Finance Committee

September 2016

September 8, 2016
3:00 p.m. – 5:00 p.m.

West Committee Room, McNamara Alumni Center
FIN - SEP 2016

1. 2016-2017 Committee Work Plan
   Docket Item Summary - Page 4
   Draft Work Plan - Page 6

2. Annual Asset Management Report
   Docket Item Summary - Page 10
   Annual Report - Page 11

3. Board of Regents Policy: Investment of Reserves - Review
   Docket Item Summary - Page 34
   Revised Policy - Page 35
   Presentation Materials - Page 38

4. Financial Components of the President's Recommended FY 2018-19 Biennial Budget Request - Review
   Docket Item Summary - Page 44
   Resolution - Page 46
   Presentation Materials - Page 48

5. Financial Components of the President's Recommended 2016 Six-Year Capital Plan and 2017 State Capital Request - Review
   Docket Item Summary - Page 56
   Six-Year Plan: Narrative - Page 58
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   Six-Year Plan: Project Description Report - Page 73
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AGENDA ITEM: 2016-2017 Committee Work Plan

☐ Review  ☐ Review + Action  ☐ Action  ☒ Discussion

☐ This is a report required by Board policy.

PRESENTERS: Regent Richard Beeson
Michael D. Volna, Interim Vice President & CFO

PURPOSE & KEY POINTS

The purpose of this item is to review and discuss the 2016-2017 committee work plan.

BACKGROUND INFORMATION

Board of Regents Policy: Board Operations and Agenda Guidelines defines the role of the Finance Committee as follows:

The Finance Committee oversees the fiscal stability and long-term economic health of the University. This committee monitors the University’s financial operations, debt level, and investment performance; requires the maintenance of accurate and complete financial records; and maintains open lines of communication with the Board about the institution’s financial condition.

Specifically, this committee recommends:
- the University operating budget;
- financial components of the University capital budget;
- approval of purchases of goods and services over $1,000,000;
- the issuance of debt;
- changes to the approved central reserves budget; and
- asset allocation guidelines and other policies related to the University’s asset management function.

This committee also provides governance oversight to:
- long range financial planning strategies;
- total indebtedness of the University;
- the investment portfolio; and
- the financial relationship between the University and its partners, including affiliated foundations, clinical operations, and external entities.
This committee also reviews:

- selected financial metrics that measure the University's fiscal condition;
- quarterly purchasing reports and violations of Board of Regents Policy: *Purchasing*;
- semi-annual capital financing and debt management reports;
- the annual report on central reserves;
- quarterly asset management reports;
- semi-annual management reports; and
- other financial reports as requested by the commit.
## Finance Committee
### 2016-2017 Work Plan

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016</strong></td>
<td></td>
</tr>
<tr>
<td>September 8-9</td>
<td>- <strong>2016-2017 Committee Work Plan</strong></td>
</tr>
<tr>
<td></td>
<td>- Annual Asset Management Report</td>
</tr>
<tr>
<td></td>
<td>- Board of Regents Policy: <em>Investment of Reserves</em> – Review/Action</td>
</tr>
<tr>
<td></td>
<td>- Financial Components of the President’s Recommended FY 2018-19</td>
</tr>
<tr>
<td></td>
<td>Biennial Budget Request - Review</td>
</tr>
<tr>
<td></td>
<td>- Financial Components of the President’s Recommended Six Year Capital</td>
</tr>
<tr>
<td></td>
<td>Plan and 2017 State Capital Request – Review</td>
</tr>
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<td></td>
<td>- Resolution related to Salt Springs Land Fund Income Distribution</td>
</tr>
<tr>
<td></td>
<td>The committee will consider a resolution to establish the distribution of income from the recent sale of Salt Springs Land, approved by the Board in June 2016.</td>
</tr>
<tr>
<td></td>
<td>- Consent Report</td>
</tr>
<tr>
<td></td>
<td>o Central Reserves General Contingency Allocations</td>
</tr>
<tr>
<td></td>
<td>o [Purchase of Goods and Services $1,000,000 and Over]</td>
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<tr>
<td></td>
<td>- Information Items</td>
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<tr>
<td></td>
<td>o Quarterly Purchasing Reports (3rd and 4th Qtrs. FY 2016)</td>
</tr>
<tr>
<td></td>
<td>o Investment Advisory Committee Update (May and July meetings)</td>
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<tr>
<td></td>
<td>o Debt Management Advisory Committee Update (September meeting)</td>
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</tbody>
</table>

Full Board items:
- **FY 2018 Budget Assumptions: BOR Work Session**
- **Financial Components of the President’s Recommended FY 2018-19 Biennial Budget Request - Review**
- **President’s Recommended Six Year Capital Plan – Review**
- **President’s Recommended 2017 State Capital Request – Review**

<table>
<thead>
<tr>
<th>October 13-14</th>
<th>Financial Components of the President’s Recommended FY 2018-19 Biennial Budget Request - Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Financial Components of the President’s Recommended Six Year Capital Plan, 2017 State Capital Request, and Debt Capacity Update - Action</td>
</tr>
<tr>
<td></td>
<td>Long Range Financial Planning - Update</td>
</tr>
<tr>
<td></td>
<td>The purpose of this item is to highlight and discuss the broad policy choices and options that will guide long-range financial planning. The analysis will be updated to include possible options related to the FY 2018-19 Biennial Budget Request.</td>
</tr>
<tr>
<td></td>
<td>[Resolution Related To Debt Issuance]</td>
</tr>
<tr>
<td></td>
<td>[Network Upgrade Project – Financial Update]</td>
</tr>
<tr>
<td></td>
<td>The committee will discuss financial components and financing strategies for the anticipated network upgrade project.</td>
</tr>
<tr>
<td></td>
<td>Consent Report</td>
</tr>
<tr>
<td></td>
<td>o Central Reserves General Contingency Allocations</td>
</tr>
<tr>
<td></td>
<td>o [Purchase of Goods and Services $1,000,000 and Over]</td>
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<tr>
<td></td>
<td>o [Commercial Transactions or Other Matters Subject to Board Approval]</td>
</tr>
</tbody>
</table>
## Finance Committee
### 2016-2017 Work Plan

<table>
<thead>
<tr>
<th>Date</th>
<th>Information Items</th>
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</thead>
<tbody>
<tr>
<td></td>
<td><strong>Information Items</strong></td>
</tr>
<tr>
<td></td>
<td>o Investment Advisory Committee Update (August meeting)</td>
</tr>
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<td></td>
<td><strong>Full Board items:</strong></td>
</tr>
<tr>
<td></td>
<td>o Financial Components of the President’s Recommended FY 2018-19 Biennial Budget Request - Action</td>
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<tr>
<td></td>
<td>o President’s Recommended Six Year Capital Plan – Action</td>
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<tr>
<td></td>
<td>o President’s Recommended 2017 State Capital Request– Action</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Date</th>
<th>Administrative Cost Definition and Benchmarking</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 8-9</td>
<td>The purpose of this discussion is to update the committee on the fifth year of results for the cost benchmarking analysis of the University.</td>
</tr>
<tr>
<td></td>
<td><strong>Report on Biennial Appropriation and Performance Goals</strong></td>
</tr>
<tr>
<td></td>
<td>The committee will review the results of the performance goals as agreed to with the Minnesota Office of Higher Education.</td>
</tr>
<tr>
<td></td>
<td><strong>Annual Financial Report (June – Audited Statements)</strong></td>
</tr>
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<td></td>
<td><strong>International Student Tuition Rates</strong></td>
</tr>
<tr>
<td></td>
<td>The committee will examine tuition rates for international students, discussing them within the context of recent Board action.</td>
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<tr>
<td></td>
<td><strong>Consent Report</strong></td>
</tr>
<tr>
<td></td>
<td>o Central Reserves General Contingency Allocations</td>
</tr>
<tr>
<td></td>
<td>o [Purchase of Goods and Services $1,000,000 and Over]</td>
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<tr>
<td></td>
<td>o [Commercial Transactions or Other Matters Subject to Board Approval]</td>
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<tr>
<td></td>
<td>o [Approval of Off-Cycle Tuition Rates and Fees]</td>
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<td></td>
<td>o [Approval of Debt Underwriter]</td>
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<tr>
<td></td>
<td><strong>Information Items</strong></td>
</tr>
<tr>
<td></td>
<td>o Annual Business &amp; Community Economic Development Report (period ending June 30)</td>
</tr>
<tr>
<td></td>
<td>o Investment Advisory Committee Update (Meetings held during quarter ended September 30)</td>
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<tr>
<td></td>
<td>o Quarterly Purchasing Report (1st Qtr. FY 2016)</td>
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<tr>
<td></td>
<td>o Debt Management Advisory Committee Update (December meeting)</td>
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<tr>
<td></td>
<td>o [FY16 Year End Balances Report]</td>
</tr>
<tr>
<td></td>
<td><strong>Full Board items:</strong></td>
</tr>
<tr>
<td></td>
<td>o Receive &amp; File: Annual Financial Report (June – Audited Statements)</td>
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<tr>
<td></td>
<td>o Annual Financial Report – Discussion</td>
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<tr>
<td></td>
<td>o [Supplemental 2017 State Budget Request ]</td>
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</table>

### 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Fully Allocated Cost of Mission Activities: Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 9-10</td>
<td>The committee will review an analysis, based on FY 2014 data, that allocates the total expenditures of the University (direct activity and overhead) across the missions of instruction, research, and public service, as well as student aid and auxiliary operations. This update will build on previous discussions from the past year and focus primarily on the unit level findings.</td>
</tr>
<tr>
<td></td>
<td><strong>Annual Capital Financing and Debt Management Report</strong></td>
</tr>
</tbody>
</table>
• **Operational Excellence - Next Steps**
  The committee will discuss possible next steps for the Operational Excellence program after the $90 million reallocation is completed in FY 2019.

• **Review of Required Reports**
  This discussion will examine the required reports that come to the committee throughout the year. The committee will consider the types of reports that should be required and the frequency that those reports should come to the Board.

• **Consent Report**
  - Central Reserves General Contingency Allocations
  - [Purchase of Goods and Services $1,000,000 and Over]
  - [Commercial Transactions or Other Matters Subject to Board Approval]

• **Information Items**
  - Annual Risk Management & Insurance Report (FY 16)
  - Annual Investment Performance: Peer Comparisons
  - Central Reserves Update
  - Quarterly Purchasing Report (2nd Qtr. FY 2016)

Full Board item:
• **Receive & File: Annual Capital Financing and Debt Management Report**

March 23-24

Full Board item:
• Consent Report
• Budget Update

May 11-12

• **2018-19 Biennial Budget Request - Update**
• **Financial Components of President’s Recommended FY 2018 Annual Capital Improvement Budget - Review**
• **Twin Cities Athletics - Financial Model**
  This conversation will build on the Board’s February work session and focus on potential financing models to ensure the long-term sustainability of Twin Cities Athletics.

• **Role of Central Reserves Fund**
  The committee will discuss the role of the central reserves fund within the context of the University’s current financial model. The committee will consider if changes should be made to the structure and model of the central reserves fund.

• **Consent Report**
  - Central Reserves General Contingency Allocations
  - [Purchase of Goods and Services $1,000,000 and Over]
  - [Commercial Transactions or Other Matters Subject to Board Approval]

• **Information Items**
  - Quarterly Purchasing Report (3rd Qtr. FY 2016)
  - Quarterly Asset Management Report (period ending December 31)
  - Six-Month Management Report - Unaudited (period ending December 31)
  - Quarterly Investment Advisory Committee Update (February meeting)
<table>
<thead>
<tr>
<th>Date</th>
<th>Full Board Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 8-9</td>
<td>- President’s Recommended FY 2018 Annual Operating Budget – Review</td>
</tr>
<tr>
<td></td>
<td>- Financial Components of President’s Recommended FY 2018 Annual Capital</td>
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<tr>
<td></td>
<td>Improvement Budget – Action</td>
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<tr>
<td></td>
<td>The purpose of this item is to highlight and discuss the broad policy choices</td>
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<td></td>
<td>and options that will guide long-range financial planning.</td>
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<tr>
<td></td>
<td>- TBD</td>
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<tr>
<td></td>
<td>- Consent Report</td>
</tr>
<tr>
<td></td>
<td>- Central Reserves General Contingency Allocations</td>
</tr>
<tr>
<td></td>
<td>- [Purchase of Goods and Services $1,000,000 and Over]</td>
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<td>- [Commercial Transactions or Other Matters Subject to Board Approval]</td>
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<tr>
<td></td>
<td>- [Approval of Underwriter]</td>
</tr>
<tr>
<td></td>
<td>- Information Items</td>
</tr>
<tr>
<td></td>
<td>- University Tax Compliance Activities Report</td>
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<td></td>
<td>- Quarterly Investment Advisory Committee Update (May meeting)</td>
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<tr>
<td></td>
<td>- Quarterly Asset Management Report (period ending March 31)</td>
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<tr>
<td></td>
<td>- Debt Management Advisory Committee Update (June meeting)</td>
</tr>
<tr>
<td>Late June</td>
<td>Full Board items:</td>
</tr>
<tr>
<td></td>
<td>- President’s Recommend FY 2018 Annual Operating Budget – Action</td>
</tr>
</tbody>
</table>
AGENDA ITEM: Annual Asset Management Report

☐ Review  ☐ Review + Action  ☐ Action  ☒ Discussion

This is a report required by Board policy.

PRESENTERS: Stuart Mason, Associate Vice President & Chief Investment Officer

PURPOSE & KEY POINTS

The purpose of this item is to report on the quarterly performance results for assets managed by the Office of Investments & Banking (OIB) for the fiscal year ended June 30, 2016. The OIB prepares this report, as required by Board of Regents Policy: Endowment Fund, for review by the Investment Advisory Committee and the Board of Regents.

