



Finance Committee

October 2014

October 9, 2014

2:00 p.m. - 4:00 p.m.

West Committee Room, McNamara Alumni Center

FIN - OCT 2014

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 9, 2014

Agenda Item: Resolution Related to Issuance of Debt

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, VP & Chief Financial Officer

Purpose & Key Points

The University is requesting approval of the financing resolution authorizing the issuance and sale of debt up to an aggregate principal amount of \$52,000,000 to finance the following project and to pay costs of issuance:

- As part of the 2014 Supplemental budget bill, the University was requested to complete the design of and to construct, furnish, and equip a new James Ford Bell Natural History Museum and Planetarium on the St. Paul campus. For fiscal years 2016 to 2041, \$3,500,000 was added to the base operations and maintenance appropriation from the State of Minnesota to the University.

Background Information

In accordance with Board of Regent's Policy: *Debt Transactions*, the Resolution Related to Issuance of Debt is being presented for action.

President's Recommendation

The President recommends approval of the Resolution Related to Issuance of Debt.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

ISSUANCE OF DEBT

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale of indebtedness (such indebtedness, whether issued in the form of bonds, notes, commercial paper or such other form of indebtedness as may be designated by the University, the “Debt”), the proceeds of which are to be used to finance University capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of the Debt;

WHEREAS, the Debt will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee or pursuant to an Order of the University;

WHEREAS, the Indenture of Trust or Order pursuant to which the Debt will be issued will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such Debt;

WHEREAS, the principal amount of the Debt authorized will be the amount of the Debt outstanding at any time, and not an aggregate principal amount;

NOW, THEREFORE, BE IT RESOLVED by the Board of Regents of the University of Minnesota (Board) as follows:

1. To provide funds to finance capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of such financing, the Board hereby authorizes the sale and issuance of the Debt in the principal amount of up to \$52,000,000. The Debt may be issued in one or more series and shall mature (or if commercial paper, shall have an amortization schedule terminating) not later than the date that is 25 years after the date of issuance of each series. The Treasurer

is authorized to determine whether or not the Debt shall be issued as a general obligation of the University and whether or not the Debt shall be issued as tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The purchases of land and buildings, construction and remodeling projects, or acquisition of equipment to be financed by the proceeds of the Debt shall be those the source of funding of which is so designated by the Board of Regents or by the Treasurer as part of the University's capital planning process.

3. If issued in the form of bonds, the Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. If issued in the form of commercial paper, the Debt is authorized to be issued under the University's existing commercial paper program authorized November 8, 1996, as supplemented and amended on September 9, 2005 and October 12, 2007. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. The Treasurer is further authorized to negotiate and approve the terms and conditions of any credit support or liquidity facility for any series of the Debt. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

4. In connection with the issuance of any series of the Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order or any supplement or amendment thereto under which the Debt is to be issued in the form and containing such covenants, agreements, representations and warranties as is approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Debt in accordance with such Indenture of Trust or Order or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the documents evidencing the Debt may be by facsimile.

5. The President and Treasurer are authorized to execute and deliver a purchase agreement with the initial purchaser or purchasers of any series of the Debt in the form and containing such covenants, agreements, representations and warranties of the University as are approved by the Treasurer and General Counsel.

6. The Treasurer is authorized to approve the Preliminary Official Statement, final Official Statement, Offering Memorandum, Offering Circular, or other offering material or any supplements or amendments thereto to be prepared and distributed to any purchaser or potential purchaser of a series of the Debt, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto. In the case of the sale of any series of the Debt in a

competitive process, the Treasurer is authorized to approve the Notice of Sale and any amendment thereto.

7. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Debt.

8. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Debt certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of the Debt as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the University as to the truth of all statements contained therein.

9. The execution of any document by the appropriate University officers herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, final Official Statement, purchase agreement or any other document to be executed by the President or Treasurer in connection with the Debt may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 9, 2014

Agenda Item: Long Range Financial Planning Update

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, VP & Chief Financial Officer
Lincoln Kallsen, Director, Institutional Analysis

Purpose & Key Points

In a rapidly changing world, long range financial planning is an increasingly important element in guiding the University of Minnesota's future. The purpose of this discussion is to provide an annual update of the University's long range financial plan. The discussion will focus on core assumptions for developing a revised long range financial forecast and will also incorporate the President's recommended FY 2016-17 biennial request.

Long term financial planning activities at the University entails two major components. The first component is updated annually in conjunction with the President's annual operating budget recommendation. The second component is updated biennially in conjunction with the President's biennial budget request to the State of Minnesota. The University traditionally submits its biennial request to the Board of Regents for review and approval in the fall of the even numbered years for consideration by the governor and the legislature during the legislative session held in the odd numbered years.

Background Information

The Finance Committee previously discussed the long range financial planning assumptions and model at the June 12, 2014 meeting.

Long-range Financial Planning Update

Finance Committee | October 9, 2014

Vice President Richard Pfutzenreuter



UNIVERSITY OF MINNESOTA

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Financial Forecasting Plan

- May 2014 – Update current year and project next year’s balance sheet for Board of Regents as part of President’s Recommended Operating Budget
- June 2014 – Update six-year forecast for Board of Regents – Budget view based on FY15 budget and baseline assumptions
- October 2014 – Update six-year forecast for Board of Regents to include biennial request and debt assumptions for the six-year capital plan
- June 2015 – Refresh forecast to reflect FY16 budget and biennial request results

Base Revenue Assumptions – June 2014

Revenues	FY2015	FY2016-17 Annual Change	FY2018-19 Annual Change	Projection Basis
Undergraduate rate increase	0% - Resident +\$1000 - Non-res	0% - Resident +\$1000 - Non-res	0% - Resident +\$1000 - Non-res	Resident rates set at 0% to produce baseline
Undergraduate enrollment change	Updated estimates	Flat	Flat	UMTC, UMR, and UMM enrollment plans complete
Graduate and Professional rate changes	3.0%	0%	0%	Set at 0% to produce baseline
Graduate and Professional enrollment changes	Updated estimates	Flat	Flat	Set to produce baseline
Federal Grants and Contracts	OVPR Estimate	0%	0%	
Sales and Services	2.2%	2.2%	2.2%	10 year average CPI
Gifts	Foundation estimates	Foundation estimates	Foundation estimates	
Auxiliary Enterprises	2.2%	2.2%	2.2%	10 year average CPI
State Appropriations	\$591.1M	0%	0%	Set at 0% to produce baseline

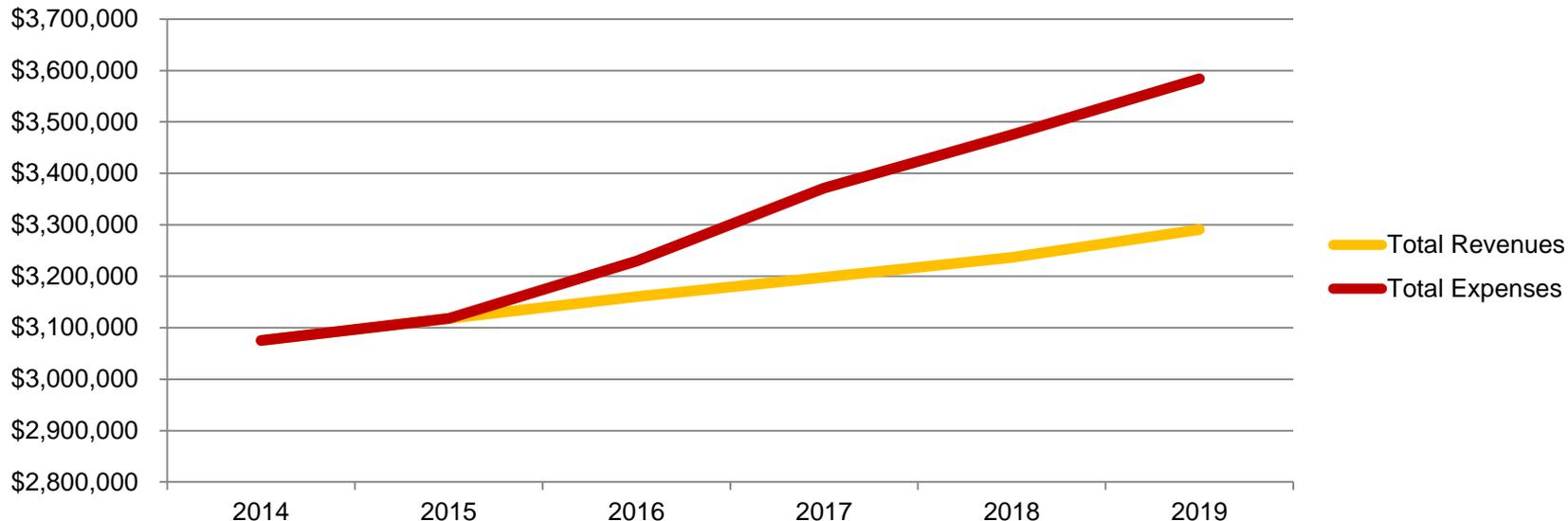
Investment and Expense Assumptions – June 2014

