a massive expanse, so barring a massive tornado or fire there is a benefit to compartmentalization, we cannot lose everything at once, he has made sure that the people managing collections know how they are insured and be assured they are properly covered.

Chair Schutz asked what topics EVP Hegarty discussed with his advisory committee about. EVP Hegarty said the first meeting was this month. He noted that this month marked the two-year anniversary on Shared Services, so he had Pam Gable, the executive director of Shared Services discuss progress. EVP Hegarty feels that Shared Services has accomplished a great deal, that a positive environment is being built, but admitted that Shared Services was moving from a very low base and that it has taken time for people to decide if they like it or want to leave. He estimates that the University is saving \$3-\$6 million. He also noted that Texas cut off payment to Accenture, which advised on its creation of a Shared Services system at \$4 million, while the University of Michigan paid Accenture "more than \$4 million" (<https://www.insidehighered.com/news/2013/11/21/u-michigan-tries-save-money-staff-costs-meets-faculty-opposition>).

Professor Weineck asked if the University is done consolidating staff functions? EVP Hegarty said that Shared Services is now at the point where it has the benefit of leverage, and the Health System has decided to move work over to Shared Services, we are all looking at new services it can provide (e.g. managing I-9s). He is looking for the Nirvana of travel and expense reporting, continuing to try and make it faster and better.

4:15 Campus Safety Guests: Police Oversight Chair Rich Friedman, UMPD Chief Neumann

Professor Friedman discussed the history of the UMPD. Prior to 1990 there was no full-fledged police department—that is to say one that is armed and has arrest powers. As a condition of the creation of the UM PD there must be an oversight committee. He feels that the UMPD has been very responsive and determined to do the right thing, many of the

complaints they get are groundless and when there is a legitimate complaint the chief deals with it. He feels that the chief welcomes the committee's input and that Department of Public Safety chief Ed Washington also values the input of the committee. Chief Neumann has been at the University since 1985 with the five-person campus, he has been police chief since 2014 and was head of internal affairs before that. He feels that the oversight committee is a model for transparency.

UMPD had previously worked with the Sheriff's Department, but the act of 1990 gave the university supervision of the Department. The Department's brief covers University owned property throughout the state, and public streets traversing UM property. There is an agreement with the Ann Arbor Police Department (AAPD) on concurrent jurisdiction. Professor Smith asked about the extent of the UMPD armament and the unit's autonomy. Chief Neumann that UMPD has managed homicide cases, and regularly handles rape cases. Professor Smith asked about several issues of rape on campus as relates to athletics—is there pressure to avoid investigating such cases? Chief Neumann said that when the UMPD has investigated when higher ranking officials there has been no interference, the UMPD do not give special treatment to people based on university affiliation. Given that there is great sensitivity to cases connected with athletics, UMPD is especially vigorous; athletes probably get less slack than anyone else because of the (incorrect) perception that athletes are treated with kid gloves. The surest way to get into trouble is to give preferential treatment. He noted that AAPD handled a great number of the off-campus investigations.

Professor Weineck asked about campus notification after the incident in which a student wearing a Hijab had been threatened. She said that the one thing that came out of the rumors concerning the handling of the incident was that no one was clear how the notification system worked. Chief Neumann said that the notification system work falls under the Cleary Act, UMPD evaluates an incident that occurs, within a block or two of campus. He added that notification can be affected by when an event comes to UMPD's attention, or in cases where there is an ongoing investigation and timely, accurate, information is not available. The intention of the Cleary Act is not to broadcast every incident. There is concern about reports encouraging repeat incident and about releasing information that would need to be changed.

Professor Szymanski about the extent that cameras used for monitoring activity. Chief Neumann said that, historically, the university has resisted the use of cameras for privacy reasons, there is one camera on the Diag and on there are cameras on the squad cars. Chief Neumann wants more cameras; there is an SPG that passed and there is a committee to review camera installation, public is more comfortable with cameras.

Professor Weineck asked about the process guiding the arming of campus police. Chief Neumann said that police need to be armed, that every member of UMPD is a licensed officer, a 17-week course to be certified, then a 14-week field officer training program. He said that the University did sponsor people to go through the Police Academy—hired officers from hospital security, people had to succeed in the hiring policy.

Professor Weineck asked who decided what sort of weapons an officer received. Chief Neumann the UMPD has have patrol rifles, which are needed for active shooter situations, and side arms. Chair Schultz asked if they had stun guns? Chief Neumann said they did not and that

he does not like Tasers as a replacement for “empty hand” control, but they have a place on the force continuum short of deadly force when pepper spray and batons are not adequate to the task.