BACKGROUND INFORMATION

- The invested assets of the University totaled approximately $2.56 billion on June 30, 2016.
- The Consolidated Endowment Fund (CEF) value decreased over the last year by $35.6 million to $1,258 million as of June 30, 2016, after quarterly distributions to the University of $52.1 million. The 1-year total investment return for CEF was 0.3%, compared to its custom benchmark of 0.7%, by -0.4%.
- The slight underperformance during the fiscal year was driven largely by portfolio overweight to public equity investments and underperformance by riskier fixed income managers.
- The market value of the short term reserves (TIP) was $1,101.0 million as of June 30, 2016. The investment return on the portfolio over the last 12 months was 1.5% compared to a benchmark return of 1.0%. The change in value was largely due to timing of cash flows as part of the University’s normal business cycle.
1. Overview – All Funds

2. Highlights and Commentary
   - Consolidated Endowment Fund (CEF)
   - Temporary Investment Pool (TIP)
   - Group Income Pool (GIP)
   - RUMINCO
## OIB Managed Funds ($ millions)

<table>
<thead>
<tr>
<th>Fund</th>
<th>June '16</th>
<th>June '15</th>
<th>June '14</th>
<th>June '13</th>
<th>June '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Endowment Fund (CEF)</td>
<td>1,258.0</td>
<td>1,293.6</td>
<td>1,272.5</td>
<td>1,079.7</td>
<td>977.6</td>
</tr>
<tr>
<td>Long-Term Reserves (GIP)</td>
<td>65.8</td>
<td>52.7</td>
<td>45.9</td>
<td>46.4</td>
<td>44.7</td>
</tr>
<tr>
<td>Short-Term Reserves (TIP)</td>
<td>1,101.0</td>
<td>1,050.0</td>
<td>1,054.6</td>
<td>1,031.4</td>
<td>972.2</td>
</tr>
<tr>
<td>RUMINCO Ltd.</td>
<td>40.6</td>
<td>39.6</td>
<td>39.2</td>
<td>35.8</td>
<td>32.6</td>
</tr>
<tr>
<td>Invested Assets Related to Indebtedness</td>
<td>100.9</td>
<td>148.3</td>
<td>66.9</td>
<td>87.0</td>
<td>189.7</td>
</tr>
<tr>
<td><strong>Total Managed Assets</strong></td>
<td>2,566.3</td>
<td>2,584.2</td>
<td>2,479.1</td>
<td>2,280.3</td>
<td>2,216.8</td>
</tr>
</tbody>
</table>

## Other Funds ($ millions)

<table>
<thead>
<tr>
<th>Fund</th>
<th>June '16</th>
<th>June '15</th>
<th>June '14</th>
<th>June '13</th>
<th>June '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>U of M Foundation Fund</td>
<td>2,003.1</td>
<td>1,985.5</td>
<td>1,928.2</td>
<td>1,610.0</td>
<td>1,560.1</td>
</tr>
<tr>
<td>Faculty Retirement Plans</td>
<td>4,968.1</td>
<td>4,955.7</td>
<td>4,769.7</td>
<td>4,199.8</td>
<td>3,807.9</td>
</tr>
</tbody>
</table>
CEF Investment Policy Objectives:

1. Maintain Inflation Adjusted Endowment Value
   • Implementation of appropriate investment strategy
   • Outperformance against appropriate benchmarks and inflation

2. Acceptable Risk Parameters
   • Appropriate liquidity profile
   • Avoid high concentrations to investment firms and individual funds
   • Diversified geographic exposure

3. Stable Distributions
   • Preserve a stable distribution profile to University constituents
Maintain Inflation Adjusted Value

Quarters Payout (R)  Endowment (L)

Millions of Dollars  Billions of Dollars

$1.25 Billion

$0.87 Billion

$136 Million
Implementation of new investment model includes diversifying portfolio into private capital funds.

Lack of liquidity and an overweight to the portfolio’s fixed income safety net limit upside potential during rally.

Sharp market decline in real estate funds limits ability to rebalance before the market rally.

Private capital investments drive outperformance and provide sufficient liquidity for rebalancing.
## Performance Detail

### Performance Overview

<table>
<thead>
<tr>
<th>Period</th>
<th>Endowment</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>QTR</td>
<td>0.7%</td>
<td>0.3%</td>
</tr>
<tr>
<td>1 YR</td>
<td>0.7%</td>
<td>0.3%</td>
</tr>
<tr>
<td>3 YR</td>
<td>8.5%</td>
<td>5.9%</td>
</tr>
<tr>
<td>5 YR</td>
<td>8.6%</td>
<td>5.3%</td>
</tr>
<tr>
<td>10 YR</td>
<td>4.7%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

### Performance by Asset Class

#### 1 Year

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Public Equity</th>
<th>Diversifiers</th>
<th>FI - Risk Mitigating</th>
<th>FI - Return Gen</th>
<th>Absolute Return</th>
<th>Real Assets</th>
<th>Private Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-3.8% -3.9%</td>
<td>3.1%</td>
<td>3.4%</td>
<td>3.5%</td>
<td>3.0%</td>
<td>4.3%</td>
<td>-4.8% -4.9%</td>
</tr>
</tbody>
</table>

#### 3 Year

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Equity</th>
<th>FI - Risk Mitigating</th>
<th>FI - Return Gen</th>
<th>Absolute Return</th>
<th>Real Assets</th>
<th>Private Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.2%</td>
<td>6.1%</td>
<td>2.9%</td>
<td>3.2%</td>
<td>3.5%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>
Asset Class Contribution to Return

- The magnitude of Private Capital's contribution to return is the consistent theme across time periods, driven by the combination of a 30% average weight and 22% annualized return over the last 10 years.
- Public Equites have been additive to return in every period except the last year, where the Diversifiers allocation helped to offset some of the asset class' losses.
- Consistent positive contributions from fixed income allocations is a positive. Absolute return has had little impact until recently due to very little exposure in the medium-to-long-term.

*contribution numbers are approximate
1-Year Benchmark-Relative Attribution

• CEF underperformed the short-term benchmark by 44 bps in FY 2016.

Asset Allocation Drivers

- Largest impact was overweight equities and underweight fixed income, particularly in 3Q15 when markets fell over 9.5%, and during the subsequent equity underweight during the March rally.
- Underweight to hedge funds which were down 5% during the year.

Manager Performance Drivers

+ 1.7% outperformance by diversifiers managers & domestic tilt within diversifiers.
- Poor performance across private equity and distressed managers, particularly MHR.
- Muted returns from opportunistic fixed income and private debt managers.

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1 Attribution analysis derived from data provided by State Street and internal analysis.
Acceptable Risk Parameters

Endowment Liquidity Profile
Policy: Range of 30% to 40% invested in illiquid assets.

<table>
<thead>
<tr>
<th>Manager</th>
<th>Total Market Value ($M)</th>
<th>% of Total Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackrock</td>
<td>224.2</td>
<td>17.5%</td>
</tr>
<tr>
<td>Parametric Clifton</td>
<td>92.4</td>
<td>7.2%</td>
</tr>
<tr>
<td>TCW</td>
<td>80.6</td>
<td>6.3%</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>57.4</td>
<td>4.5%</td>
</tr>
<tr>
<td>Acadian</td>
<td>56.6</td>
<td>4.4%</td>
</tr>
<tr>
<td>Qiming</td>
<td>51.7</td>
<td>4.0%</td>
</tr>
<tr>
<td>Emergence</td>
<td>33.9</td>
<td>2.6%</td>
</tr>
<tr>
<td>Franklin Templeton</td>
<td>29.9</td>
<td>2.3%</td>
</tr>
<tr>
<td>Westwood</td>
<td>28.9</td>
<td>2.3%</td>
</tr>
<tr>
<td>Black Diamond</td>
<td>28.2</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Manager Concentration
Policy: Fund limit of 10% / Manager limit of 20%

<table>
<thead>
<tr>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiquid</td>
<td>Semi-Liquid</td>
<td>Liquid</td>
<td></td>
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</tr>
</tbody>
</table>
Asset Allocation

- Public and Private Equity remain the largest overweights in the portfolio at a collective 10.4%;
  - Diversifiers comprises nearly 1/3 of the public equity portfolio and maintains a ~0.5 beta
  - Liquidity through distributions remains the primary source for private capital rebalancing, but secondary sales of older partnerships is currently being pursued
- The underweight to Return Generating Fixed Income continues to decrease as capital is called from recent commitments

![Asset Allocation Chart]

**Over/Under Weight vs. Long-Term Strategic Targets**

- Equity: -1.9%
- FI - Risk Mitigating: -3.0%
- FI - Return Gen: -2.2%
- Absolute Return: -4.6%
- Real Assets: -4.6%
- Private Capital: 7.6%
- Cash/Other: 1.3%
TIP Review
TIP Portfolio – Performance

Market Value: $1,101M

![Bar chart showing performance over different periods]

Benchmark: 70% BofAML U.S. Treasuries 1-3 Yr / 30% 91 Day T-Bill

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIP Portfolio</td>
<td>Benchmark</td>
</tr>
</tbody>
</table>

- **QTR**: 0.4% | 0.4%  
- **1 YR**: 1.5% | 1.0%  
- **3 YR**: 1.8% | 0.7%  
- **5 YR**: 1.4% | 0.6%  

<table>
<thead>
<tr>
<th>Cash Equivalents</th>
<th>Agency Bonds</th>
<th>Mortgages</th>
<th>US Treasuries</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1%</td>
<td>0.3%</td>
<td>0.6%</td>
<td>1.3%</td>
</tr>
<tr>
<td>1.1%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>3.3%</td>
</tr>
<tr>
<td>0.1%</td>
<td>0.2%</td>
<td>1.2%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Page 24 of 115
TIP Portfolio – Asset Allocation

Market Value: $1,101M

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Portfolio</th>
<th>Benchmark</th>
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<tbody>
<tr>
<td>Average Duration</td>
<td>0.90</td>
<td>1.42</td>
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<tr>
<td>Average Credit Rating</td>
<td>Govt/Agency</td>
<td>Govt/Agency</td>
</tr>
<tr>
<td>Current Yield</td>
<td>0.63%</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

Credit Quality
- AA+ Rated: 69%
- A+ Rated: 31%

Sector Exposure
- Cash Equivalents: 31%
- Agency Bonds: 53%
- US Treasuries: 6%
- Mortgages: 10%
GIP Review
GIP Portfolio
Market Value: $79.9M

Benchmark: Barclays Aggregate Bond

- GIP Portfolio
- Core Fixed Income
- EM Debt
- GIP CEF
- Benchmark

<table>
<thead>
<tr>
<th>Period</th>
<th>GIP Portfolio</th>
<th>Core Fixed Income</th>
<th>EM Debt</th>
<th>GIP CEF</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>QTR</td>
<td>2.7%</td>
<td>2.2%</td>
<td>2.3%</td>
<td>4.5%</td>
<td>4.7%</td>
</tr>
<tr>
<td>1 YR</td>
<td>6.0%</td>
<td>4.1%</td>
<td>4.7%</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>3 YR</td>
<td>4.5%</td>
<td>4.1%</td>
<td>4.7%</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>5 YR</td>
<td>4.7%</td>
<td>3.8%</td>
<td>4.7%</td>
<td>3.8%</td>
<td></td>
</tr>
</tbody>
</table>

- Current Exposure
  - QTR: 2.7%
  - 1 YR: 4.5%
  - 3 YR: 6.6%
  - 5 YR: 9.3%

- Market Value: $79.9M

- GIP CEF: 18%
- Core Fixed Income: 74%
- EM Debt: 8%

Page 27 of 115
RUMINCO Review
RUMINCO Portfolio

Market Value: $40.6M

Portfolio Targets

- Global Equity: 60%
- Intermediate Fixed Income: 30%
- Long-Term Fixed Income: 10%

Current Exposure

- Global Equity: 61%
- Intermediate Fixed Income: 29%
- Long-Term Fixed Income: 10%
FY 2016 Investment Manager Changes

New Managers:

- RoundShield Partners
- CD Capital
- Initialized Capital
- SaaStr Ventures
- Tritium Partners
- Gramercy
- Golub Capital

Terminated Managers:

- none
The University and the Office of Investments & Banking (OIB) recognizes the opportunity of working with targeted investment managers which are defined as emerging investment managers (less than $250 million under management) and minority / women owned investment firms.

The OIB has an open door policy when interviewing investment managers and makes every effort to consider targeted managers consistent with the financial and fiduciary responsibilities of the University.

In the last year, OIB held initial meetings or preliminary due diligence sessions with 8 targeted managers, of which 2 were hired:

- Initialized Capital
- SaaStr Ventures
Social Responsibility

The Regents Policy, Endowment Fund, establishes an investment management guideline which states “The University shall consider social responsibility in its investment decisions.”

The Office of Investments & Banking (OIB) recognizes that investments which are socially responsible, including those that support a healthy environment, energy conservation, and prudent use of natural resources can also meet the financial and fiduciary requirements for the fund.

In the past year OIB evaluated 5 investment managers/funds meeting these criteria. In June 2015, the University invested $50 million in the iShares MSCI ACWI Low Carbon Target ETF, which significantly reduces exposure to public companies with high carbon emissions and reserves.
AGENDA ITEM: Board of Regents Policy: *Investment of Reserves*

Review + Action

Action

Discussion

This is a report required by Board policy.

**PRESENTERS:** Stuart Mason, Associate Vice President & Chief Investment Officer

**PURPOSE & KEY POINTS**

The purpose of this item is to review proposed amendments to Board of Regents Policy: *Investment of Reserves* to allow limited exposure to illiquid investments managed exclusively by external investment managers. The proposed changes will allow the University’s operating pool portfolio to capitalize on certain attractive investment opportunities currently available in higher yielding fixed income investments.

Proposed changes to Section II include:

- Adding "private and/or illiquid securities" as an allowable investment type for external managers.
- The "private and/or illiquid securities" category along with the endowment as part of the cumulative portion of the operating pool that is subject to the 30 percent maximum allocation at time of investment.

**PRESIDENT’S RECOMMENDATION**

The President recommends approval of the proposed amendments to Board of Regents Policy: *Investment of Reserves*. 
SECTION I. SCOPE.

This policy governs the investment of short-term and long-term reserves of the University of Minnesota (University).

ARTICLE 1 SECTION II. SHORT-TERM RESERVES.

Subd. 1. Investment Objective. The primary investment objective for the University's short-term reserves, known throughout Article I Section II of this policy as the Temporary Investment Pool (TIP), is current income and capital preservation. In addition, the following are priorities for the investment of short-term reserves:

(a) maintaining sufficient liquidity to meet the near term funding and operations requirements of the University;
(b) maximizing current income and investment returns on these reserves; and
(c) providing backup liquidity for certain of the University's short-term or variable rate debt obligations.

Subd. 2. Overall Portfolio Characteristics. A majority of TIP funds are to be invested in high quality, relatively short-term interest bearing securities not exposed to significant market risk while a portion may be invested in the University's Consolidated Endowment Fund (CEF). The following percentages of annual operating revenues, as measured at the completion of each fiscal year, shall be retained in TIP:

(a) at least 8% for the purpose of debt service reserves and related liquidity requirements;
(b) at least 6% for the purpose of providing cash flow for operations; and
(c) at least 5% for the purpose of providing core operating reserves.

A portion of the remaining balance of TIP, not to exceed 30% of total TIP funds, may be invested in CEF. The investment in CEF, combined with private and/or illiquid securities, should not exceed 30% of total TIP funds at time of investment. Annually, when determining the amount of TIP to be invested in CEF, consideration shall be given to market conditions and other financial circumstances. TIP investments in CEF shall be reported periodically to the Board of Regents (Board).

The interest bearing portion of TIP investments shall be guided by the following:

(a) Average duration shall be four years or less for the entire portfolio with a maximum duration of seven years for any individual holding.
(b) Average credit quality shall be A1/A+ or better.
(c) Individual securities owned shall maintain a rating of investment grade (defined as Baa3/BBB-rating or better by Moody's or Standard & Poor's) unless the president or delegate specifically approves retention of a lower rated security. The Board must be notified of such approvals.
**Subd. 3. Investment Managers.** While TIP funds may be invested directly by University personnel, the use of investment managers also is permissible. Investment managers shall not be subject to the prohibitions described in parts (3), (4), (5), (6), (7), and (8) of Article I Section II, Subd. 5(b) as long as overall portfolio averages are in compliance with the guidelines described in this section.