Expenses	FY2015	FY2016-17 Annual Change	FY2018-19 Annual Change	Projection Basis
Salaries	2.5%	2.6%	2.6%	10 year HEPI weighted average of all employees
Fringe benefit cost	FY15 budget estimates	3.8%	3.8%	10 year HEPI average
Number of faculty/academic staff	Updated estimates	+60 over two years (MnDrive)	Flat	Projected additions
Number of staff	Updated estimates	Flat	Flat	Could be impacted by internal reallocations below
Remainder of Education & General expenses	FY 15 budget estimates	2.6%	2.6%	10 year HEPI average
Auxiliary enterprises	FY 15 budget estimates	2.2%	2.2%	10 year average CPI
Academic initiatives	+\$23.4M	+\$20M annually	+\$20M annually	TBD strategic planning
Mission support and operations	+\$5.8M	+\$8M-\$12M Annually (included in E&G above)	+8M-\$12M Annually (included in E&G above)	New building expenses, software licenses, new tech expenses, etc.
Internal reallocations (reductions)	(\$16.1M)	(\$15M) annually	(\$15M) annually	President's \$90M commitment
Capital expenses	Current capital plans, including 2014 state capital request, Bell Museum, Heat & Power, and ACC			
University repair and renovation funds	\$8.5M	+\$13.6M annually	+\$13.6M annually	Moves towards industry standards coupled with HEAPR

Forecast model - Scenario A

Baseline assumptions – 0% Tuition; 0% State appropriation

(in thousands)



Model A	2014	2015	2016	2017	2018	2019
Total Revenues	\$ 3,075,377	\$3,118,361	\$ 3,160,592	\$ 3,197,952	\$ 3,236,559	\$ 3,290,760
Total Expenses	\$ 3,075,377	\$3,118,361	\$ 3,229,565	\$ 3,371,511	\$ 3,475,075	\$ 3,583,968
Net	\$ (0)	\$ (0)	\$ (68,973)	\$ (173,560)	\$ (238,515)	\$ (293,208)

Revenue scenarios

Scenario	Annual Change in Tuition Rates (all)	Annual Change in State Appropriation
Model A (baseline)	0%	0%
Model B	3%	0%
Model C	0%	Restore 2008 funding level by 2017
Model D	0%	Restore 2008 funding level by 2019

Revenue Assumptions – October 2014 Update

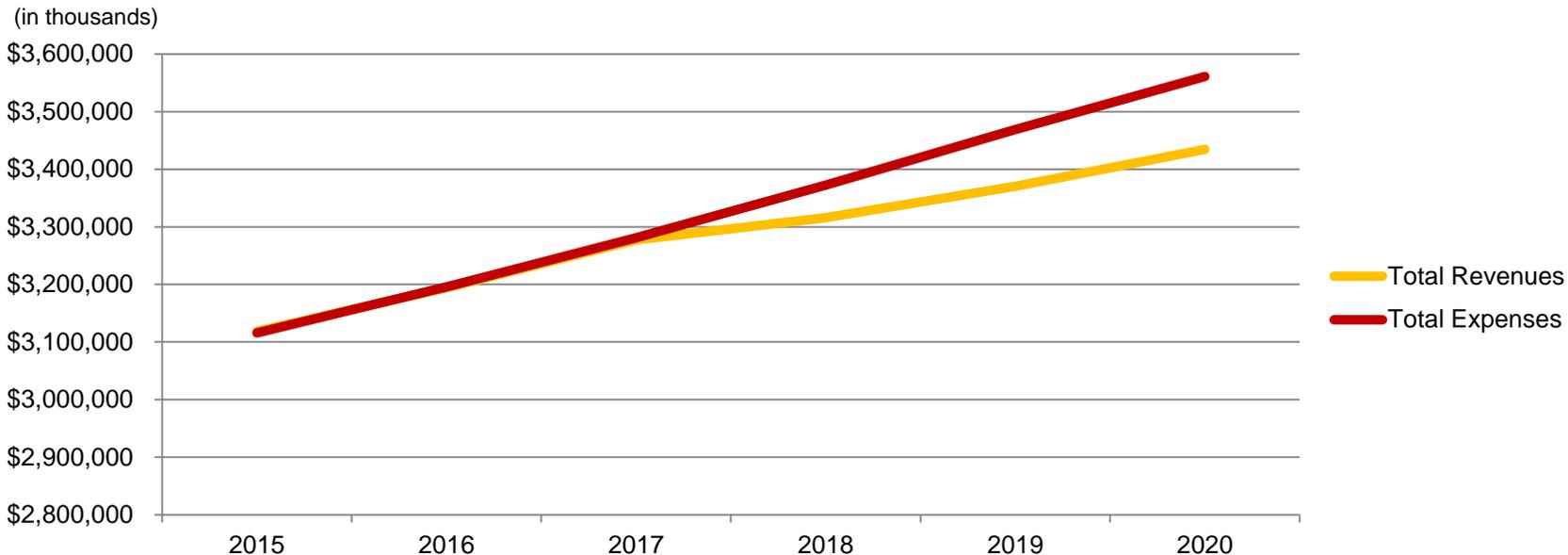
Revenues	Original Assumptions FY2016-17 Annual Change	Updated FY2016 Annual Change	Updated FY2017 Annual Change	FY2018-20 Annual change
Undergraduate rate increase	0% - Resident +\$1000 - Non-res	0% - Resident +\$1000 - Non-res	0% - Resident +\$1000 - Non-res	2.5% - Resident +\$1000 - Non-res
Undergraduate enrollment change	Flat	Flat	Flat	Flat
Graduate and Professional rate changes	0%	0% - Resident 3.5% Non-Res	0% - Resident 3.5% Non-Res	2.5%
Graduate and Professional enrollment changes	Flat	Flat	Flat	Flat
Federal Grants and Contracts	0%	0%	0%	0%
Sales and Services	2.2%	1.9%	2.0%	2.2%
Gifts	Foundation estimates	Foundation estimates	Foundation estimates	Foundation estimates
Auxiliary Enterprises	2.2%	1.9%	2.0%	2.2%
State Appropriations	0%	+\$41.5M	+44.2M	0%