Professor Ortega asked if Chief Neumann was afraid that an officer would more readily use their Tasers. Chief Neumann is confident that officers will not over use them, but they are expensive and there is a matter of community acceptance. There needs to be community acceptance before Tasers are purchased

Professor Ortega asked about profiling and the right to bear arms. Chief Neumann said that the Office if the General Counsel has evaluated and defended claims by individuals wishing to bring fire arms on to campus. He said that courts have ruled that the University is a constitutional entity so it has the autonomy to make its own rules about gun possession on campus.

Chief Neumann said that the University is a diverse place, always has been and that UMPD is careful to select out officers who might display bias, and trains officers on profiling so that profiling is based on actions not identity. An officer will not stop someone because of race or ethnicity, an officer will stop a person because that person is trying multiple doors on an apartment building, or wandering around a building (signs that the person is planning a break in).

Professor Friedman said that in his time on the committee there had been only one complaint that suggested profiling and that complainant did not raised the allegation (the incident occurred after there had been a theft and the person had been tailed on minimal suspicion). He said that there has never been a complaint involving athletes, he would be stunned if UMPD favored athletes.

Professor Weineck asked about sanctuary campus petition and the impact of changes in laws governing immigration that would vulnerable communities on campus? Chief Neumann said that he addressed the Rackham International Student Association on the subject, and pointed out that UMPD does not enforce immigration laws. He does not see that changing, adding that UMPD is a law enforcement agency bound by federal and state law, it will protect the rights of everyone. He does not anticipate that UMPD will be placed in the position of enforcing immigration laws, and said that the same was true AAPD saying that AAPD does not enforce administrative rules or not ask people about their immigration status.

Chair Schultz asked about alcohol offenses, the balance between education and intervention and if the police thought things are improving. Chief Neumann pointed to the multi-disciplinary task force on drinking, said that UMPD has an officer dedicated to education on prevention. UMPD policy geared to alcohol harm reduction, and on high risk weekends officers patrol in off-campus student neighborhoods, getting help for students. They are not trying to solve underage drinking.

Professor Szymanski asked if there are police forces at UM Flint and Dearborn. Chief Neumann they are different campuses but the three departments share information on a regular basis, that they have productive, informal, relationship, and look at resource sharing when they can. UM Flint and Dearborn officers used at Football games (for instance). The three forces have different reporting relationships.

Professor Friedman discussed attempt to revise procedures, noting some stumbling blocks, recalling that the General Counsel had a public report could not be issued in the Borisov case. The committee asked Ted St. Antoine (an expert on labor law)(<https://www.law.umich.edu/FacultyBio/Pages/FacultyBio.aspx?FacID=tstanton>) who had contradicted the General Counsel. That being the case it was clear that the procedures for issuing a public report need to be clarified. In his view the oversight committee needed independent counsel. He said that the General Counsel has resisted the suggestion, but the President seems open minded, Professor Friedman does not intend to run for reelection and recommends that someone new should take his place.

5:00 Academic Freedom Lecture Status
discussion postponed

5:00 Matters Arising
Professor Atzmon said the IT committee SCAUA should meet new Chief information officer
Professor Smith asked if we have ever asked the head of the medical school

5:05 Adjournment

Respectfully submitted,

David S. Potter
Senate Secretary

University of Michigan Bylaws of the Board of Regents, Sec. 5.02:
Governing Bodies in Schools and Colleges
Sec. 4.01 The University Senate

"...[t]he Senate is authorized to consider any subject pertaining to the interests of the university, and to make recommendations to the Board of Regents in regard thereto. Decisions of the University Senate with respect to matters within its jurisdiction shall constitute the binding action of the university faculties. Jurisdiction over academic polices shall reside in the faculties of the various schools and colleges, but insofar as actions by the several faculties affect university policy as a whole, or schools and colleges other than the one in which they originate, they shall be brought before the University Senate."

Rules of the University Senate, the Senate Assembly and the Senate Advisory Committee on University Affairs:

Senate: "In all cases not covered by rules adopted by the Senate, the procedure in Robert's Rules of Order shall be followed."

Assembly: "The Assembly may adopt rules for the transaction of its business. In appropriate cases not covered by rules of the Assembly, the rules of the University Senate shall apply."

SACUA: "The committee may adopt rules for the transaction of its business."