**Subd. 4. Investment Guidelines for Specific Types of Securities.** The following investment guidelines shall apply to investments made directly by the University:

(a) Federal Government Securities - Investments in federal government securities shall be limited to U.S. Treasury obligations, federal agency securities, and obligations guaranteed or insured by an agency of the federal government, with no limitation on amount per agency or percent of overall portfolio.

(b) Money Market Investments - Investments in money market instruments shall be limited to money market funds or fixed income mutual funds designed to maintain a stable unit value, with no limitation on percent of overall portfolio.

(c) Corporate Obligations - Investments in corporate obligations shall be limited to commercial paper, intermediate or long-term bonds, bank paper, and master notes. In aggregate, corporate obligations shall not exceed 50% of the portfolio, with a maximum limitation of 5% for any single issuer, and shall be guided by the following:

1. Commercial Paper - Investments in commercial paper shall be limited to U.S. dollar denominated obligations of U.S.-based or foreign issuers whose commercial paper is rated A-1+, A-1, or A-2 by Standard & Poor's or P-1 or P-2 by Moody's.

2. Intermediate or Long-Term Bonds — Investments in intermediate or long-term bonds shall be limited to bonds and flexible rate securities that are U.S. dollar denominated.

3. Bank Paper - Investments in bank paper shall be limited to U.S. dollar denominated certificates of deposit, time deposits, bankers acceptances, letters of credit, and documented discount notes from U.S. or foreign issuers.

4. Master Notes - Investments in master notes shall be limited to notes issued by U.S. corporations, with a maximum limitation of 10% of the portfolio.

**Subd. 5. Prohibitions.** Except for investments made in CEF or by investment managers in accordance with Article I Section II, Subd. 3 of this policy:

(a) leverage shall not be used in investing TIP funds; and

(b) the following investments are prohibited:

1. equity and equity related alternatives;

2. securities convertible into equity;

3. non-investment grade high yield securities;

4. unrated securities;

5. private and/or illiquid securities;

6. securities not traded on a major exchange;

7. any securities issued by a foreign government or corporation domiciled in a country that is not part of the Europe, Australasia, and Far East (EAFE) Index, or Canada; and

8. derivative securities.
ARTICLE II SECTION III. LONG-TERM RESERVES.

Subd. 1. Investment Objective. The primary investment objective for the University’s long-term reserves, known throughout Article II Section III of this policy as the Group Income Pool (GIP), is to maximize the total investment return while preserving capital balances until such time as the principal is required to fund the intended use. Because of the potential for higher levels of volatility, the GIP portfolio shall be invested by investment managers or in CEF.

Subd. 2. Investment Guidelines. GIP funds shall be invested on a total return basis. The following investment guidelines shall apply for GIP:

(a) Interest Bearing Securities - Up to 100% of the portfolio may be invested in interest bearing securities that may include:
   (1) bonds, convertible bonds, mortgage-backed and/or asset-backed securities that are issued by governments, government agencies, or corporations in developed market countries;
   (2) securities, denominated in foreign currencies or U.S. dollars;
   (3) securities rated below investment grade up to a maximum 20% allocation; and
   (4) emerging market debt, up to a maximum 10% allocation.

(b) Equity - Up to 50% of the overall portfolio may be invested in diversified equity and equity-related securities and/or in CEF.

(c) Mutual Funds - Consistent in quality with these investment guidelines.

(d) Money Market Funds - To the extent that money market funds are used in the portfolio, underlying assets in the fund shall have a minimum commercial paper rating of A2/P2 as rated by Standard & Poor's and Moody's.

Subd. 3. Prohibitions. Except for investments made in CEF:

(a) leverage shall not be used in investing GIP funds; and
(b) investments in derivative securities are prohibited.

Adopted: September 8, 1989
Amended: March 11, 1994; June 10, 1994; April 11, 2003; March 12, 2004; June 9, 2006; May 14, 2010
Investment of Short Term Reserves Policy Amendment & Yield Enhancement Strategy
**Executive Summary**

| RECOMMENDED POLICY AMENDMENT | • OIB is recommending amending the Board of Regents Policy: Investments of Reserves to allow for limited exposure to illiquid debt investments managed exclusively by external investment managers. Suggested changes to Article I would involve:
| | ➢ Adding ‘private and/or illiquid securities‘ as an allowable investment type for external managers
| | ➢ Including the ‘private and/or illiquid securities’ category along with CEF as part of the cumulative portion of TIP that is subject to the 30% maximum allocation at time of investment.

| RESULTING PORTFOLIO ADDITION | • Invest $50M in an investment grade portfolio of senior loans, managed by Golub Partners, which has historically produced 10+% net annualized returns.
| | ➢ Golub is currently a manager approved for use in CEF. OIB continues to favor the opportunity provided by senior secured middle market loans as they offer premium yields to traditional fixed income with a floating rate component, stronger asset protection and greater degree of control
| | ➢ $50M investment would represent ~4% of total short-term reserve pool
| | ➢ Gain additional yield (~$5M annually once fully invested) with no meaningful impact to credit profile, liquidity profile or coverage ratios
A portion of the remaining balance of TIP, not to exceed 30% of total TIP funds, may be invested in CEF. The investment in CEF combined with private and/or illiquid securities should not exceed 30% of total TIP funds at time of investment.

**Subd. 3. Investment Managers.** While TIP funds may be invested directly by University personnel, the use of investment managers also is permissible. Investment managers shall not be subject to the prohibitions described in parts (3), (4), (5), (6), (7), and (8) of Article I, subd. 5(b) as long as overall portfolio averages are in compliance with the guidelines described in this Article.
Short-Term Reserves Pool Overview

- Objectives of Short-Term Reserves (TIP) are to:
  1. **Maintain sufficient liquidity** to meet near term funding/operations requirements of the University
  2. **Maximize current income** and investment returns on those reserves
  3. **Provide backup liquidity** for certain of the University’s short-term or variable rate debt obligations

- Portfolio is comprised primarily of cash, commercial paper and high quality U.S. Treasury and Agency bonds and is conservatively managed to ensure a meaningful buffer is maintained with respect to coverage ratios, liquidity & credit quality guidelines

### Total TIP Value: $1.23B
(as of 6/30/2016)

<table>
<thead>
<tr>
<th>Characteristics*</th>
<th>Guideline</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield to Maturity</td>
<td>--</td>
<td>0.63%</td>
</tr>
<tr>
<td>Interest rate risk (duration)</td>
<td>&lt; 4 years</td>
<td>0.90 years</td>
</tr>
<tr>
<td>Credit quality (pool average)</td>
<td>&gt; A1/A+</td>
<td>Aa2 / AA</td>
</tr>
<tr>
<td>Credit quality (individual bonds)</td>
<td>100% IG (&gt; Baa3/BBB-)</td>
<td>100%</td>
</tr>
<tr>
<td>% in Endowment</td>
<td>&lt; 30%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Aggregate reserves for debt service, operating cash &amp; core reserves (% of operating revenue)</td>
<td>&gt; 19%</td>
<td>36.3%</td>
</tr>
</tbody>
</table>

* Data excludes TIP investment in CEF.
Liquidity Considerations

- The proposed $50M investment in Golub would have an immaterial impact on the liquidity profile of the pool
  
  - Funding source would likely be commercial paper, reducing the <1 year maturity bucket by ~10%

![Pro Forma Maturity Profile Assuming $50M Golub Investment](image-url)
Liquidity Coverage Ratio Considerations

- The proposed $50M investment in Golub would have an immaterial impact on the coverage ratios the rating agencies currently focus on when evaluating creditworthiness of our commercial paper program.
AGENDA ITEM: Financial Components of the President’s Recommended FY 2018-19 Biennial Budget Request

X Review  ❑ Review + Action  ❑ Action  ❑ Discussion

❑ This is a report required by Board policy.

PRESENTERS: Michael Volna, Interim Vice President and CFO
            Julie Tonneson, Associate Vice President for Budget and Finance

PURPOSE & KEY POINTS

The purpose of this item is to review the University’s Biennial Budget Request to the State of Minnesota for FY 2018 and FY 2019.

As the state’s only land grant and research institution, the University of Minnesota has a responsibility to better the lives of Minnesotans through education, research, and public engagement. As one of the state’s most important economic and intellectual assets, and one of the nation’s top research institutions, the University is a venue of singular impact where human talent, ideas and innovations, and discoveries and services converge to advance Minnesota’s economy and quality of life. These imperatives have guided the development of this biennial budget request.

The University’s biennial budget request includes three FY 2018-19 initiatives:

1. Student Success – Advance state and University performance measures (articulated in the University Progress Card) by addressing critical areas of student-focused initiatives around time to graduation, demand for and capacity in science/technology/engineering/math (STEM) programs, and the development of pipeline programs for under-represented students.

2. MnDRIVE – Leverage faculty, research and disciplinary strength through the MnDRIVE program (Minnesota Statute 137.66) to move the University and the State of Minnesota to the next level in key competitive areas of discovery that are important to Minnesota’s economy and citizens, and align with Grand Challenge research and medical discovery team priorities.

3. Core Mission – Acknowledge the University’s responsibility to achieve success in each facet of its mission through increased appropriations to deliver academic excellence and quality student services, continue world-class research and engagement activities, and maintain technology, equipment and aging facilities across five campuses.
The total request for these three items is $39,600,000 in FY18 and an additional $43,000,000 in FY19. The biennium to biennium appropriation increase (fiscal years 2018 and 2019 compared to fiscal years 2016 and 2017) would be $122.2 million or 9.8 percent.

In addition, this biennial budget request includes two items related to past legislative sessions:

1. Replacement of UCare Funding – Replacement of UCare funding is an exceptional need left unresolved during the 2016 legislative session. The University’s 2016 supplemental budget request included funds to replace the loss of financial support from UCare, a health care insurer created over 30 years ago by the University to serve public program patients. While no longer a part of the University, UCare has continued to provide operating funds to the Department of Family Medicine and Community Health and the Mobile Dental Clinic, which it can no longer do as a result of a Department of Human Services decision not to award a contract to UCare for Medicaid and other public programs. To replace that loss of financial support and continue critical health training and services statewide, this proposal includes a request for $6,000,000 in FY18 and an additional $2,000,000 in FY19.

2. Bell Museum and Planetarium Operations – The University is seeking support for enhanced services and facility operations of the new state-of-the-art Bell Museum and Planetarium scheduled to open on the St. Paul campus in the summer of 2018. After factoring in projected earned income, however, a state investment is needed to ensure the operating base budget is sufficient to realize the state’s intended vision for the museum. The larger footprint will result in a 100 percent increase in the number of students served daily and programmatic additions, including:
   - A new 120-seat planetarium;
   - Four dedicated K-12 classrooms;
   - Exhibitions that include mechanical and electronic interactives;
   - Videos, and other complex custom-made components; and
   - The Planetarium’s sophisticated projector and computer server system.

   All of these items contribute to the need for additional funding. This proposal includes a request for $2,000,000 in FY18 and an additional $3,000,000 in FY19.

BACKGROUND INFORMATION

Board of Regents Policy: Reservation and Delegation of Authority requires that the Board of Regents approve all requests for appropriation from the State of Minnesota.

PRESIDENT’S RECOMMENDATION

The President recommends approval of the resolution requesting the State of Minnesota to support full funding of the University of Minnesota’s FY 2018-19 biennial budget request.
REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

State Biennial Budget Request for FY 2018-19

WHEREAS, the University of Minnesota, the State’s only public, land grant university, is charged with the responsibility to pursue knowledge through research and discovery, and apply this knowledge through teaching and learning, and outreach and public engagement; and

WHEREAS, the University proposes to strengthen its focus on the long-term success of its students by improving retention and graduation success, in accordance with the Progress Card approved by the Board of Regents and the performance measures included in 2013 and 2015 appropriation law from the State of Minnesota; and

WHEREAS, the University and the State of Minnesota play a critical role in supporting and strengthening economic and community vitality, improving the environment, and advancing health and wellness of Minnesota’s citizens by advancing research initiatives and programs that benefit the State, business and industry and its citizens; and

WHEREAS, the University is committed to achieving operational excellence and efficiencies through internal actions to reduce administrative and operating costs and reinvest those savings in mission critical strategies; and

WHEREAS, the University, in partnership with the State of Minnesota, can better support financial access and affordability to post-secondary education for Minnesota students and families; and

WHEREAS, the University plays a critical role in delivering essential education and training of the medical professionals across the State; and

WHEREAS, the new Bell Museum is scheduled to open in the summer of 2018 and the University is poised to fully utilize and realize the vision for the new facility.

NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2018-2019 biennium be adopted by the Board of Regents for presentation to the State of Minnesota. The request is for a general fund appropriation of $673,949,000 in fiscal year 2018 and $721,949,000 in
fiscal year 2019 for a biennial total of $1,395,898,000 in the form of general operations and maintenance and State specials appropriations. The Board of Regents further requests continuation of fiscal year 2017 base funding levels for the Primary Care Education Initiatives totaling $2,157,000, and for the Academic Health Center funding under Minnesota Statutes 297F.10 totaling $22,250,000.
FY2018-19 Biennial Budget Request

Finance Committee  |  September 8, 2016

Interim Vice President Michael Volna
Associate Vice President Julie Tonneson
University of Minnesota
Chapter 69 and H.F 2749- FY16 & FY17 Appropriations

<table>
<thead>
<tr>
<th>Operations and Maintenance</th>
<th>FY16</th>
<th>FY17</th>
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<tbody>
<tr>
<td></td>
<td>559,111,000</td>
<td>560,011,000</td>
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</tbody>
</table>

**Special Appropriations:**

a) **Agriculture and Extension Service**
   For the Agricultural Experiment Station, Minnesota Extension Service.
   42,922,000  42,922,000

b) **Health Sciences**
   For the rural physicians associates program, the Veterinary Diagnostic Laboratory, health sciences research, dental care, and the Biomedical Engineering Center
   9,204,000   9,204,000

c) **Institute of Technology**
   For the Geological Survey and the Talented Youth Mathematics Program.
   1,140,000   1,140,000

d) **System Special**
   For general research, Labor Education Service, Natural Resources Research Institute, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey exhibit.
   5,181,000   5,181,000

e) **University of Minnesota and Mayo Foundation Partnership**
   7,991,000   7,991,000

**Primary Care Education Initiatives**
This appropriation is from the health care access fund

2,157,000   2,157,000

**Academic Health Center**
The appropriation to the Academic Health Center under Minnesota Statutes, section 297F.10, is $22,250,000 each year.
Calculation of the Beginning General Fund Base*
FY2018 – 2019
($ in thousands)

**FY17 General Fund Appropriations:**

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>O&amp;M</td>
<td>560,011</td>
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<tr>
<td>Agriculture &amp; Extension</td>
<td>42,922</td>
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<tr>
<td>Health Sciences</td>
<td>9,204</td>
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<td>Technology</td>
<td>1,140</td>
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<tr>
<td>System</td>
<td>5,181</td>
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<tr>
<td>U/Mayo Partnership</td>
<td>7,991</td>
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<tr>
<td><strong>Total</strong></td>
<td>626,449</td>
</tr>
</tbody>
</table>

*Less nonrecurring in O&M-UMR Collegiate Recovery* (100)

Total Base Moving to FY18 and FY19  

626,349

* Excludes primary care initiative and academic health center appropriation
Timeline – Bienniial Budget Request