Investment and Expense Assumptions – October 2014 Update

Expenses	Original Assumptions FY2016-17	Updated FY2016 Annual Change	Updated FY2017 Annual Change	FY2018-20 Annual change
Salaries	2.6%	2.0%	2.0%	2.6%
Fringe benefit cost	3.8%	2.0%	2.0%	3.8%
Number of faculty/academic staff	+60 over two years	+40	+20	Flat
Number of staff	Flat	Flat	Flat	Flat
Remainder of Education & General expenses	2.6%	1.9%	2.0%	2.6%
Auxiliary enterprises	2.2%	1.9%	2.0%	2.2%
Academic initiatives	+\$20M annually	+\$15M	+\$15M	+\$20M annually
Mission support and operations	+\$8M-\$12M Annually	+\$10M	+\$10M	+8M-\$12M Annually
Internal reallocations (reductions)	(\$15M) annually	(\$15M)	(\$15M)	(\$15M) annually
Capital expenses	Current 6 year capital plans, including 2014 state capital request, Bell Museum, Heat & Power, and ACC			
University repair and renovation funds	+\$13.6M annually	+\$5M	+\$5M	15 of 86 \$5M 2018 & 2019

Forecast model

Biennial request, 6 year capital plan, and updated assumptions



Model A	2015	2016	2017	2018	2019	2020
Total Revenues	\$ 3,118,361	\$3,194,309	\$ 3,277,365	\$ 3,333,812	\$ 3,405,664	\$ 3,488,180
Total Expenses	\$ 3,115,688	\$3,194,309	\$ 3,277,365	\$ 3,372,359	\$ 3,468,926	\$ 3,560,954
Net	\$ 2,673	\$ 0	\$ 0	\$ (38,546)	\$ (63,261)	\$ (72,775)



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 9, 2014

Agenda Item: Financial Components of President's Recommended FY 2016-17 Biennial Budget Request

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

Presenters: Richard Pfitzenreuter, VP & Chief Financial Officer

Purpose & Key Points

The purpose of this item is to review the University's Biennial Budget Request to the State of Minnesota for FY 2016-17.

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 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 to the state for FY 2016-17 leverages faculty, research, and disciplinary strength 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; acknowledges the University's stewardship responsibilities for important public assets; seeks to restore state funding of the University to the level received in FY 2008; and continues to focus on reducing the cost of higher education to students and families.

The request is designed to continue in partnership with the state to:

- 1) Deliver on the University's threefold mission of research and discovery, teaching and learning, and outreach and public service;
- 2) Advance initiatives and programs that will leverage the University's expertise in areas that will benefit the state's economy and its citizens; and
- 3) Better support financial access and affordability to post-secondary education for students and families.

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 2016-17 biennial budget request.



REGENTS OF THE UNIVERSITY OF MINNESOTA
RESOLUTION RELATED TO
STATE BIENNIAL BUDGET REQUEST FOR FY2016-17

WHEREAS, the University of Minnesota, as 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 service; and

WHEREAS, the University and the State of Minnesota play a critical role in supporting and strengthening economic and community vitality and advancing the 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 in partnership with the State of Minnesota can reduce tuition increases and better support financial access and affordability to post-secondary education for students and families; and

WHEREAS, the University proposes a more stable and predictable funding model for maintaining important public assets on each of the University’s campuses; and

WHEREAS, the University is committed to achieving operational excellence and greater efficiency through internal actions to reduce administrative and operational costs; and

WHEREAS, by FY2017 the University proposes to restore state funding levels to those of FY2008, the year in which the University received its highest appropriation;

NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2016-2017 biennium be adopted by the Board of Regents for

presentation to the State of Minnesota. The request is for a general fund appropriation of \$640,400,000 in fiscal year 2016 and \$684,600,000 in fiscal year 2017 for a biennial total of \$1,325,000,000 in the form of general operations and maintenance and state specials appropriations. The Board of Regents further requests continuation of fiscal year 2013 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 for fiscal years 2016 and 2017.

FY2016-17 Biennial Budget Request

Finance Committee | October 9, 2014

Vice President Richard Pfutzenreuter



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Legislative Budget Request Goals

- Tuition Freeze
 - Provide qualified students access to an affordable University education
- Facility Condition Improvement Strategy
 - Modern educational and research facilities
- Healthy Minnesota
 - Improve the health of Minnesotans through research, clinical services, and innovative programs
- Vibrant Economy
 - Strong Minnesota communities with economic development opportunities

Biennial Budget Request

FY2016 - 2017

<i>Incremental over prior year</i>	2016	2017
Tuition Freeze	\$21.5M	\$22.2M
Facility Condition Improvement Strategy	\$5.0M	\$5.0M
Healthy Minnesota	\$11.5M	\$11.5M
Vibrant Economy	\$3.5M	\$5.5M
Total	\$41.5M	\$44.2M



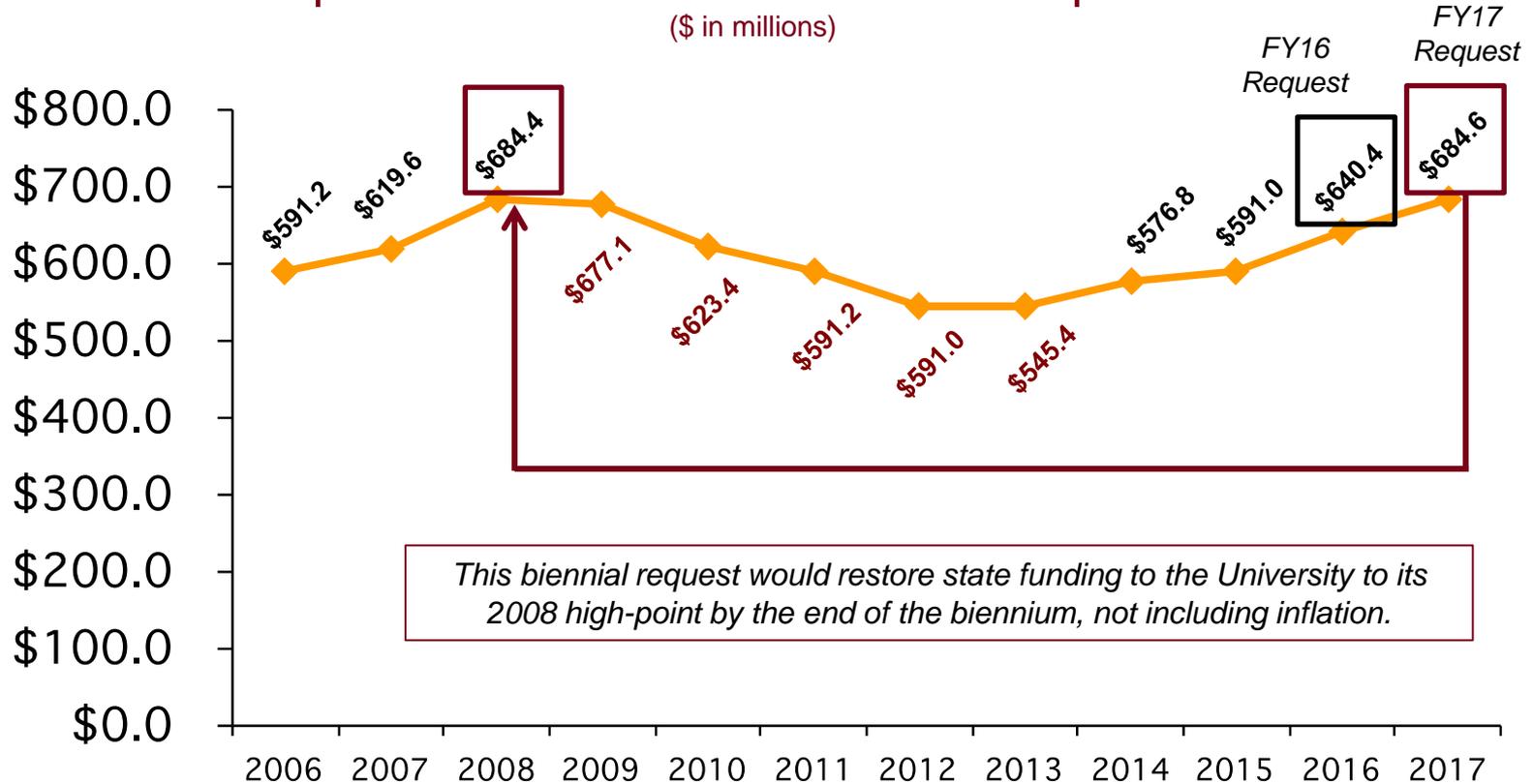
<i>Change to current base – biennial math</i>	2016	2017	Biennial
Beginning base	\$598.9	\$598.9	\$1,197.8
U of M total request	\$41.5	\$85.7	\$127.2
Total requested appropriation	\$640.4	\$684.6	\$1,325.0
Percent change from base			10.6%