**Budget Instructions**
Received – Internal Planning Process Begins

Bienniial Budget Proposal Drafted for Board Review

BB Proposal for Board Approval & Submitted to The State

Governor’s Higher Ed Recommendations

Legislative Session & Testimony

Appropriation Finalized FY18-FY19

Into Annual Budget to The Board

July 2016  September  October  December  January  May  June 2017
Legislative Budget Request

• **Student Success** - Improve retention, graduation rates, access to high-demand STEM fields and admissions pipeline for underrepresented students

• **MnDRIVE** – Fuel research initiatives to address Grand Challenges and advance Medical Discovery Teams

• **Core Mission** – Support academic and operational excellence, and keep the lid on tuition for Minnesota residents

• **Health Training Restoration** – Fill funding gap for critical health training and services statewide following loss of UCare support

• **Bell Museum** – Expand program reach and realize intended vision for Minnesota’s new and innovative museum on St. Paul campus
### Biennial Budget Request – General Fund
#### FY2018 - 2019

<table>
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<tr>
<th>Incremental over prior year</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>Student Success</td>
<td>$8.5</td>
<td>$5.0</td>
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<tr>
<td>MnDRIVE</td>
<td>$8.5</td>
<td>$15.0</td>
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<tr>
<td>Core Mission</td>
<td>$22.6</td>
<td>$23.0</td>
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<tr>
<td>Health Training Restoration</td>
<td>$6.0</td>
<td>$2.0</td>
</tr>
<tr>
<td>Bell Museum Operations</td>
<td>$2.0</td>
<td>$3.0</td>
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<tr>
<td><strong>Total University Request</strong></td>
<td><strong>$47.6</strong></td>
<td><strong>$48.0</strong></td>
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### Change to current base – biennial math

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<tbody>
<tr>
<td>Beginning Base</td>
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</tr>
<tr>
<td>Three New 2018-19 Initiatives</td>
<td>$122.2</td>
</tr>
<tr>
<td><strong>Subtotal Appropriation with New Initiatives</strong></td>
<td><strong>$1,374.8</strong></td>
</tr>
<tr>
<td>% change from base</td>
<td>9.8%</td>
</tr>
<tr>
<td>Three New 2018-19 Initiatives + Health Training &amp; Bell Museum</td>
<td>$143.2</td>
</tr>
<tr>
<td><strong>Total Appropriation Requested with Health Training and Bell Museum</strong></td>
<td><strong>$1,395.8</strong></td>
</tr>
<tr>
<td>% change from base</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

*(dollars in millions)*
State Appropriations Trend: 2008-2017*
Operations & Maintenance/State Specials
($ in millions)

*Excludes Cigarette Tax, MnCare, and nonrecurring project appropriations

FY19 Request

5.6% less than FY08
adjusted for inflation (CPI)

20% drop in appropriation
(unadjusted for inflation)
AGENDA ITEM: Financial Components of the President's Recommended 2016 Six-Year Capital Plan and 2017 State Capital Request

Review + Discussion

This is a report required by Board policy.

PRESENTERS: Michael D. Volna, Interim Vice President & CFO

PURPOSE & KEY POINTS

The President’s recommended 2016 Six-Year Capital Plan (Capital Plan) includes major capital improvements planned for fiscal years 2017 through 2022. The Capital Plan includes projects to be funded with state capital support as well as projects funded by the University through a combination of University debt obligations, local unit resources, and fundraising. The Capital Plan totals $1,608,100,000 from all funding sources.

Year 1 of the Capital Plan (2017) outlines the projects the University will submit for consideration during the 2017 legislative session. The 2017 state capital request totals $317.6 million in project costs, with the State of Minnesota contributing $245.1 million and the University responsible for $72.5 million.

The Facilities, Planning & Operations Committee will review the Capital Plan principles and priorities. The complete Capital Plan documents are also included in the Board of Regents docket.

BACKGROUND INFORMATION

Board of Regents Policy requires a Six-Year Capital Plan that sets priorities and direction for ongoing academic and capital planning efforts. Board of Regents Policy: Board Operations and Agenda Guidelines direct the administration to conduct capital planning with a "six-year time horizon, updated annually." This annual capital planning process is completed in two parts:

- Part I is the six-year capital plan, which is updated annually and identifies capital projects approved to proceed with preliminary project planning but not authorized to proceed with design and construction.
- Part II is the annual capital improvement budget, which authorizes the completion of design and construction projects with approved financing and schematic design, consistent with Board policies.
PRESIDENT’S RECOMMENDATION

The President recommends that the Board approve the University of Minnesota 2016 Six-Year Capital Plan and the 2017 State Capital Request.
Overview
2016 Six-Year Capital Improvement Plan for FY2017 – FY2022
University of Minnesota

Overview
The 2016 Six-Year Capital Improvement Plan (The Plan) for the University of Minnesota establishes the University’s capital requests to be submitted to the State for consideration; sets priorities and direction for continued capital project and academic planning efforts; identifies the impact of additional University debt; assigns responsibility for capital fundraising; and forecasts additional building operational costs. The Plan is updated on an annual basis, and approved by the Board of Regents.

The President’s recommended 2016 Six-Year Capital Improvement Plan includes:
- 2017 state capital request
- Future state capital requests for 2018 through 2022
- Major projects scheduled to be financed with University resources during the period FY2018 through FY2022

Capital Process Leadership
The development of the University’s overall capital improvement plan is guided by the Capital Strategy Group (CSG). The CSG includes:
- Executive Vice President for Academic Affairs and Provost
- Vice President, Health Sciences and Medical School Dean
- Vice President, Research
- Vice President, University Services
- Vice President and Chief Financial Officer
- Special Assistant to the President, Government and Community Relations (ex officio)

This group recommends a capital plan to the President, and the President recommends a plan for review and approval by the Board of Regents. The Vice President for University Services convenes the group. Other system and campus executives are included and consulted as the need arises.

The role of this group is to provide overall leadership and strategy development for institutional capital issues, including:
- Establishing strategic capital goals for the institution
- Integrating academic planning with physical and financial planning
- Prioritizing competing requests for capital funding
- Reviewing the financial parameters of the overall capital plan
- Developing a six-year capital plan recommendation to the President
- Establishing capital and space allocation policies
The routine management of capital process and project issues is addressed by the Capital Oversight Group (COG), which includes the Executive Vice President for Academic Affairs and Provost, Vice President for University Services, and the Vice President and Chief Financial Officer. COG is charged with coordinating routine activities associated with the University's capital planning, capital budget approvals, financing, communications, and construction activities.

**Planning Process**

Long-range strategic facility planning at the University of Minnesota begins with the academic planning process. Each year Vice Presidents, Chancellors, and Deans are asked to identify their most important program priorities and the facility improvements necessary to support those programs as part of the budget process. Through the academic planning process, academic leadership establishes the priorities for each college and campus. Facilities Management simultaneously evaluates the current condition of the buildings and infrastructure that support all academic programs. The capital planning process merges the academic priorities, available financial resources, facility needs, and facility conditions into specific project proposals.

Although many projects have both academic and organizational value, the projects that demonstrate both a programmatic urgency and implementation readiness are advanced for further analysis in the six-year timeframe. Other factors analyzed before projects are placed in The Plan include:

- **Financial parameters** - The University reviews state economic forecasts, Minnesota Management and Budget debt capacity estimates and financial reports, past trends, and budget instruction documents to help shape the size of The Plan relative to the State bonding bill. The University also projects its debt capacity annually and builds the capital plan in adherence to the debt guidelines expressed in Board of Regents policy. The University also evaluates its capacity to fundraise for specific projects.

- **Operating budget impact** - The University has placed an increased emphasis in this plan update on each submitting RRC’s ability to fund the incremental operating (facility and programmatic) and debt costs associated with proposed projects. RRCs are expected as part of feasibility analysis stage to work with staff from the Office of Budget and Finance and University Services to develop preliminary estimates for operating and debt costs. RRCs should make the assumption that all incremental costs will need to be funded from RRC resources and should discuss operating cost impacts for projects in The Plan as part of their annual budget meetings with the Office of Budget and Finance.

- **Timing and sequencing of projects** – Many capital projects depend upon other capital project “dominoes.” For example, Pillsbury Hall, a future home for College of Liberal Arts programs and others, cannot be renovated until Earth Sciences moves out of the building and into a renovated John Tate Hall, which in turn had to wait until Physics and Nanotechnology was completed.
• **Impact on academic programs (both research and instructional)** – The University manages the level of disruption that can be absorbed while still maintaining the operation of its research and teaching. Because the University does not close, renovations require “swing space” for programs to continue to operate and the institution needs to maintain a level of functional classrooms.

• **Health, safety, and regulatory requirements** – The University needs to maintain the health and safety of all its students, faculty, and staff, regardless of the program. These issues require some projects to be included in The Plan.

• **Geographic Distribution** – The University is a system with programs and facilities across the State of Minnesota. The Plan reflects the need to balance investment across the institution.

**Project Stages**
The Plan is built around four primary stages of project development, including a) Proposal/Project Definition; b) Planning and Feasibility; c) Resource Acquisition; and d) Implementation (Design and Construction).

To initiate a potential project (Proposal Stage), RRCs submit a request to complete a Feasibility Study to Capital Planning and Project Management. The Feasibility Study request is accompanied by a completed Capital Needs Identification Form. Requests are reviewed with the respective Vice President and the Capital Strategy Group prior to initiating the study.

Potential projects with completed Feasibility Studies are considered for inclusion in The Plan (Planning and Feasibility Stage). Projects included in The Plan are eligible to begin predesign, an exploratory process rooted in design and cost estimating that results in physical solutions to space and facility problems.

Projects in The Plan that have completed Predesigns and that require State funding are submitted to the State for consideration during the bonding process. Projects are eligible to begin fundraising once the predesign process is substantially complete.

Fully funded projects with completed predesign documents are approved by the Board of Regents in the Annual Capital Improvement Budget. Approved projects are then implemented by Capital Planning and Project Management with other key partners such as Facilities Management.

**Project Costs**
Costs for projects in the Proposal or Planning and Feasibility stages in The Plan are order-of-magnitude estimates. Projections are based on square foot costs recently experienced with comparable building and space types at the University, applied to the estimated square footage of each project. Feasibility and predesign studies are prepared for projects at the appropriate time to determine more accurate cost figures.
Costs for projects in the Resource Acquisition stage, with completed predesigns, have been escalated to midpoint of construction as required for submission to the State as part of the University's state capital request.

Projects under consideration are shown with zero dollar cost estimates. Feasibility studies will be completed to determine approximate cost, scope, funding and schedule.

Cost figures in The Plan are updated when the plan is reviewed annually.

Areas of Focus for the 2016 Six-Year Capital Plan
The Plan is largely a continuation of previously expressed priorities updated to reflect the outcome of the 2016 capital request to the State.

The Plan is designed to further the following objectives:

- Advance strategic plan priorities
- Enhance the campus-based experience
- Align projects with available revenue sources
- Increase utilization and functionality of physical assets
- Complete capital investment sequences
- Reduce FCA poor and critical space

These objectives are the foundation of a long-term capital plan that balances programmatic needs against facility condition related needs, distributes opportunity geographically throughout the University system, and completes in-process capital investment sequences.

Five key initiatives designed to advance strategic plan goals are embedded in the updates to The Plan.

- Renovation or replacement of FCA Poor or Critical buildings - Currently, about one third of University space (8.3 million square feet) is rated Poor or Critical in the Facility Condition Assessment (FCA). Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is in conflict with our goal of being an "exceptional University". The Plan puts a strong emphasis on fixing or replacing some of our worst buildings. Higher Education Asset Preservation and Replacement (HEAPR) funding remains at the core of this strategy. Proposed investments involving Pillsbury Hall, Child Development, Mayo Building, Biological Sciences Greenhouse, and several yet to be selected critical facilities are all designed to advance this strategic goal.

A key component of the University's broader capital investment planning and HEAPR prioritization processes is the development of a building-by-building strategy. Under this initiative, planning and facilities staff are working to identify needs in each of the University's 916 buildings, and to classify them as "keep up / catch up", "sustain", or "dispose" based on a combination of factors including facility
condition, historic consideration, programmatic relevance, and adaptability. With this information, the University and its colleges and departments can plan investments and prioritize projects accordingly.

- **Advancing the Health Sciences** – This plan proposes three large investments in improving the educational and clinical research spaces for the Medical School and the other colleges of the Academic Health Center (AHC). Phases I and II were called out in the $10 million of funding provided to the University by the State as an outcome of the 2015 session. Phase I will renovate, build new, and demolish outdated facilities for an integrated Health Sciences Education Center. Phase II will target necessary facilities to support a new Clinical Research Facility. A proposed Phase III would seek modern replacement space for programs currently housed in the Mayo Building, a complex of individual former hospital buildings constructed between 1920 and 1950 that are well past their useful life. The goal of this sequence of projects is to make significant progress towards the University’s goal of decommissioning the Mayo Building while advancing the quality and capability of the University’s health science programs in education, research, and clinical care.

- **Modernizing Saint Paul campus research laboratories** – In the 2013 Six-Year Capital Plan the University identified a need to invest in Saint Paul campus research laboratories and outlined a sequence of renovation, new construction, and decommissioning actions that focused on the needs of the College of Food, Agricultural, and Natural Resource Sciences (CFANS), the College of Veterinary Medicine (CVM), and the College of Biological Sciences (CBS). Leadership on the Saint Paul Campus identified a need for facilities capable of addressing the challenges of determining how safe, affordable, nutritious food can be provided for 9 billion people over the next 40 years while ensuring environmental sustainability, strengthening economic stability, and promoting public health.

The State provided funding to upgrade facilities and equipment for the Aquatic Invasive Species Lab and the Bee Research Lab in 2014. Funding to replace the Veterinary Isolation Facility was approved in the 2015 session. The University is again requesting funds in 2017 to replace the obsolete and FCA critical Biological Sciences Greenhouse. Additional requests to repair or replace laboratories on the Saint Paul are included in 2019 and 2020.

- **Expanding capacity in STEM programs** – Student demand for Science, Technology Engineering, and Math (STEM) programs as well as State performance measures related to STEM degrees has increased the need for additional laboratory facilities. Chemistry is a core component of most STEM programs and an inadequate supply of chemistry labs is restricting the University’s ability to meet demand and move students through the necessary course sequences. The University received design funding for the UMD Chemistry and Advance Materials Science building in 2014 and has included the balance of the project on the 2017 State Capital Request. The Plant Growth Research Facility and Academic and Student Experience Investment
program in the 2017 State Capital Request make investments in STEM related teaching and research laboratories on the UMC and UMTC campuses. The Plan also includes funding on the Twin Cities Campus for a Chemistry Teaching Laboratory Facility (2018) and a Chemistry Research Facility (2020).

- Repositioning Libraries for the 21st Century – In order to fuel the growth of scholarly understanding and new knowledge, institutions of higher education provide individuals with access to physical and digital collections that have traditionally been housed in campus library buildings. Growth in collections that have statewide and even national significance must be managed differently than the practices of the last 20 years. By virtue of their location and size, library spaces are in high demand for use by the campus community, to support collaboration, learning and other scholarly interaction. Capital investments are planned to provide appropriate storage and retrieval systems in order that physical materials remain accessible, but are no longer housed in the library buildings they currently occupy. Equally important will be investments in existing libraries so they remain the center of campus scholarship and exchange by creating flexible teaching, learning, and collaboration spaces. These investments will consider and address the needs across the University system of libraries and other collections. The FY2017 Annual Capital Budget included funding for the Rare Book Discovery Center. The Plan includes funding for Collections and Contemporary Learning on the Twin Cities campus to renovate Murphy Warehouse and Wilson Library in 2017 and 2018 and funding to update the Briggs Library on the Morris campus in 2018.
2016 Six Year Capital Plan
Project Funding Report
UNIVERSITY OF MINNESOTA
2016 Six Year Capital Plan - Project Funding Report

Definitions
Proposal: Projects in this stage represent preliminary conceptual ideas regarding program need and related capital requirements. Local units normally identify these ideas as part of the compact process. Projects do not have permission to begin predesign or fundraising without administrative approval from the Capital Oversight Group.

Planning and Feasibility: Projects in this stage have been determined to be an institutional priority and have been approved to begin predesign activities. Financial feasibility, including the completion of a fundraising feasibility study with the University of Minnesota Foundation, is assessed at this stage.

Resource Acquisition: Projects in this stage have an approved pre-design document and have been approved to actively seek funds.

Project Costs
Project costs included in the Six-Year Capital Plan are order-of-magnitude estimates. Projections are based on square foot costs recently experienced with comparable building and space types at the University, applied to the estimated square footage of each project. Programming and predesign studies are prepared for projects at the appropriate time to determine more accurate cost figures.

Projects under consideration are shown with zero dollar cost estimates. Feasibility studies will be completed to determine approximate cost, scope, funding and schedule.

Project Priority
Projects are shown in order of priority for the state capital budget request in year 2017. Projects in future years of the plan and projects under consideration are not prioritized.
### State Funded Projects

<table>
<thead>
<tr>
<th>File</th>
<th>Project Title</th>
<th>Campus</th>
<th>Total</th>
<th>State Funds</th>
<th>University Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>398</td>
<td>HEAPR</td>
<td>Systemwide</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$0</td>
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<tr>
<td>410</td>
<td>Chemistry and Advanced Materials Science</td>
<td>UMD</td>
<td>$42,380</td>
<td>$28,253</td>
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<tr>
<td>408</td>
<td>AHC Phase I: Health Science Education Center</td>
<td>UMTC</td>
<td>$104,000</td>
<td>$69,333</td>
<td>$34,667</td>
</tr>
<tr>
<td>447</td>
<td>Plant Growth Research Facility</td>
<td>UMTC</td>
<td>$6,900</td>
<td>$4,600</td>
<td>$2,300</td>
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<tr>
<td>466</td>
<td>Academic and Student Experience Investments</td>
<td>Systemwide</td>
<td>$24,000</td>
<td>$16,000</td>
<td>$8,000</td>
</tr>
<tr>
<td>411</td>
<td>Pillsbury Hall Renovation</td>
<td>UMTC</td>
<td>$34,320</td>
<td>$22,880</td>
<td>$11,440</td>
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<tr>
<td>415</td>
<td>Collections and Contemporary Learning (Design)</td>
<td>UMTC</td>
<td>$6,000</td>
<td>$4,000</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

FY Total: $317,600 $245,066 $72,534

Running Total: $317,600 $245,066 $72,534
### 2018

**Stage:** Planning & Feasibility

#### State Funded Projects

<table>
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<tr>
<th>File</th>
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<th>University Funds</th>
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<tr>
<td>399</td>
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<td>Critical Facilities Renewal - 2018</td>
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<td>$36,000</td>
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<td>Chemistry Teaching Laboratory Facility</td>
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<tr>
<td>455</td>
<td>Child Development Replacement</td>
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<td>$21,000</td>
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<td>Collections and Contemporary Learning</td>
<td>UMTC</td>
<td>$54,000</td>
<td>$36,000</td>
<td>$18,000</td>
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<td>452</td>
<td>Research and Field Station Investments</td>
<td>ROCs &amp; Stations</td>
<td>$6,000</td>
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<td>521</td>
<td>St. Paul Lab Investment Phase I (Design)</td>
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<td>$5,500</td>
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<td>519</td>
<td>UMM Briggs Library 21st Century Learning Commons</td>
<td>UMM</td>
<td>$24,000</td>
<td>$16,000</td>
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**Total:**

- Project Title: 442
- Total: $306,500
- State Funds: $237,667
- University Funds: $68,833

#### University Funded Projects

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<th>University Funds</th>
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<td>Public Safety Facility</td>
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<td>$9,500</td>
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**Total:**

- Project Title: 482
- Total: $9,500
- State Funds: $0
- University Funds: $9,500

**FY Total:**

- $316,000
- $237,667
- $78,333

**Running Total:**

- $633,600
- $482,733
- $150,867

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**dollars in thousands**
## 2016 Six Year Capital Plan - Project Funding Report

### 2019

**Stage:** Planning & Feasibility

#### State Funded Projects

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<tr>
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<tr>
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<td>$45,000</td>
<td>$30,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>403</td>
<td>St. Paul Lab Investment Phase I</td>
<td>UMTC</td>
<td>$49,500</td>
<td>$33,000</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>FY Total:</th>
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<tbody>
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<td></td>
<td>$169,500</td>
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*dollars in thousands*
### 2020

**Stage:** Proposal

#### State Funded Projects

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<td>441</td>
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<td>Armory Renovation</td>
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<td>409</td>
<td>St. Paul Lab Investment Phase II</td>
<td>UMTC</td>
<td>$60,000</td>
<td>$40,000</td>
<td>$20,000</td>
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</table>

- Running Total: $1,123,100, $867,399, $255,701
- FY Total: $320,000, $246,666, $73,334
## 2021

**Stage:** Proposal

<table>
<thead>
<tr>
<th>File</th>
<th>Project Title</th>
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<th>Total</th>
<th>State Funds</th>
<th>University Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>467</td>
<td>HEAPR</td>
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<td>$75,000</td>
<td>$75,000</td>
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<tr>
<td>470</td>
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<td>456</td>
<td>Chemistry Research Laboratory Investment</td>
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</table>

Total:
- FY Total: $160,000, $131,667, $28,333
- Running Total: $1,283,100, $999,066, $284,034

*dollars in thousands*
## State Funded Projects

<table>
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<th>Project Title</th>
<th>Campus</th>
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<th>University Funds</th>
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</thead>
<tbody>
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<td>$100,000</td>
<td>$0</td>
</tr>
<tr>
<td>520</td>
<td>Critical Facilities Renewal - 2022 Project A</td>
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<td>$30,000</td>
<td>$15,000</td>
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<tr>
<td>534</td>
<td>Critical Facilities Renewal - 2022 Project B</td>
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<td>$15,000</td>
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<td>454</td>
<td>AHC Phase III: Mayo Replacement</td>
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<td>414</td>
<td>UMR Academic Priority</td>
<td>UMR</td>
<td>$45,000</td>
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**FY Total:** $325,000  
**Running Total:** $1,608,100

dollars in thousands
### Funding To Be Determined

<table>
<thead>
<tr>
<th>File</th>
<th>Project Title</th>
<th>Campus</th>
<th>Total</th>
<th>State Funds</th>
<th>University Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>527</td>
<td>Athletic Facilities Targeted Improvement Projects</td>
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<td>419</td>
<td>Bolstad Golf Course Renovation</td>
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<td>$0</td>
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<tr>
<td>421</td>
<td>Boynton Health Services Remodel / Relocation</td>
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<td>Center for Student Success</td>
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<td>532</td>
<td>Center for Transportation Studies Relocation</td>
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FY Total: $0    $0    $0
Running Total: $1,608,100 $1,249,066 $359,034
2016 Six Year Capital Plan
Project Description Report
Definitions

Proposal: Projects in this stage represent preliminary conceptual ideas regarding program need and related capital requirements. Local units normally identify these ideas as part of the compact process. Projects do not have permission to begin predesign or fundraising without administrative approval from the Capital Oversight Group.

Planning and Feasibility: Projects in this stage have been determined to be an institutional priority and have been approved to begin predesign activities. Financial feasibility, including the completion of a fundraising feasibility study with the University of Minnesota Foundation, is assessed at this stage.

Resource Acquisition: Projects in this stage have an approved pre-design document and have been approved to actively seek funds.

Project Costs

Project costs included in the Six-Year Capital Plan are order-of-magnitude estimates. Projections are based on square foot costs recently experienced with comparable building and space types at the University, applied to the estimated square footage of each project. Programming and predesign studies are prepared for projects at the appropriate time to determine more accurate cost figures.

Projects under consideration are shown with zero dollar cost estimates. Feasibility studies will be completed to determine approximate cost, scope, funding and schedule.
University of Minnesota
2016 Six Year Capital Plan - Project Description Report

466  Academic and Student Experience Investments

Description:
This project will implement targeted strategic investments to modernize existing teaching, research, student support spaces systemwide. Funds will be allocated to advance high priority projects focused on learning spaces, student support services and research laboratories:
- $4,800 for UMC to upgrade classrooms and laboratories in Dowell Hall, Sahstrom Hall and Owen Hall
- $4,800 for UMM to renovate teaching spaces in the Humanities Building and Blakely Hall.
- $6,000 for UMD to renovate A. B. Anderson Hall
- $8,400 for UMTC to renovate teaching and research laboratories in the Biological Sciences Center.

This project was included in the University's 2016 State bonding request.

Campus: Systemwide
Total Cost: $24,000

408  AHC Phase I: Health Science Education Center

Description:
This project will renovate, modernize and expand the University’s medical and health sciences learning facilities. Facility planning work funded during the 2015 session is underway and will guide the final facility solution to be presented during the 2016 session. Active learning environments and student-instructor interaction across disciplines, which are the future state of education in academic health, requires different space than what exists today. New education and learning facilities will include classrooms, simulation centers, small group rooms, an advanced technology-rich biomedical library and student services and community amenities.

This project was included in the University's 2016 State bonding request.

Campus: UMTC
Total Cost: $104,000

441  AHC Phase II: Clinical Research Facility

Description:
The Clinical Research Facility is the second of a three phased investment strategy in Academic Health Center facilities. The facility will be designed to support clinical research and education that promotes new innovative models of care which are patient-centered, team-based, and which facilitate collaboration across the health professions. Specific program requirements and facility needs will be determined during strategic and predesign planning for the Academic Health Center in 2016-2017.

Campus: UMTC
Total Cost: $80,000
**University of Minnesota**
2016 Six Year Capital Plan - Project Description Report

### AHC Phase III: Mayo Replacement

**Vice President:** Health Sciences  
**Campus:** UMTC  
**Facility:** Academic Health Center  
**Total Cost:** $90,000  
**Description:** This project will complete the three phased series of investments in the Academic Health Center facilities south of Washington Avenue. The proposed Phase III would seek to construct new modern replacement space for programs currently housed in the Mayo Building, a complex of individual former hospital buildings constructed between 1920 and 1950 that are well past their useful life. The goal of this sequence of projects is to make significant progress towards the University’s goal of decommissioning the Mayo Building while advancing the quality and capability of the University’s health science programs. Mayo is an FCA critical facility.

### Armory Renovation

**Vice President:** Academic Affairs  
**Campus:** UMTC  
**Facility:** Armory  
**Total Cost:** $35,000  
**Description:** This project will renovate the 72,000 sf Armory building in the Old Campus Historic District of the Minneapolis campus. The project will correct code deficiencies, update HVAC and electrical systems and modernize the facility to support University needs.

### Athletic Facilities Targeted Improvement Projects

**Vice President:** Intercollegiate Athletics  
**Campus:** Systemwide  
**Facility:** Multiple  
**Total Cost:** To be determined  
**Description:** This project will implement targeted investments to upgrade athletics facilities and infrastructure systemwide. Priority projects may include the following:  
- Improvements to Robbie Soccer Stadium  
- Office re-allocation and remodeling within the current Bierman and Gibson-Nagurski Complex  
- Locker rooms and office space at UMC  
- Locker rooms and training facilities at UMM
### 419 Bolstad Golf Course Renovation

**Vice President:** Academic Affairs  
**Campus:** UMTC  
**Facility:** Bolstad Golf Course  
**Total Cost:** To be determined  
**Description:** This project will renew the existing golf course through investments in the course, clubhouse, and maintenance/storage facilities. Project timing is dependent on fundraising.

**RRC:** Recreational Sports  
**Contact:** Brown, D.  
**Year:** Under Consideration / Evaluation  
**Stage:** Proposal

### 421 Boynton Health Services Remodel / Relocation

**Vice President:** Academic Affairs  
**Campus:** UMTC  
**Facility:** Boynton Health Service  
**Total Cost:** To be determined  
**Description:** The existing Boynton Health Services building has significant facility issues and the University's Long Term Development Framework, approved by the Board of Regents, shows the site as having potential for riverfront residential development. A feasibility study is needed to confirm the immediate and long term needs for the Boynton Health Services programs, the existing Boynton facility and the site.

**RRC:** Student Affairs  
**Contact:** Brown, D.  
**Year:** Under Consideration / Evaluation  
**Stage:** Proposal

### 535 Center for Student Success

**Vice President:** Academic Affairs  
**Campus:** UMTC  
**Facility:** 10 Church Street  
**Total Cost:** To be determined  
**Description:** This project will renovate or replace approx. 56,000 square feet in 10 Church Street (former Bell Museum) for Admissions, innovative learning spaces and Academic Support Resources. The new or renovated facility will allow Fraser, Williamson Hall and one floor of Jones Hall to be vacated. The vacated Fraser Hall is planned for the new Chemistry Teaching Facility.

**RRC:** Undergraduate Education  
**Contact:** McMaster, R.  
**Year:** Under Consideration / Evaluation  
**Stage:** Proposal
532  Center for Transportation Studies Relocation

Type: Research  RRC: Research

Campus: UMTC  Contact: Herman, B.
Facility: TC Campus  Year: Under Consideration / Evaluation
Total Cost: To be determined  Stage: Proposal

Description: This project will create office and computational space to support the displacement of the Center for Transportation Studies from the Transportation and Safety Building.

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410  Chemistry and Advanced Materials Science

Type: Chancellor, Duluth  RRC: Duluth Campus

Campus: UMD  Contact: Black, L.
Facility: New Facility  Year: 2017
Total Cost: $42,380  Stage: Resource Acquisition

Description: This project will construct approximately 58,000 square feet of research laboratories, instructional laboratories, teaching space, offices, and meeting space for the Swenson College of Science and Engineering on the Duluth Campus. The building is conceived as three stories with a mechanical and electrical penthouse. The research laboratory space, consisting of flexible wet and dry labs with adequate utilities, environmental controls and modern safety accommodations, will serve the needs of evolving research and teaching pedagogy.

This project received state bond funding in 2014 for predesign and design services. This project was included in the University's 2016 state bonding request.