(dollars in millions)

State Appropriations Trend: 2006-2017*

Operations & Maintenance/State Specials

(\$ in millions)



*Excludes Cigarette Tax, MnCare, and nonrecurring project appropriations



NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2016-2017 biennium be adopted by the Board of Regents for presentation to the State of Minnesota. The request is for a general fund appropriation of \$640,400,000 in fiscal year 2016 and \$684,600,000 in fiscal year 2017 for a biennial total of \$1,325,000,000 in the form of general operations and maintenance and state specials appropriations. The Board of Regents further requests continuation of fiscal year 2015 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 for fiscal years 2016 and 2017.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 9, 2014

Agenda Item: Financial Components of the President's Recommended Six-Year Capital Plan & 2015 State Capital Budget Request

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

Presenters: Richard Pfitzenreuter, VP & Chief Financial Officer

Purpose & Key Points

The President's recommended Six-Year Capital Plan (Plan) includes major capital improvements planned for fiscal years 2015 through 2020. The 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, fundraising, and public/private partnerships.

Year 1 of the Plan (2015) outlines the projects that the University will be submitting to the State of Minnesota for consideration during the 2015 legislative session.

The Finance Committee will review the financial components of the Plan. The Facilities and Operations Committee will review the Plan's principles and priorities.

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* directs 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 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 Six-Year Capital Plan for Fiscal Years 2015–2020 and the 2015 State Capital Budget Request.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

THE PRESIDENT'S SIX-YEAR CAPITAL IMPROVEMENT PLAN

WHEREAS, preserving the University campuses through stewardship of public investments that have been made over 150 years is a commitment the Board has made to the State; and

WHEREAS, advancing key academic priorities is critical for the University to achieve and maintain excellence; and

WHEREAS, continuing investment in research infrastructure is essential for the future competitiveness of the University and the State of Minnesota; and

WHEREAS, enhancing the student experience for both undergraduate education and graduate and professional education is required as the core of its mission in order to generate and disseminate knowledge; and

WHEREAS, improving outreach and engagement is necessary in order to transform State communities, fuel the State economy, address State social issues, and improve the State's health; and

WHEREAS, the administration has developed a capital-planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is responsible.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the President's Six-Year Capital Improvement Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research and outreach objectives.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO THE

2015 STATE CAPITAL REQUEST

WHEREAS, the Board of Regents has directed the administration to annually submit a capital improvement budget and a six-year capital improvement plan in support of the University's strategic priorities; and

WHEREAS, the Board of Regents recognizes the importance of sustaining and improving the University's facilities in support of teaching, research, and outreach; and

WHEREAS, the administration has developed a capital planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is realistic;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents approves the University's 2015 State Capital Request to the Minnesota Legislature in the amount of \$88,000,000 consisting of \$77,000,000 from the State of Minnesota and \$11,000,000 from the University of Minnesota.

Overview

The *2014 Six-Year Capital Plan* for the University of Minnesota establishes the next three University 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 *2014 Six-Year Capital Plan* includes:

- 2015 state capital request
- Future state capital requests for 2016 through 2020
- Projects proposed to be financed with University resources during the period FY2015 through FY2019

Planning Process

Capital planning at the University of Minnesota begins with the academic planning process. In the spring of 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. 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 demonstrated both a programmatic urgency and implementation readiness were advanced for further analysis in this six-year timeframe. Other factors analyzed before projects were placed in the capital plan include:

- *Projected size of future bonding bills* – 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 overall capital plan.
- *Debt and operating cost impact* – The University projects debt capacity annually and builds the capital plan in adherence to the debt guidelines expressed in Board of Regents policy.
- *Private fundraising capacity* – The University evaluates its capacity to fundraise for specific projects.
- *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, cannot be renovated until Earth Sciences are moved out of the building and into a

renovated Tate Lab, which in turn had to wait until Physics & 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 capital plan.
- *Geographic Distribution* – The University is a system with programs and facilities across the State of Minnesota.

The resulting plan, shown in tabular form on *Attachment 2*, advances the University’s highest capital priorities while retaining flexibility in support of emerging strategic initiatives. In the case of the Six-Year Capital Plan, it is important to note that many of the investments in later years are targeted to programs with academic strategic value. Specific programmatic details remain to be determined as the project is developed.

The capital improvement 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). Projects included in the Six-Year Capital 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 Six-Year Capital Plan that require legislative funding are submitted to the Minnesota Legislature on a biennial basis. Projects are eligible to begin fundraising once the predesign process is substantially complete.

Fully funded projects with signed 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

Project costs included in the *Six-Year Capital Plan* are order-of-magnitude estimates only because programming and predesign studies for each project have not been completed. 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. Project costs are represented in 2014 dollars; the 2015 projects have been escalated to midpoint of construction as required for submission to the legislature as part of the University’s capital request. Beyond the 2015 year, cost escalation for inflation has not been included because of the uncertainty of construction inflation. When programming is completed and predesign studies are prepared for projects at the appropriate time, based on their position within the *Six-Year Plan*, more accurate cost figures will be inserted into the plan when it is updated annually.

Areas of Focus for the 2014 Six-Year Plan

The *2014 Six-Year Plan* is largely a continuation of previously expressed priorities updated to reflect the outcome of the 2014 Capital Request to the MN Legislature. The plan also includes changes based on updated facility condition assessment data, new priorities emerging from the Twin Cities Campus strategic planning process, and a biennial operating budget proposal to the 2015 legislature that places a greater emphasis on repair and replacement (R & R) funds in lieu of capital request-based HEAPR funds.

The 2014 Six Year Plan was 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 total campus square footage

The University is finalizing a strategic plan for the Twin Cities campus. This plan will be aligned with existing plans for the system campuses and will provide a roadmap for advancing the University's mission over the next three to five years. The Board of Regents is expected to act on adopting the new strategic plan at its October 2014 meeting. The plan articulates a new, inspirational vision: “[to] be preeminent in solving the grand challenges of a diverse and changing world.” In pursuit of this vision, the University will:

- Leverage its breadth and depth to capitalize on its exceptional students, faculty, staff and location to generate and disseminate new knowledge and insights
- Create an educated populace able to identify, understand and solve demanding problems
- Leverage divergent paths of knowledge and creativity to address grand challenges
- Partner with communities and the people of the State of Minnesota to benefit the common good

To this end, the University is advancing four broad goals, each with related strategies and tactics:

- **Goal 1) Build an exceptional University where grand societal challenges are addressed.** Strategies - Educate, cultivate, and empower leaders to foster institutional and societal change; target resources that will build capacity to harness the University's depth and breadth to address these grand challenges; prepare students who can uniquely contribute to solving grand societal challenges; transform curricula in a way that combines grand challenges with disciplines; and coordinate and leverage research in institutionally cross-cutting areas of strength
- **Goal 2) Support excellence and, with intention, reject complacency.** Strategies - Establish incentives for creative disruption and accept productive tension; increase efforts to empower individual initiatives; streamline rules and regulations; and measure and set goals for meaningful diversifying experiences
- **Goal 3) Establish a culture of reciprocal engagement, capitalizing on our unique location.** Strategies - Better leverage our location for the mutual benefit of the

University and the community to contribute to and benefit from a vibrant and enriching economic, creative, social, and intellectual environment; and clearly define and embrace what it means to be a land-grant research university in the 21st century

- **Goal 4) Aggressively recruits, retain and promote field shaping researchers and teachers.** Strategies - Build a pipeline to recruit and retain the best and brightest field shaping teachers and researchers; support their work with needed infrastructure and a culture of high expectations; reduce barriers to productive transdisciplinarity and advance transinstitutional partnerships; and accelerate transfer of knowledge for the public good

The final plan will include short and long term actions in each of these goal areas and each campus will align its unique goals that meet the needs of the students and regions they serve.