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456  Chemistry Research Laboratory Investment

Type: Academic Affairs  RRC: College of Science and Engineering

Campus: UMTC  Contact: Mukasa, S.
Facility: TC Campus  Year: 2021
Total Cost: $40,000  Stage: Proposal

Description: This project will renovate the antiquated teaching labs in Smith and Kolthoff Halls to state-of-the-art energy efficient research space needed for new faculty in the chemistry department. The project will improve lab bench, equipment and research support.
451 Chemistry Teaching Laboratory Facility

- **Vice President:** Academic Affairs
- **Campus:** UMTC
- **Facility:** TC Campus
- **Total Cost:** $60,000
- **Description:** This project will provide state-of-the-art, energy efficient teaching laboratories, student collaboration spaces, and classrooms for teaching undergraduate chemistry laboratory courses. The new laboratories will replace and improve upon outdated facilities. Fraser Hall renovation/new construction is planned.

455 Child Development Replacement

- **Vice President:** Academic Affairs
- **Campus:** UMTC
- **Facility:** TC Campus
- **Total Cost:** $21,000
- **Description:** This project will renovate or replace the FCA-critical and functionally obsolete Institute of Child Development building. The project will provide state-of-the-art facilities for the Shirley G. Moore lab school and create other spaces to support research and support recruitment of new faculty and graduate students. Predesign will be underway in early 2017.

517 Collections and Contemporary Learning

- **Vice President:** Academic Affairs
- **Campus:** UMTC
- **Facility:** TC Campus
- **Total Cost:** $60,000
- **Description:** This project will begin to address the collections needs of the University of Minnesota for the next 20 years. Relocation of various library collections into the Murphy Warehouse from around the library system will enable the creation of new, innovative spaces for teaching and research in prime locations. Secure, environmentally controlled space in the Murphy Warehouse facilities will provide for storage, preservation, regeneration and characterization of essential resources. Wilson library will be renovated to better support contemporary learning and scholarship with services focused on enabling new discovery, interaction with digital media and technology tools, community engagement, teaching, and study areas.

This project will seek $6 million in funding for design in 2017 and $54 million for construction in 2018. Total project value is $60 million.
Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

Campus: UMTC
Total Cost: $36,000

Critical Facilities Renewal - 2019
Vice President: Academic Affairs
Campus: UMTC
Facility: TC Campus
Total Cost: $45,000
Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

Campus: UMTC
Year: 2019
Stage: Planning & Feasibility
Contact: Hanson, K.

Critical Facilities Renewal - 2020
Vice President: Academic Affairs
Campus: UMTC
Facility: TC Campus
Total Cost: $45,000
Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

Campus: UMTC
Year: 2020
Stage: Planning & Feasibility
Contact: Hanson, K.
This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

**Critical Facilities Renewal - 2021**

**Vice President:** Academic Affairs  
**Campus:** UMTC  
**Facility:** TC Campus  
**Total Cost:** $45,000  
**Description:** This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

**Critical Facilities Renewal - 2022 Project A**

**Vice President:** Academic Affairs  
**Campus:** UMTC  
**Facility:** TC Campus  
**Total Cost:** $45,000  
**Description:** This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

**Critical Facilities Renewal - 2022 Project B**

**Vice President:** Systemwide  
**Campus:** Systemwide  
**Facility:** Systemwide  
**Total Cost:** $45,000  
**Description:** This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.
### Dairy Research Facilities

**Vice President:** Academic Affairs  
**Campus:** UMTC, WCROC  
**Facility:** New Facility  
**Total Cost:** To be determined  
**Description:** This project will invest in dairy research and education on the St. Paul Campus and at the West Central Research and Outreach Center. The University is partnering with the Minnesota Dairy Research/Education and Consumer Outreach Authority and the Minnesota dairy industry to raise funds for this effort. The total value of the investment is anticipated to be approximately $35m.

**RRC:** College of Food, Agriculture and Natural Resource Science  
**Contact:** Buhr, B.  
**Year:** Under Consideration / Evaluation  
**Stage:** Proposal

### Glensheen Facility Investment

**Vice President:** Chancellor, Duluth  
**Campus:** UMD  
**Facility:** Glensheen  
**Total Cost:** To be determined  
**Description:** This project will reinvest in the University’s historic 7.6 acre Glensheen estate. The estate is comprised of the following components: Manor House (42,100 gsf), Carriage House (11,900 gsf), Gardener’s Cottage (2,400 gsf), Boat House (1,875 gsf), and Landscape & Site Structures (12.1 acres). Priority reinvestment projects have been organized into three tiers targeted at stabilizing the current structures and minimizing additional deterioration. Tier 1 addresses the Manor House east kitchen porch and exterior stair, the Boat House exterior envelope, floors, building systems and pier and stabilization of the terrace garden and walls. Tier 2 includes building system improvements in the Manor House, Carriage House exterior envelope, Gardener’s Cottage exterior envelope and site improvements. Tier 3 includes further interior restoration of the Manor House, Carriage House and Gardener's Cottage.

**RRC:** Duluth Campus  
**Contact:** Black, L.  
**Year:** Under Consideration / Evaluation  
**Stage:** Proposal

### HEAPR

**Vice President:** Systemwide  
**Campus:** Systemwide  
**Facility:** Systemwide  
**Total Cost:** $100,000  
**Description:** This request is for funds used system-wide to maximize and extend the life of the University’s existing physical plant. Individual projects will fall into one of four broad categories – Health and Safety, Building Systems, Energy Efficiency, and Utility Infrastructure. Facilities Management on each campus, in consultation with University Health & Safety and the Disability Resource Center, make recommendations on individual projects to the Vice President for University Services using data from the Facility Condition Assessment and Building Code Deficiency Report. HEAPR funds do not require a one-third University funding match. Funding for the HEAPR program is included each year in the state request.

**RRC:** Systemwide  
**Contact:** Berthelson, M.  
**Year:** 2017  
**Stage:** Resource Acquisition
2016 Six Year Capital Plan - Project Description Report

501  Joint Venture Development

Description: This project will be developed by 2407 University Investment LLC, a public/private partnership between the University of Minnesota and United Properties. The University of Minnesota maintains 49% ownership in the partnership. Concepts for pedestrian oriented mixed use development including hotels, apartments, offices and retail/commercial space were presented to the Board of Regents in February 2016. Final definition of the project is anticipated in 2017. The project will provide new office space to support decommissioning of critical AHC facilities and may accommodate programming for the School of Public Health.

Campus: UMTC
Total Cost: To be determined
RRC: University Services
Vice President: University Services
Contact: Berthelson, M.
Year: Under Consideration / Evaluation
Stage: Proposal
Facility: TC Campus

526  Medical Discovery Team - Duluth

Description: This project will provide appropriate space to support an additional Medical Discovery Team based on the Duluth Campus. Medical Discovery Teams are an initiative funded by the State of Minnesota with the goal to increase the prominence of the U of M Medical School. This project will include research and education spaces to enhance current program offerings on the Duluth campus. A feasibility study will be completed to determine project requirements, scope, approximate cost and schedule. Renovation of existing space and lease options will be considered equally.

Campus: UMD
Total Cost: To be determined
RRC: Medical School
Vice President: Health Sciences
Contact: Jackson, B.
Year: Under Consideration / Evaluation
Stage: Proposal
Facility: UMD Campus

524  Medical Discovery Team - Minneapolis

Description: This project will provide space needed to support up to 4-6 new Medical Discovery Teams on the Twin Cities campus. Medical Discovery Teams are an initiative funded by the State of Minnesota with the goal to increase the prominence of the U of M Medical School. Research areas chosen for investment include addiction, the biology of aging, optical imaging and brain science and rural/American Indian health disparities. A feasibility study will be completed to determine project requirements, scope, approximate cost and schedule.

Campus: UMTC
Total Cost: To be determined
RRC: Medical School
Vice President: Health Sciences
Contact: Jackson, B.
Year: Under Consideration / Evaluation
Stage: Proposal
Facility: TC Campus

529  MN Landscape Arboretum Conservatory
Vice President: Academic Affairs  RRC: College of Food, Agriculture and Natural Resource Science
Campus: ROCs & Stations  Contact: Buhr, B.
Facility: New Facility  Year: Under Consideration / Evaluation
Total Cost: To be determined  Stage: Proposal
Description: The project will construct a new plant conservatory and office and event center to support increased attendance and sustained revenue generation. The proposed source of funding for construction, operations and on-going facility renewal is fundraising.

411  Pillsbury Hall Renovation
Vice President: Academic Affairs  RRC: College of Liberal Arts
Campus: UMTC  Contact: Hanson, K.
Facility: Pillsbury Hall  Year: 2017
Total Cost: $34,320  Stage: Resource Acquisition
Description: This project will completely renovate Pillsbury Hall, replacing obsolete science facilities with modern, flexible non-laboratory teaching, learning, and research spaces for College of Liberal Arts' humanities programs including the Department of English (which teaches nearly 6,000 students per year). The renovated space is anticipated to be divided approximately equally between classroom- and assembly-type space to support multiple modes of learning and alternative workplace office space. At nearly 60,000 gross square feet, the renovation is expected to maintain an equivalent amount of space when complete. The rehabilitation of Pillsbury Hall is expected to be consistent with the Secretary of the Interior's Standards for Preservation.

This project was included in the University's 2016 State bonding request.

447  Plant Growth Research Facility
Vice President: Academic Affairs  RRC: Academic Affairs
Campus: UMTC  Contact: Hanson, K.
Facility: Plant Growth Facilities-West  Year: 2017
Total Cost: $6,900  Stage: Resource Acquisition
Description: This project will provide a new 12,000 square foot greenhouse to the Plant Growth Facilities for the Biological Sciences Conservatory to replace and demolish the existing Biological Sciences Greenhouse on the St. Paul campus. The new greenhouse will be built similar to the neighboring structures, but will include aspects specific to the plant collection requirements. While the existing Plant Growth Facilities are set up for agricultural experimentation, the new greenhouse will be a specialized unit that serves the related educational missions necessary to ensure the State’s agricultural future. Upon completion, plant specimens and program activities currently housed in the existing Biological Sciences Greenhouse will be moved to the new facility and the old greenhouse will be demolished.

This project was included in the University's 2016 State bonding request.
**University of Minnesota**

2016 Six Year Capital Plan - Project Description Report

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**482 Public Safety Facility**

<table>
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<th>University Services</th>
<th>RRC:</th>
<th>Public Safety</th>
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**Description:** The project will renovate an existing building to support public safety needs on the Twin Cities campus. Workforce changes, improved operational efficiencies and changes to policing activity drive the project. Relocation of existing tenants will be included in the project scope.

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**452 Research and Field Station Investments**

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**Description:** This project will invest in the CFANS Forestry Research Sites at Cloquet Forestry Center (CFC) and Hubachek Wilderness Research Center (HWRC). Planned facilities will enhance field instruction and research capacity on both sites. Projected needs at Cloquet include a new dormitory building with kitchen, laundry, and commons area and research laboratory spaces to accommodate wet and dry lab-based work. Supporting facilities such as kitchen and dining hall, extension building and water/ sewer system connections are included in the scope of the project. At Hubacheck, the project will construct a new four-season dormitory building, kitchen and bathroom facilities, a new research laboratory building and supportive services, such as internet/data access.

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**403 St. Paul Lab Investment Phase I**

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<th>RRC:</th>
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**Description:** This project will replace or upgrade laboratories for the College of Biological Sciences (CBS), the College of Food, Agricultural, and Natural Resource Sciences (CFANS), and/or the College of Veterinary Medicine (CVM). Modern laboratory facilities will support research in fields such as plant pathology, animal infectious diseases, microbial systems, synthetic biology, and fungal evolution.

This project was included in the University's 2014 State bonding request.

This project will seek $5.5 million in funding for design in 2018 and $49.5 million for construction in 2019. Total project value is $55 million.
**St. Paul Lab Investment Phase II**  
*Vice President:* Academic Affairs  
*Campus:* UMTC  
*Facility:* TC Campus  
*Total Cost:* $60,000  
*Description:* This investment will renovate laboratories in one or more research buildings on the St. Paul Campus. Renovation of space will be prioritized to achieve collegiate goals of synergy among researchers and to allow for the demolition of obsolete St. Paul campus research space.

**UMM Briggs Library 21st Century Learning Commons**  
*Vice President:* Chancellor, Morris  
*Campus:* UMM  
*Facility:* Briggs Library  
*Total Cost:* $24,000  
*Description:* This project will renovate the existing Briggs Library to support student learning in the 21st Century. The current facility, constructed in two phases in 1968 and completed in 1973, has significant infrastructure issues: health and safety; temperature inconsistency; lighting; wiring; inadequate restrooms; and access. Structure design is entirely inadequate for 21st century learning which requires collaborative spaces and technological sophistication. Consolidation of existing collections will allow the Library to provide new learning and collaboration space that is in high demand for our students and faculty. A significant portion of the investment will be to improve the infrastructure of the building, including building envelope, vertical transportation and improved connections to adjacent buildings for better pedestrian traffic flow. The Library learning spaces are the center of the campus academic mission, developing this space into a highly effective facility will enhance teaching, learning and research on the Morris Campus.

**UMM Eco Center**  
*Vice President:* Chancellor, Morris  
*Campus:* UMM  
*Facility:* New Facility  
*Total Cost:* To be determined  
*Description:* This project will construct a four-season EcoCenter Facility on 140 acres of land gifted to UMM near Ashby, Minnesota. The EcoCenter Facility will connect students to nature, support environmental learning and complement the classroom experience. The project will include an open classroom, small kitchen, data room, bio sample room, and weather station. It is envisioned to be 100% energy efficient (Net Zero) and carbon neutral, with energy consumption data being recorded and available for study. This proposed facility will enable research, education, and outreach by utilizing this unique site’s combined attributes of water, native prairie, and continuously cultivated soil. Source of funds is planned to be fundraising.
University of Minnesota
2016 Six Year Capital Plan - Project Description Report

414  UMR Academic Priority

Description: The project will create academic space for the growing UMR student community. Master plan projections indicate that the campus is expected to be outgrown its existing facilities by 2020 prompting the need for additional dedicated academic space. The proposed building will include space to support active, collaborative, and adaptive learning environments, space for student laboratories, space for faculty/student interaction, and space that is open and adaptable.

Campus: UMR
Facility: New Facility
Total Cost: $45,000

528  VFW / Masonic Relocations

Description: This project will renovate existing space in multiple buildings on the Minneapolis campus to accommodate occupants in VFW and Masonic that will allow for decommissioning of these facilities. These facilities are integral to advancing the Health Sciences Education and Learning Center.

Vice President: Health Sciences
Campus: UMTC
Facility: Multiple
Total Cost: To be determined

RRC: Medical School
Contact: Jackson, B.
Year: Under Consideration / Evaluation
Stage: Proposal
2017 State Capital Request
University of Minnesota

Request Summary (Prioritized):

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<td>UMTC</td>
<td>$34,320,000</td>
<td>$22,880,000</td>
<td>$11,440,000</td>
</tr>
<tr>
<td>Collections and Contemporary Learning (Design)</td>
<td>UMTC</td>
<td>$6,000,000</td>
<td>$4,000,000</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

$317,600,000 $245,066,000 $72,534,000

Project descriptions are included in the 2016 Six-Year Capital Plan materials.
Financial Components of the President's Recommended 2016 Six-Year Capital Improvement Plan & 2017 State Capital Request

Finance Committee
September 8, 2016
What is the Six-Year Capital Plan?