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

Project Descriptions

Project Descriptions for each year of the plan can be found in Attachment 3.

Also included in Attachment 2 is a list of *Other Projects Under Consideration*. These needs were identified through the Six-Year Capital Planning process as important investments based on collegiate and academic priorities. The potential projects identified on the list are not sufficiently developed in terms of their programmatic needs and the strategic value of their investment to be placed into the Six Year Plan, but are expected to further refine their planning over the near term. Some of the unresolved issues may include project scope, location or funding source. The list of *Other Projects Under Consideration* gives an indication of the potential next tier of capital projects, while allowing some flexibility to respond to changing trends as well as emerging academic priorities.

Six Year Plan - Project Funding Report

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2015

Stage: Resource Acquisition

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
400	HEAPR	Systemwide	\$55,000	\$55,000	\$0
405	Veterinary Isolation Facility Replacement	UMTC	\$27,000	\$18,000	\$9,000
447	Biological Sciences Greenhouse Replacement	UMTC	\$6,000	\$4,000	\$2,000
			\$88,000	\$77,000	\$11,000
FY Total:			\$88,000	\$77,000	\$11,000
Running Total:			\$88,000	\$77,000	\$11,000

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2016

Stage: **Planning & Feasibility**

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
398	HEAPR	Systemwide	\$50,000	\$50,000	\$0
408	Health Science Facility Repurposing	UMTC	\$65,000	\$43,300	\$21,700
403	New St. Paul Research Laboratory	UMTC	\$46,000	\$30,700	\$15,300
410	Chemical Sciences and Advanced Materials Building	UMD	\$36,000	\$24,000	\$12,000
448	10 Church Street SE Repurposing	UMTC	\$30,000	\$20,000	\$10,000
411	Pillsbury Hall Renovation	UMTC	\$27,000	\$18,000	\$9,000
			\$254,000	\$186,000	\$68,000
FY Total:			\$254,000	\$186,000	\$68,000
Running Total:			\$342,000	\$263,000	\$79,000

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2017

Stage: Planning & Feasibility

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
401	HEAPR	Systemwide	\$45,000	\$45,000	\$0
415	Collections and Contemporary Learning	UMTC	\$40,000	\$26,700	\$13,300
449	Programmatic Renewal (UMD, UMM, UMC)	Systemwide	\$18,000	\$12,000	\$6,000
			\$103,000	\$83,700	\$19,300
FY Total:			\$103,000	\$83,700	\$19,300
Running Total:			\$445,000	\$346,700	\$98,300

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2018

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
399	HEAPR	Systemwide	\$40,000	\$40,000	\$0
441	AHC Interprofessional Education Center	UMTC	\$100,000	\$66,700	\$33,300
451	Undergraduate Teaching Laboratory Facility	UMTC	\$42,000	\$28,000	\$14,000
450	McNeal Hall Renovation	UMTC	\$24,000	\$16,000	\$8,000
409	St. Paul Research Laboratory Renovation	UMTC	\$24,000	\$16,000	\$8,000
452	Research and Outreach Center Investments	ROCs & Stations	\$6,000	\$4,000	\$2,000
			\$236,000	\$170,700	\$65,300
FY Total:			\$236,000	\$170,700	\$65,300
Running Total:			\$681,000	\$517,400	\$163,600

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2019

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
402	HEAPR	Systemwide	\$40,000	\$40,000	\$0
453	West Bank Classrooms Replacement	UMTC	\$30,000	\$20,000	\$10,000
			\$70,000	\$60,000	\$10,000
		FY Total:	\$70,000	\$60,000	\$10,000
		Running Total:	\$751,000	\$577,400	\$173,600

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2020

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
446	HEAPR	Systemwide	\$40,000	\$40,000	\$0
454	AHC Strategic Investment	UMTC	\$70,000	\$46,700	\$23,300
457	Biosystems & Ag Engineering Laboratory Renovation	UMTC	\$50,000	\$33,300	\$16,700
414	Academic Priority	UMR	\$45,000	\$30,000	\$15,000
456	Chemistry Research Laboratory Investment	UMTC	\$30,000	\$20,000	\$10,000
455	Child Development Replacement	UMTC	\$21,000	\$14,000	\$7,000
			\$256,000	\$184,000	\$72,000
FY Total:			\$256,000	\$184,000	\$72,000
Running Total:			\$1,007,000	\$761,400	\$245,600

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

Under Consideration / Evaluation

Stage: Proposal

University Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
444	Athletics Facilities Phase 1 Projects	UMTC	\$0	\$0	\$0
407	Biological Sciences Active Learning Classrooms	UMTC	\$0	\$0	\$0
419	Bolstad Golf Course Renovation	UMTC	\$0	\$0	\$0
459	Pioneer Hall Renovation or Replacement	UMTC	\$0	\$0	\$0
431	Recreational Sports Project	UMTC	\$0	\$0	\$0
416	Space Utilization Program	UMTC	\$0	\$0	\$0
418	Superblock Dining Replacement	UMTC	\$0	\$0	\$0
425	Washington Ave Bridge and Plaza	UMTC	\$0	\$0	\$0
			\$0	\$0	\$0
		FY Total:	\$0	\$0	\$0
		Running Total:	\$1,007,000	\$761,400	\$245,600

UNIVERSITY OF MINNESOTA

Six Year 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.

UNIVERSITY OF MINNESOTA

2014 Six Year Capital Plan

Attachment 3

Six Year Plan - Project Description Report

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

400 HEAPR

Vice President: Systemwide

RRC: Systemwide

Campus: Systemwide

RRC Contact:

Facility: Systemwide

Year: 2015

Total Cost: \$55,000

Stage: Resource Acquisition

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. The system-wide HEAPR advisory committee makes 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 legislative request.

403 New St. Paul Research Laboratory

Vice President: Academic Affairs

RRC: Academic Affairs

Campus: UMTC

RRC Contact: Hanson, K.

Facility: New Facility

Year: 2016

Total Cost: \$46,000

Stage: Planning & Feasibility

Description: This project will construct a new laboratory building for microbial research in the College of Biological Sciences (CBS), College of Food, Agricultural, and Natural Resource Sciences (CFANS), and College of Veterinary Medicine (CVM). The new facility will accommodate principal investigators in microbiology-focused fields such as plant pathology, animal infectious diseases, microbial systems and synthetic biology, and fungal evolution. This project was included in the University's 2014 capital request.

405 Veterinary Isolation Facility Replacement

Vice President: Health Sciences

RRC: College of Veterinary Medicine

Campus: UMTC

RRC Contact: Ames, T.

Facility: New Facility

Year: 2015

Total Cost: \$27,000

Stage: Resource Acquisition

Description: This project will create a biocontainment facility for the College of Veterinary Medicine to house and perform research with large animals and pathogenic agents. The initial program definition, which will be confirmed in predesign, has suggested a 38,500 gross square feet (GSF) facility comprised of biocontainment laboratories, large animal isolation space and a small animal vivarium.

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

407 Biological Sciences Active Learning Classrooms

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project will convert existing classroom space on the fourth floor of Biological Sciences Center into active learning classrooms for laboratory based Biological Sciences coursework.

RRC: College of Biological Sciences

RRC Contact: Hays, T.

Year: Under Consideration / Evaluation

Stage: Proposal

408 Health Science Facility Repurposing

Vice President: Health Sciences

Campus: UMTC

Facility: Phillips-Wangensteen Building

Total Cost: \$65,000

Description: This project will renovate office, clinic, and lab space in the Phillips Wangensteen Building that will be vacated by groups that will relocate to the Ambulatory Care Clinic and research buildings in the Biomedical Discovery District. The renovated spaces will be a mixture of office, classroom, and laboratory space and will allow the Academic Health Center to undertake a multi-phased process of consolidating space assignments and decommissioning obsolete facilities.

RRC: Health Sciences

RRC Contact: Jackson, B.

Year: 2016

Stage: Planning & Feasibility

409 St. Paul Research Laboratory Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$24,000

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.

RRC: Academic Affairs

RRC Contact: Hanson, K.

Year: 2018

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

410 Chemical Sciences and Advanced Materials Building

Vice President: Duluth Campus

Campus: UMD

Facility: New Facility

Total Cost: \$36,000

Description: The project will construct a new building on the Duluth campus to support faculty and students in the Departments of Chemistry and Biochemistry, and advance an emergent Material Science and Engineering program. The building will be comprised of research and undergraduate instructional laboratories, a research center dedicated to industrial/academic partnerships with direct connections to industry in northeast Minnesota, and medium-sized general purpose classrooms that are in short supply on the campus. This project was included in the University's 2014 capital request.

RRC: Swenson College of Science and Engineering

RRC Contact: Black, L.

Year: 2016

Stage: Planning & Feasibility

411 Pillsbury Hall Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: Pillsbury Hall

Total Cost: \$27,000

Description: This project will preserve and enhance Pillsbury Hall after the current occupants move into the renovated Tate Laboratory. New teaching and learning spaces will replace outdated and inefficient laboratories that no longer support modern scientific study and research. Mechanical and electrical systems, restrooms and accessibility will be updated with this historically sensitive renovation. Funding for Tate Laboratory was approved in the University's 2014 capital request.

RRC: College of Liberal Arts

RRC Contact: Duvall, R.

Year: 2016

Stage: Planning & Feasibility

414 Academic Priority

Vice President: Rochester Campus

Campus: UMR

Facility: New Facility

Total Cost: \$45,000

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.

RRC: Academic Affairs

RRC Contact: Lehmkuhle, S.

Year: 2020

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

415 Collections and Contemporary Learning

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$40,000

Description: This project will address the collections needs of multiple colleges and the University Libraries by providing space for storage, preservation, regeneration, and characterization of essential resources that support research across the University system. Reconfiguration of the existing Wilson Library will follow with the creation of space that will engage faculty and students, support contemporary learning and scholarship and become a destination for scholarly activity.

RRC: Libraries

RRC Contact: Pradt Lougee, W.

Year: 2017

Stage: Planning & Feasibility

416 Space Utilization Program

Vice President: University Services

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project will support a variety of efforts directed at improving the utilization of existing campus space. Near term efforts are focused on implementing pilot projects to match work styles, technology and organizational structure with an overall reduction in space that better suits work methods. Decommissioning and demolition will be an equally important element of this strategy.

RRC: University Services Admin

RRC Contact: Swanson, B.

Year: Under Consideration / Evaluation

Stage: Proposal

418 Superblock Dining Replacement

Vice President: University Services

Campus: UMTC

Facility: New Facility

Total Cost: \$0

Description: This project will construct a new consolidated dining facility for the four residence halls in the superblock. The two existing facilities are under-sized and not capable of providing the level of food service expected by today's students. A consolidated facility will result in additional operational efficiencies.

RRC: Housing & Residential Life

RRC Contact: Thompson, C.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

419 Bolstad Golf Course Renovation

Vice President: Athletics
Campus: UMTC
Facility: Bolstad Golf Course
Total Cost: \$0
Description: This project will renew the existing through investments in the course, clubhouse, and maintenance/storage facilities. Project timing is dependent on fundraising.

RRC: Intercollegiate Athletics
RRC Contact: Ellison, S.
Year: Under Consideration / Evaluation
Stage: Proposal

425 Washington Ave Bridge and Plaza

Vice President: University Services
Campus: UMTC
Facility: Washington Avenue Bridge
Total Cost: \$0
Description: This project will restore or replace the Washington Avenue Bridge pedestrian enclosure and address circulation, sightlines, aesthetics and functionality of the Washington Avenue Bridge plaza area as a gathering place and event space.

RRC: Facilities Management
RRC Contact: Berthelsen, M.
Year: Under Consideration / Evaluation
Stage: Proposal

431 Recreational Sports Project

Vice President: Academic Affairs
Campus: UMTC
Facility: TC Campus
Total Cost: \$0
Description: This project is the final component of the Recreational Sports improvement plan funded by the Twin Cities campus student capital enhancement fee. Remaining identified needs include a satellite West Bank facility and outdoor recreation fields.

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

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

441 AHC Interprofessional Education Center

Vice President: Health Sciences

Campus: UMTC

Facility: New Facility

Total Cost: \$100,000

Description: This project will address fundamental changes in health sciences education and training programs driven by accreditation requirements and faculty and student expectations. The new facility will consolidate and expand current learning environments and may include simulation centers, clinical care skills labs, multimedia learning labs, technology enhanced library and study spaces and interactive learning environments for connecting with the Duluth and Rochester campuses. The specific program will be determined following a strategic review of curriculum changes across the AHC schools.

RRC: Health Sciences

RRC Contact: Jackson, B.

Year: 2018

Stage: Proposal

444 Athletics Facilities Phase 1 Projects

Vice President: Athletics

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project will invest in athletic practice and academic facilities to provide University of Minnesota student athletes with the best opportunity to succeed and ensure the University remains competitive with other Big Ten schools. Top priorities for investment include a new football practice facility, academic support and training table facilities. This project is dependent on fundraising efforts.

RRC: Intercollegiate Athletics

RRC Contact: Ellison, S.

Year: Under Consideration / Evaluation

Stage: Proposal

447 Biological Sciences Greenhouse Replacement

Vice President: Academic Affairs

Campus: UMTC

Facility: Plant Growth Facilities-West

Total Cost: \$6,000

Description: This project will replace the Biological Science Greenhouse on the St. Paul Campus with the construction of an addition to Plant Growth Facility West. The new Greenhouse will be furnished with modern temperature, humidity and lighting controls and monitored via the master greenhouse campus control system. Upon completion, rare plant collections and program activities in the Biological Sciences Greenhouse will be moved over to Greenhouse and the old greenhouse will be demolished. This project was included in the University's 2014 capital request.

RRC: College of Biological Sciences

RRC Contact: Hays, T.

Year: 2015

Stage: Resource Acquisition

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

448 10 Church Street SE Repurposing

Vice President: Academic Affairs

Campus: UMTC

Facility: 10 Church Street SE

Total Cost: \$30,000

Description: This project will renovate the existing Bell Museum for the College of Design following the completion of the new Bell Museum on the St. Paul Campus.

RRC: Academic Affairs

RRC Contact: Hanson, K.

Year: 2016

Stage: Planning & Feasibility

449 Programmatic Renewal (UMD, UMM, UMC)

Vice President: Systemwide

Campus: Systemwide

Facility: System Campuses

Total Cost: \$18,000

Description: This program will fund facility improvements that support academic and student-focused programmatic needs in existing facilities on the Duluth, Morris and Crookston campuses.

RRC: Systemwide

RRC Contact:

Year: 2017

Stage: Planning & Feasibility

450 McNeal Hall Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: McNeal Hall

Total Cost: \$24,000

Description: This project will bring Minneapolis based CEHD departments together on the St. Paul campus in space that will be vacated by the College of Design. The research-driven focus of these units is in alignment with recent efforts by CEHD to establish a vibrant, research community in St. Paul and allows for the demolition of Peik Hall in Minneapolis.

RRC: College of Education and Human Development

RRC Contact: Quam, J.