- Board of Regents Policy directs the administration to develop a capital budget with a “six-year time horizon, updated annually”
Recommended Six-Year Capital Improvement Plan Grand Total = $1,608,100 (000s omitted)

Funding Source

- **State**: $1,249,066 (77.7%)
- **University**: $359,034 (22.3%)
## Financial Summary

### 2017 State Capital Budget Request

<table>
<thead>
<tr>
<th>Location</th>
<th>Project</th>
<th>Total (000s omitted)</th>
<th>State (000s omitted)</th>
<th>U of MN (000s omitted)</th>
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</thead>
<tbody>
<tr>
<td>SYS</td>
<td>HEAPR</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$-</td>
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<tr>
<td>UMD</td>
<td>Chemistry and Advanced Materials Science</td>
<td>42,380</td>
<td>28,253</td>
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<td>UMTC</td>
<td>AHC Phase I; Health Science Education Center</td>
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<td>69,333</td>
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<td>UMTC</td>
<td>Plant Growth Research Facility</td>
<td>6,900</td>
<td>4,600</td>
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<tr>
<td>SYS</td>
<td>Academic and Student Experience Investments</td>
<td>24,000</td>
<td>16,000</td>
<td>8,000</td>
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<tr>
<td>UMTC</td>
<td>Pillsbury Hall Renovation</td>
<td>34,320</td>
<td>22,880</td>
<td>11,440</td>
</tr>
<tr>
<td>UMTC</td>
<td>Collections and Contemporary Learning (Design funding)</td>
<td>6,000</td>
<td>4,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Total: $317,600 $245,066 $72,534
AGENDA ITEM: Resolution Related to Distribution of Funds from Sale of Salt Springs Lands

☐ Review  X Review + Action  ☐ Action  ☐ Discussion

This is a report required by Board policy.

PRESENTERS: Michael D. Volna, Interim Vice President & CFO

PURPOSE & KEY POINTS

The purpose of this item is to review and act on the distribution of proceeds from the sale of Salt Springs Lands to the State of Minnesota.

The resolution directs that the proceeds be used to establish a new Salt Land Fund endowment, separate and distinct from the existing fund, and that the income distributions from the new fund be directed entirely to UMM and the American Indian Studies program. This will maximize the impact of potential annual funding from the University Salt Lands Fund, and support the unique history of UMM in serving American Indian students and curriculum focused on the historic and contemporary cultures and needs of American Indian peoples.

As of fall 2015, the percentage of American Indian students enrolled full-time on the University’s system campuses was as follows: Morris – 54 percent; Duluth – 40 percent; Crookston – 6 percent; and Rochester – under 1 percent. The system-wide percentage of American Indian students was 1.8 percent. As a percentage of campus enrollment, 17 percent of Morris students were self-identified as American Indian in 2015, while all of the other campuses in the system were two percent and under.

In addition to the significant growth in the number of American Indian students matriculating on the Morris campus, UMM has the unique obligation as a campus established on the site of an American Indian boarding school (1887-1910) and granting a federal- and state-mandated tuition waiver for American Indian students.

On January 8, 1993, the Board adopted a resolution directing that the proceeds of sales of Salt Springs Lands be distributed to the Duluth, Morris, and Crookston campuses to fund programs and activities that further American Indian education. The resolution directed 80 percent of the funds to Duluth, 15 percent to Morris, and 5 percent to Crookston.

The endowment income from the previous sales of Salt Springs Lands will continue to be allocated in accordance with that resolution. No plans are in place for additional sales of Salt Springs Lands in the near future.
BACKGROUND INFORMATION

At its June 2016 meeting, the Board approved the sale of 217.46 acres of Salt Springs Lands in Bear Head State Park, in St. Louis County, to the Minnesota Department of Natural Resources (DNR) for $978,570, pursuant to a 2015 legislative appropriation to the DNR for the purposes of acquiring the land. The Board previously approved sales of Salt Springs Lands between 1988 and 1998.

The Board adopted the original Resolution Regarding the Distribution of Proceeds from the Sales of Salt Springs Lands on January 8, 1993.

Pursuant to the Enabling Act of February 26, 1857, the U.S. federal government transferred the Salt Springs Lands to the State of Minnesota to aid in the development of salt brines in the state. Though title to the Salt Springs Lands is held by the State of Minnesota, Minnesota Statutes, section 92.05, provides that the Board of Regents shall have charge of state salt lands; may execute, in its name, deeds of conveyance of these lands; and the proceeds of the sale of the lands when invested shall constitute a permanent fund called the “University Salt Land Fund” controlled and managed by the Board. The statute also provides that the Board may use the income from the fund for use by University system campuses.
REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Distribution of Funds from Sale of Salt Springs Lands

WHEREAS, the University of Minnesota (University) has been directed through Minnesota Statutes, section 92.05, that proceeds from the sales of the Salt Springs Lands be devoted to further support American Indian education at the system campuses of the University; and

WHEREAS, the Board of Regents (Board) adopted a resolution on January 8, 1993 to allocate the proceeds from sales of Salt Springs Lands, with 80 percent of proceeds directed to the Duluth campus, 15 percent to the Morris campus, and 5 percent to the Crookston campus; and

WHEREAS, the Board approved a sale of Salt Springs Lands to the State of Minnesota on June 10, 2016; and

WHEREAS, the University of Minnesota, Morris has had significant growth in the number of American Indian Students studying on campus, now 17 percent of full-time students, and also has the unique obligation as a campus established on the site of an American Indian boarding school (1887-1910), and a Federal and State mandated tuition waiver for American Indian students.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents directs that the proceeds from the sale of Salt Springs Lands on June 10, 2016 be set up as a new endowment fund, separate and distinct from existing Salt Springs Land endowment accounts, and that 100 percent of the income distributed from the new endowment fund be allocated to the University of Minnesota, Morris for programs and activities that further American Indian Education.
AGENDA ITEM: Consent Report

☐ Review  ☑ Review + Action  ☐ Action  ☐ Discussion

This is a report required by Board policy.

PRESENTERS: Michael D. Volna, Interim Vice President & CFO

PURPOSE & KEY POINTS

General Contingency

The purpose of this item is to seek approval for allocations from General Contingency greater than $250,000. There are no items requiring approval this period.

Two revisions of previous reports are noted:

- FY 2016 Fiscal Year End: A transfer of $150,000 to Capital Planning & Project Management for a stadium security project was made in the final period of FY16 after the July docket was prepared. This transfer, along with a slight adjustment for rounding errors, changed the FYE balance for FY16 from $172,501 to $22,500.

- FY 2017 July: The revised report notes the change in the carry forward noted above, along with funds transferred in July after the docket deadline.

Purchase of Goods and Services $1,000,000 and Over

The purpose of this item is to seek approval for purchases of goods and services of $1,000,000 and over, as follows:

- To ARI for an estimated $17,500,000 for vehicle financing and leases initiated during the contract period from October 1, 2016, to September 30, 2021, with contract extensions through September 30, 2022, for Parking and Transportation Services – Fleet Services. Financing costs will be paid by internally-generated departmental funds. Supplier was selected through a competitive process and is a replacement of the request for EMKAY that was approved by the Board of Regents in June 2016.
• To Elsevier, Inc. for an estimated $3,454,200 for subscription to Elsevier ScienceDirect as needed for the period of January 1, 2017, through December 31, 2017, for Minitex. Minitex is a division of the University of Minnesota Libraries; it reports to the University of Minnesota Libraries and is an information and resource sharing program of the Minnesota Office of Higher Education and the University of Minnesota Libraries. Minitex, on behalf of a group of 18 libraries, will purchase this resource. Minitex pays $300,000 and the 18 libraries pay the remaining amount, $3,154,200. The $300,000 allotted as payment for Elsevier ScienceDirect is included in Minitex’s 2017 budget. Supplier was selected by University Libraries under the authority granted by the Board of Regents Policy: Libraries and Archives and Board of Regents Policy: Purchasing.

• To Illumina, Inc. for $8,000,000 for manufacturer reagents and instrumentation service agreements as needed for the Genomics Department core facility, the University of Minnesota Genomics Center (UMGC) for the period of September 9, 2016, through September 8, 2019. The reagents from Illumina will be purchased with departmental funds. As an ISO, the University of Minnesota Genomics Center will order reagents as needed for expression, genotyping, and next-generation sequencing projects provided to University researchers. See enclosed documentation for basis of vendor selection.

• To Sciquest Inc. for an estimated $2,441,000 to provide 6 year licensing costs for our UM Market eProcurement software delivered and supported through a collaboration between Purchasing Services and U Market Services for the period October 1, 2016, through December 31, 2022. Funding for this licensing will be provided by Purchasing Services’ operating budget. Supplier was selected through a competitive process.

BACKGROUND INFORMATION

Approvals are sought in compliance with Board of Regents Policy as follows:
• General Contingency: Reservation and Delegation of Authority, Sec.VII, Subd. 1.
• Purchase of Goods and Services $1,000,000 and Over: Reservation and Delegation of Authority, Sec.VII, Subd. 6

PRESIDENT’S RECOMMENDATION

The President recommends approval of the Consent Report.
## General Contingency

### Fiscal Year 2016-17

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Amount</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 FY2017 General Contingency</td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Carryforward from FY16 to FY17</td>
<td>22,500</td>
<td>1,022,500</td>
<td>Eastcliff small capital &amp; large maintenance projects in FY16</td>
</tr>
<tr>
<td>3 Facilities Management</td>
<td>88,000</td>
<td>934,500</td>
<td></td>
</tr>
<tr>
<td>4 New items this reporting period:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 U Services</td>
<td>(5,515)</td>
<td>940,015</td>
<td>Return of unused funds from resconstruction of Eastcliff Event Lawn Space</td>
</tr>
<tr>
<td>6 FY 2016-2017 Ending Balance</td>
<td></td>
<td>940,015</td>
<td></td>
</tr>
</tbody>
</table>

* Subject to Board approval due to cost of $250,000 or more

FY17 r. 2016 September
# General Contingency

Fiscal Year 2016-17

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Amount</th>
<th>Balance</th>
<th>Purpose</th>
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<tr>
<td>1 FY2017 General Contingency</td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Carryforward from FY16 to FY17</td>
<td>** 22,500</td>
<td>1,022,500</td>
<td></td>
</tr>
<tr>
<td>3 New items this reporting period:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Facilities Management</td>
<td>88,000</td>
<td>934,500</td>
<td>Eastcliff small capital &amp; large maintenance projects in FY16</td>
</tr>
<tr>
<td>5 FY 2016-2017 Ending Balance</td>
<td></td>
<td>934,500</td>
<td></td>
</tr>
</tbody>
</table>

** Revised following July Regents meeting

* Subject to Board approval due to cost of $250,000 or more

FY17 r. 2016 July - REVISED
**General Contingency**

**Fiscal Year 2015-16**

<table>
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<tr>
<th>Recipient</th>
<th>Amount</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 FY2016 General Contingency</td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Carryforward from FY15 to FY16</td>
<td>8,496</td>
<td>1,008,496</td>
<td>Offset UMC FY15 tuition shortfall</td>
</tr>
<tr>
<td>3 UM Crookston</td>
<td>186,000</td>
<td>822,496</td>
<td>Purchase of 120 acres in Isanti County for Cedar Creek</td>
</tr>
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<td>4 Reversal of JE0000702057 from FY15</td>
<td>(132,000)</td>
<td>954,496</td>
<td>Transfer in FY15 did not post properly and was deleted</td>
</tr>
<tr>
<td>5 Office of Real Estate</td>
<td>132,000</td>
<td>822,496</td>
<td>Reconstruction of Eastcliff Event Lawn space</td>
</tr>
<tr>
<td>6 University Services</td>
<td>11,500</td>
<td>810,996</td>
<td></td>
</tr>
<tr>
<td>7 CFANS</td>
<td>166,400</td>
<td>644,596</td>
<td>Beef Feedlot relocation and renovation in Rosemount</td>
</tr>
<tr>
<td>8 Small Project Balances Returned to General Contingency</td>
<td>(18,762)</td>
<td>663,358</td>
<td></td>
</tr>
<tr>
<td>9 CPPM</td>
<td>75,000</td>
<td>588,358</td>
<td>Rare Books Relocation Predesign</td>
</tr>
<tr>
<td>10 Office of Real Estate</td>
<td>45,200</td>
<td>543,158</td>
<td>Electric Steel Elevator Study</td>
</tr>
<tr>
<td>11 Office of Real Estate</td>
<td>$35,200</td>
<td>507,958</td>
<td>Purchase BNSF RR Easement for 8th St Improvement Project</td>
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<tr>
<td>12 CPPM</td>
<td>$20,000</td>
<td>487,958</td>
<td>Additional funding for Rare Books Predesign</td>
</tr>
<tr>
<td>13 Business, Community &amp; Economic Development</td>
<td>60,000</td>
<td>427,958</td>
<td>Support for Award Incentive &amp; Recognition (AIR) program</td>
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<tr>
<td>14 Office of Real Estate</td>
<td>98,774</td>
<td>329,184</td>
<td>Relocation of Hmong Farming Cooperative to Vermillion Hts</td>
</tr>
<tr>
<td>15 Office of Risk Management &amp; Insurance</td>
<td>10,000</td>
<td>319,184</td>
<td>Deductible for water-damaged Medical Chemistry equipment</td>
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<tr>
<td>16 CPPM</td>
<td>75,000</td>
<td>244,184</td>
<td>SE Gateway entry monument at Huron &amp; Fulton</td>
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<tr>
<td>18 US Department of Health &amp; Human Services</td>
<td>71,683</td>
<td>172,501</td>
<td>Estimated interest earned from October 17, 2014, to June 30, 2016, on the estimated federal share of the settlement payment.</td>
</tr>
</tbody>
</table>

**New items this reporting period:**

- CPPM 150,000 22,501 Installation of 110 security bollards around TCF Bank Stadium
- Rounding adjustment 1 22,500

**FY 2015-16 Ending Balance**

| 19 FY 2015-16 Ending Balance | 22,500 |

* Subject to Board approval due to cost of $250,000 or more
Purchase of Goods and Services $1,000,000 and over

To ARI for an estimated $17,500,000 for vehicle financing and leases initiated during the contract period from October 1, 2016 to September 30, 2021 with contract extensions through September 30, 2022 for Parking and Transportation Services – Fleet Services.

Fleet Services, a unit of Parking and Transportation Services, supports the University of Minnesota’s diverse statewide research, outreach and service environments. Fleet Services primarily meets the vehicle needs of departments and business units located within the Twin Cities, Duluth, Morris, Crookston, and Rochester campuses, but also serves University outreach locations in Greater Minnesota. Due to rapidly-changing vehicle technology, vehicle utilization patterns and a need for a wide variety of specialized vehicles, U of M fleet vehicle leasing continues to provide the greatest benefits in addressing the University’s vehicle requirements. Vehicle leasing best meets the needs of the University by providing flexible, cost-effective and environmentally-friendly vehicles and equipment in a variety of sizes and functions.