Year: 2018

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

451 Undergraduate Teaching Laboratory Facility

Vice President: Academic Affairs

Campus: UMTC

Facility: New Facility

Total Cost: \$42,000

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 currently spread throughout multiple locations (including faculty research laboratories) in Smith and Kolthoff Halls. Adequate laboratory space is a limiting factor in the University's ability to meet the demand for STEM related programs.

RRC: Academic Affairs

RRC Contact: Hanson, K.

Year: 2018

Stage: Proposal

452 Research and Outreach Center Investments

Vice President: Systemwide

Campus: ROCs & Stations

Facility: Systemwide

Total Cost: \$6,000

Description: This program will fund a variety of projects at the Research and Outreach Centers across the state.

RRC: Systemwide

RRC Contact:

Year: 2018

Stage: Proposal

453 West Bank Classrooms Replacement

Vice President: Academic Affairs

Campus: UMTC

Facility: New Facility

Total Cost: \$30,000

Description: This project will replace existing traditional learning space on the Minneapolis West Bank Campus with active learning classrooms.

RRC: Academic Affairs

RRC Contact: Hanson, K.

Year: 2019

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

454 AHC Strategic Investment

Vice President: Health Sciences

Campus: UMTC

Facility: TC Campus

Total Cost: \$70,000

Description: This project will address needs identified by Academic Health Center strategic facility planning.

RRC: Health Sciences

RRC Contact: Jackson, B.

Year: 2020

Stage: Proposal

455 Child Development Replacement

Vice President: Academic Affairs

Campus: UMTC

Facility: New Facility

Total Cost: \$21,000

Description: This project will replace the functionally obsolete Child Development building with new offices, seminar rooms, and research facilities for the Institute of Child Development, as well as state-of-the-art facilities for the Shirley G. Moore Laboratory School. The new building will provide a modern, adaptable environment to support innovative programmatic applications, translating current research and theory into best practices.

RRC: College of Education and Human Development

RRC Contact: Quam, J.

Year: 2020

Stage: Proposal

456 Chemistry Research Laboratory Investment

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$30,000

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 spaces and create opportunity for more specialized research experimentation. It will accommodate a greater number of faculty and graduate assistants needed to support the growing undergraduate enrollment in Chemistry.

RRC: College of Science and Engineering

RRC Contact: Crouch, S.

Year: 2020

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

457 Biosystems & Ag Engineering Laboratory Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: Biosystems & Ag Engineering

Total Cost: \$50,000

Description: This project will provide new research laboratories to meet growing demands and satisfy requirements of federal grant proposals for CFANS. It will consolidate CFANS departments by grouping users in functionally appropriate space. Computational labs will be constructed in BAE and wet lab or volumetric research in Engineering Fisheries Laboratory. A new second floor will be added to Engineering and Fisheries Laboratory, maximizing the usable space for research.

RRC: College of Food, Agricultural and Natural Resource Sciences

RRC Contact: Buhr, B.

Year: 2020

Stage: Proposal

459 Pioneer Hall Renovation or Replacement

Vice President: University Services

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project will explore options meeting the facility renewal needs of Pioneer Hall.

RRC: Housing & Residential Life

RRC Contact: Thompson, C.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year 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.

Financial Components of the President's Recommended Six-Year Capital Improvement Plan & 2015 State Capital Request

Finance Committee
October 9, 2014



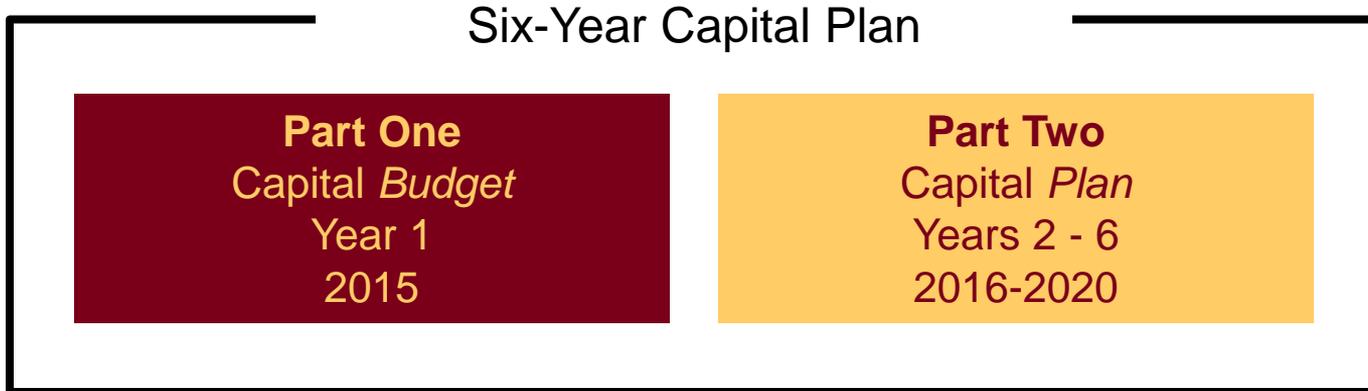
UNIVERSITY OF MINNESOTA

Driven to DiscoverSM



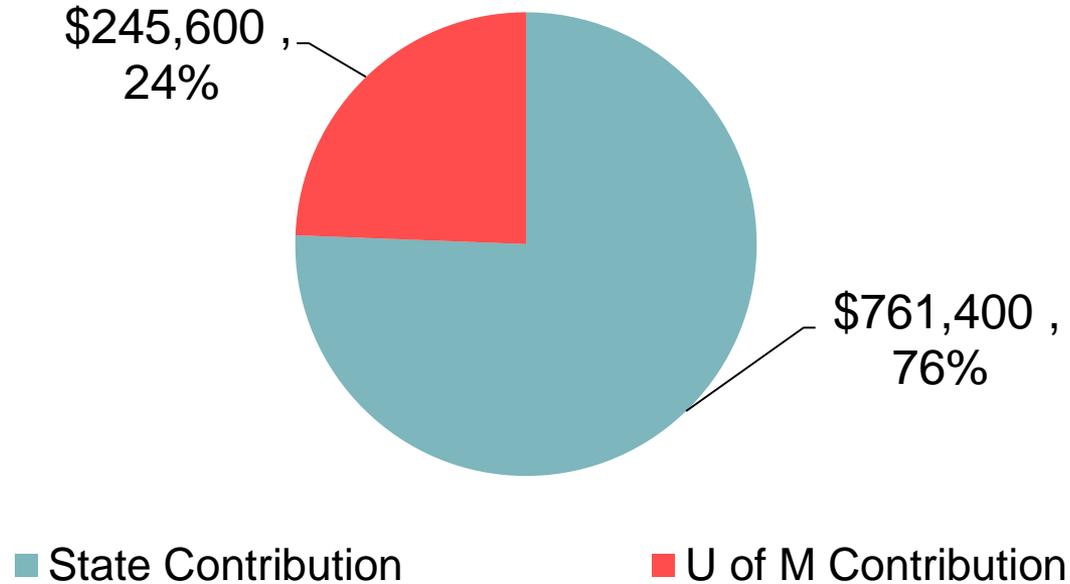
What is the Six-Year Capital Plan?

- 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 = \$1,007,000





Resolution

WHEREAS, preserving the University campuses through stewardship of public investments that have been made over 150 years is a commitment the Board has made to the State; and

WHEREAS, advancing key academic priorities is critical for the University to achieve and maintain excellence; and

WHEREAS, continuing investment in research infrastructure is essential for the future competitiveness of the University and the State of Minnesota; and

WHEREAS, enhancing the student experience for both undergraduate education and graduate and professional education is required as the core of its mission in order to generate and disseminate knowledge; and

WHEREAS, improving outreach and engagement is necessary in order to transform State communities, fuel the State economy, address State social issues, and improve the State's health; and

WHEREAS, the administration has developed a capital-planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is responsible.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the President's Six-Year Capital Improvement Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research and outreach objectives.