The capability to lease vehicles on a demand basis with individual specifications gives the University flexibility to acquire and dispose of a diverse vehicle pool over this time period, when substantial internal balances would otherwise be needed. The leasing alternative also provides the best method for accommodating inflation in vehicle acquisition costs within the development of Internal Service Organizations rates under Uniform Guidance guidelines. Payments for leases initiated during this time may extend through 2029.

In June 2016, EMKAY was approved by the Board of Regents, but subsequently withdrew their proposal. Analysis of proposal submissions in summer 2016 showed ARI provided best pricing, program flexibility, and service offerings for the contract period.

Financing costs will be paid by internally-generated departmental funds.

Submitted by: Lisa Raduenz, Assistant Director
Parking and Transportation Services, Fleet Services Division
901 29th Avenue SE
Minneapolis, MN 55414
Phone: (612) 625-8020
Fax: (612) 624-5587

Approval for this item requested by:

Mike Berthelsen, Interim Vice President, University Services 8-22-16 Date
Purchase of Goods and Services $1,000,000 and over

To Elsevier, Inc. for an estimated $3,454,200 for subscription to Elsevier ScienceDirect as needed for the period of January 1, 2017, through December 31, 2017, for Minitex. Minitex is a division of the University of Minnesota Libraries; it reports to the University of Minnesota Libraries and is an information and resource sharing program of the Minnesota Office of Higher Education and the University of Minnesota Libraries.

Elsevier ScienceDirect is a library database that provides online access to unique digital journal content totaling 2,700 journals.

While the primary subject areas covered by Elsevier ScienceDirect are science, technology, and medicine, the resource also provides access to social science and humanities journals published by Elsevier.

Elsevier, Inc. is the only publisher to offer this unique journal content.

This resource will be purchased by Minitex on behalf of a group of 18 libraries. Minitex pays $300,000 and the 18 libraries pay the remaining amount, $3,154,196.41.

The $300,000 allotted as payment for Elsevier ScienceDirect is included in Minitex’s 2017 budget.

Submitted by: Wendy Lougee, University Librarian
499 Wilson
Phone: (612) 624-1807
Fax: (612) 626-9353

Approval for this item requested by:

[Signature] 22 Aug 2016
VP or Exec VP Signature  Date
Purchase of Goods and Services $1,000,000 and over

To Illumina, Inc. for $8,000,000 for manufacturer reagents and instrumentation service agreements as needed for the period of September 9, 2016 through September 8, 2019 for the Genomics Department core facility, the University of Minnesota Genomics Center (UMGC).

Due to the increase in expression, genotyping, and next-generation sequencing projects provided by the UMGC, a quote with negotiated pricing has been obtained from Illumina. Manufacturer specific reagents are needed to process samples using Illumina’s HiSeq2500, MiSeq, iScan, Autoloader, cBot, and Tecan instruments. To provide consistent results and maintain manufacturer warranty, the instruments require reagents manufactured solely by Illumina.

The reagents from Illumina will be purchased with departmental funds. As an ISO, the University of Minnesota Genomics Center will order reagents as needed for expression, genotyping, and next-generation sequencing projects provided to University researchers.

Submitted by: Karina Bunjer Sartorio, General Operations Manager
University of Minnesota Genomics Center
MMC 613 Mayo
420 Delaware Street SE
Minneapolis, MN 55455
Phone (612) 626-5341
FAX (612) 626-8232

Approval for this item requested by:

[Signature]

VP or Hscc. VP Signature

[Signature]

Date

8/19/16
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because the University of Minnesota Genomics Center (UMGC) requires reagents from Illumina for Illumina’s HiSeq2500, MiSeq, iScan, Autoloader, cBot, and Tecan instruments to provide consistent research results for the University of Minnesota researchers.

Prices or discounts for this request are reasonable and represent a good value to the University of Minnesota. This judgment is based on discounts negotiated with Illumina for all reagents. Discounts range from 13% to 20% from Academic Research Pricing depending on the item and volume.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
Purchase of Goods and Services $1,000,000 and over

To Sciquest Inc. for an estimated $2,441,000 to provide 6 year licensing costs for our U Market eProcurement software delivered and supported through a collaboration between Purchasing Services and U Market Services for the period October 1, 2016 through December 31, 2022.

The U Market eProcurement tool was implemented University-wide in June of 2013. Transactions and purchase volumes have since doubled. For FY16 over 130,000 orders were processed representing a purchase volume of $47 million. Spend continues to grow at an average 20% annually. Annual savings of $2.5 million in process costs have been estimated from using the U Market procurement process. This tool provides for a totally paperless process from initial search and order through payment.

A Request for Proposal to evaluate best current eProcurement products in the marketplace was recently completed. A cross-departmental evaluation team concluded that an extension with Sciquest provided the most efficient, cost-effective path for the University. The evaluation and subsequent negotiation resulted in significantly reducing the annual cost. Effective for the last year of the current agreement and for the first year of a new term the annual cost has been reduced from $500,000 to $387,000. Costs beyond that are capped at a 3% annual increase. Over the contract term we are reducing our costs over $560,000.

Funding for this licensing will be provided by Purchasing Services’ operating budget.

Submitted by: Suzanne Paulson
Interim Controller
1300 South 2nd Street
Minneapolis, MN 55454
612-624-5007

Approval of this item is requested by:

Michael D. Valera
VP or Exec. VP Signature

8/25/2016
Date
AGENDA ITEM: Information Items

☐ Review  ☐ Review + Action  ☐ Action  ☒ Discussion

This is a report required by Board policy.

PRESENTERS: Michael D. Volna, Interim Vice President & CFO

PURPOSE & KEY POINTS

Quarterly Purchasing Reports

The purpose of this item is to provide a quarterly report of purchasing activity, including detailed reports with brief discussion on the following activity:

- Summary of Purchasing Activity
- Purchases Made as Approved Exceptions to Competitive Process
- Purchases Made as Preapproved Exceptions to Competitive Process
- Regents Purchasing Policy Violations

Investment Advisory Committee Update

The purpose of this item is to provide reports on quarterly meetings of the Investment Advisory Committee (IAC) held on May 11, 2016, and August 24, 2016. The agendas for the meeting included:

May 11, 2016
- Portfolio Performance Review
- Manager Recommendation: SaaStr Fund I – Approved
- Manager Recommendation: Shasta Ventures V – Approved
- Global Infrastructure Market Opportunities
- Asset Allocation Study Update
- Secondary Sale Discussion

August 24, 2016
- Portfolio Performance Review
- FY17 Benchmarks – Approved
- Manager Recommendation: Platinum Equity Capital Partners IV – Approved
- Manager Recommendation: AQR DELTA Fund XN – Approved
- Manager Recommendation: Golub Capital Partners International 10 – Approved
Debt Management Advisory Committee Update

The purpose of this item is to provide a report on the meeting of the Debt Management Advisory Committee (DMAC) held on Wednesday, September 8, 2016. The agenda for the meeting included:

- An overview of the University's debt profile and tax-exempt compliance procedures.
- Review of refunding parameters.
September 8, 2016

The Honorable Richard Beeson, Chair, Finance Committee
The Honorable Abdul Omari, Vice Chair, Finance Committee
The Honorable Laura Brod
The Honorable Thomas Devine
The Honorable Michael Hsu
The Honorable David McMillan

Committee Members:

Enclosed are Purchasing Services’ reports on purchasing activity for the fourth quarter, fiscal year ‘16. Regents policy requires that purchasing activity, including exceptions to competitive purchases, be reported to the Board of Regents. This letter provides explanatory background and brief analysis of the report and attachments that follow.

**Background**
The enclosed reports and attachments provide statistics, graphics and some detail on four categories of purchasing activity for the one quarter:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to the competitive purchasing process
- Purchases made as Preapproved Exceptions to the competitive purchasing process
- Regents Purchasing Policy Violations

“Total Purchasing Activity” represents the total amount of goods and services purchased for the quarter and year-to-date across all funding sources, including construction projects.

“Approved Exceptions” refers to purchases where, following proper protocol, the vendor was not selected through a Request for Bid or Request for Proposal process. All of the approved exceptions were justified in writing by the requisitioning department, with the justification reviewed and approved by the Director of Purchasing before the purchase took place. Additionally, the appropriate Vice President and the University Controller approved all exceptions of $250,000 and over, except pre-approved exceptions. Section II provides a listing of the transactions that followed this process and were approved as exceptions.

“Pre-approved Exceptions” are also purchases where the vendor has not been selected through a competitive process. However, they are exceptions that occur routinely with consistent reasons, so that the approval of the justification has become standardized. Refer to Section III of the report for a listing of transactions processed as pre-approved exceptions during the quarter.
“Regents Purchasing Policy Violations” refers to purchase transactions which bypassed the competitive process without following proper protocol and without the necessary approvals. Section IV provides a listing of purchasing violations.

The reports compare dollars spent on purchases in the respective quarter of the current year to dollars spent on purchases in same quarter of the previous year. The same quarter-to-quarter comparison is made for approved exceptions and for preapproved exceptions. With that in mind, the following observations are worth noting:

**Fourth Quarter:**

- FY16 Q4 Purchasing Activity was flat for FY15 Q4, but overall FY16 Purchasing Activity was up 2.9%.

- Total Exception dollars for FY16 were down 22% from FY15.

- There were no Regents Purchasing Policy Violations in the fourth quarter of FY16.

If you have any questions on the report, please do not hesitate to contact Tim Bray, Director of Purchasing, or me.

Sincerely,

[Signature]

Suzanne Paulson
Interim Controller

Cc: Michael Volna, Interim Vice President and Chief Financial Officer/Treasurer
    Brian Steeves, Deputy Director, Board of Regents
    Tim Bray, Director, Purchasing Services
I. Summary of Purchasing Activity for Q4 FY16

<table>
<thead>
<tr>
<th></th>
<th>Q4 FY14</th>
<th>Q4 FY15</th>
<th>Q4 FY16</th>
</tr>
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<tbody>
<tr>
<td># of Transactions</td>
<td>126,539</td>
<td>148,817</td>
<td>177,964</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$174,310,338</td>
<td>$222,992,126</td>
<td>$223,113,626</td>
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### Q4 Purchasing Activity

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<th>$0</th>
<th>$50,000,000</th>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Q4 Approved Exceptions

<table>
<thead>
<tr>
<th></th>
<th>50</th>
<th>64</th>
<th>54</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Transactions</td>
<td>$7,537,615</td>
<td>$9,551,117</td>
<td>$8,633,353</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Q4 Pre-Approved Exceptions

<table>
<thead>
<tr>
<th></th>
<th>47</th>
<th>45</th>
<th>43</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Transactions</td>
<td>$8,069,683</td>
<td>$4,385,475</td>
<td>$4,573,148</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Q4 Exception Dollars

<table>
<thead>
<tr>
<th></th>
<th>Q4 FY14</th>
<th>Q4 FY15</th>
<th>Q4 FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 Exceptions</td>
<td>97</td>
<td>109</td>
<td>97</td>
</tr>
<tr>
<td>Q4 Exception Dollars</td>
<td>$15,607,298</td>
<td>$13,936,593</td>
<td>$13,206,501</td>
</tr>
</tbody>
</table>
Summary of Purchasing Activity FY16

### Total FY16 Purchasing Activity

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Transactions</td>
<td>525,200</td>
<td>698,188</td>
<td>739,212</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$779,778,632</td>
<td>$856,920,877</td>
<td>$881,525,569</td>
</tr>
</tbody>
</table>

### FY16 Approved Exceptions

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Transactions</td>
<td>233</td>
<td>228</td>
<td>229</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$38,592,322</td>
<td>$35,921,755</td>
<td>$41,105,895</td>
</tr>
</tbody>
</table>

### FY16 Pre-Approved Exceptions

<table>
<thead>
<tr>
<th></th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Transactions</td>
<td>159</td>
<td>212</td>
<td>213</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$47,791,181</td>
<td>$48,429,927</td>
<td>$23,999,560</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>YTD Exceptions</th>
<th>YTD Exception Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>392</td>
<td>$86,383,503</td>
</tr>
<tr>
<td>FY15</td>
<td>440</td>
<td>$84,351,682</td>
</tr>
<tr>
<td>FY16</td>
<td>442</td>
<td>$65,105,455</td>
</tr>
</tbody>
</table>
Q4 FY16

II. Purchases made as Approved Exceptions to Competitive Purchasing Process

<table>
<thead>
<tr>
<th>Exception #1:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing of research products (animal feed, serum, test equip/supplies) for clinical trials. Also purchasing from a previous supplier to ensure consistency of research results.</td>
<td>7</td>
<td>$1,538,424</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #2:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment that requires brand compatibility with existing equipment and is available only from manufacturer or sole source authorized distributor.</td>
<td>14</td>
<td>$1,987,822</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #3:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding source or granting agency specified a single supplier.</td>
<td>3</td>
<td>$1,081,771</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #4:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>26</td>
<td>$3,338,836</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emergency Exception #1:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>A threat to health, welfare, safety.</td>
<td>0</td>
<td>$0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emergency Exception #2:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>A significant loss to the University.</td>
<td>2</td>
<td>$617,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emergency Exception #3:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>A failure to provide core services to University students/faculty/staff.</td>
<td>2</td>
<td>$69,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emergency Exception #4:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency equipment repairs and parts or emergency facility repairs and parts under $100,000.</td>
<td>0</td>
<td>$0</td>
</tr>
</tbody>
</table>

TOTAL Approved Exceptions 54 $8,633,353
### Pre-Approved Exceptions to Competitive Purchasing

<table>
<thead>
<tr>
<th>Exception #1:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging, travel (does not include group airfare or charter air).</td>
<td>1</td>
<td>$67,700</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #2:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media advertising, purchase or access to uniquely compiled database information.</td>
<td>2</td>
<td>$290,146</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #4:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closeout of used items which requestor or Purchasing has verified to be at least 30% below comparable new equipment (does not include refurbished or remanufactured furniture).</td>
<td>3</td>
<td>$280,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #6:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service (1) available only from another governmental agency or public entity or (2) required by law to be provided by another governmental entity.</td>
<td>1</td>
<td>$6,060</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #7:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service/maintenance agreements with the original manufacturer/developer for equipment and software.</td>
<td>12</td>
<td>$2,095,688</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #9:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software license renewals and software upgrades available only from developer. This includes adding licenses to an existing license agreement.</td>
<td>10</td>
<td>$1,009,061</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #10:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development, design and/or creation of original artwork.</td>
<td>1</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #11:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairview purchases related to research projects.</td>
<td>5</td>
<td>$295,949</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #12:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainers, lecturers, speakers and honoraria.</td>
<td>5</td>
<td>$336,615</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #14:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study Abroad Administrators (Does not include group airfares).</td>
<td>1</td>
<td>$89,430</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exception #15:</th>
<th>Total # of Exceptions</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Services for the Office of General Counsel.</td>
<td>2</td>
<td>$27,500</td>
</tr>
</tbody>
</table>

**TOTAL Approved Exceptions** | **43** | **$4,573,148**

There are 25 categories of Pre-Approved Exceptions. Only those categories which had qualifying transactions are reported above.
There are no Regents Policy Violations to report.