Financial Summary

2015 State Capital Budget Request

Request
dollars in thousands

Location	Project	Total	State	U of MN	
SYSTEM	HEAPR	\$ 55,000	\$ 55,000	\$ -	
UMTC	Veterinary Isolation Facility Replacement	\$ 27,000	\$ 18,000	\$ 9,000	
UMTC	St. Paul Greenhouse Replacement	\$ 6,000	\$ 4,000	\$ 2,000	
		Total:	\$ 88,000	\$ 77,000	\$ 11,000



Resolution

WHEREAS, the Board of Regents has directed the administration to annually submit a capital improvement budget and a six-year capital improvement plan in support of the University's strategic priorities; and

WHEREAS, the Board of Regents recognizes the importance of sustaining and improving the University's facilities in support of teaching, research, and outreach; and

WHEREAS, the administration has developed a capital planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is realistic;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents approves the University's 2015 State Capital Request to the Minnesota Legislature in the amount of \$88,000,000 consisting of \$77,000,000 from the State of Minnesota and \$11,000,000 from the University of Minnesota.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 9, 2014

Agenda Item: Administrative Cost Definition & Benchmarking

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, VP & Chief Financial Officer
Julie Tonneson, AVP & Budget Director
Lincoln Kallsen, Director, Institutional Analysis

Purpose & Key Points

The purpose of this discussion is to update the committee on the third year of results for the cost benchmarking analysis for the University. The study identifies and benchmarks the University's expenditures into the categories of Mission, Student Aid, Mission Support and Facilities, and Leadership and Oversight.

The discussion will include an overview of the methodology for defining personnel and non-personnel expenditure totals in the categories of Mission, Student Aid, Mission Support and Facilities, and Leadership and Oversight. Expenditure totals by category and their relative share of total expenditures will be identified for fiscal years 2011-12, 2012-13, and 2013-14 with an analysis of changes year over year. Explanations will be discussed for any significant increases or decreases between the two years.

Background Information

The first two years (fiscal year 2011-12 and 2012-13) of this analysis were shared with the Board of Regents in the Finance and Operations Committee on October 11, 2012 and October 10, 2013. This presentation builds on that information by reviewing the methodology and adding the third year of data.

Administrative Cost Definition & Benchmarking

Finance Committee | October 9, 2014

Vice President Richard Pfutzenreuter



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Original 2012 Goals for Cost Definition and Benchmarking Analysis

- Develop a shared understanding of University spending
- Promote a broader dialogue of our cost structure – where the money goes
- Identify gaps in processes, data and information
- Improve the University's ability to set its own spending benchmarks
- Establish a repeatable methodology to monitor changes or patterns in spending over time



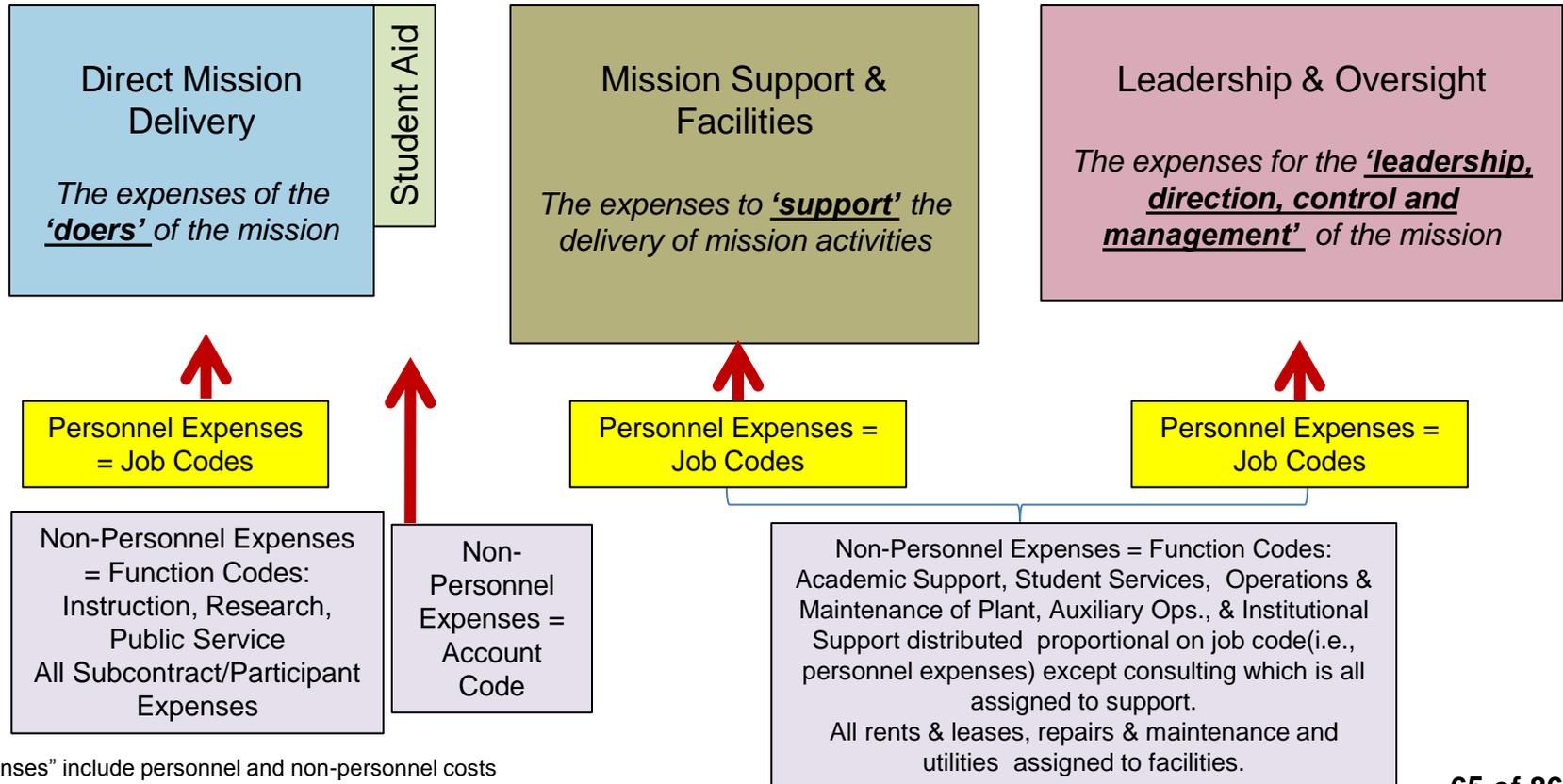
2014 Analyses – Third Year “Snap Shot”

Cost Definition & Benchmarking



Costs in all of these categories....
Occur throughout the organization
Have multiple funding sources

Cost Definition & Benchmarking



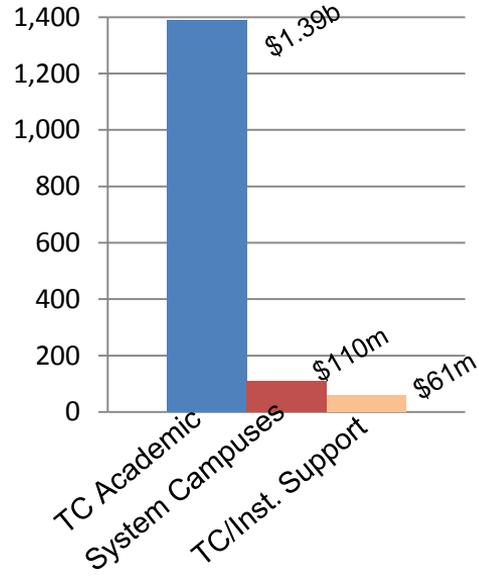
Note: "Expenses" include personnel and non-personnel costs
 Expenses related to agency activity, direct construction, debt, ISOs, the Enterprise Systems Upgrade Project, and cross-unit charges have been eliminated

Costs Occur Throughout the Organization

Direct Mission Delivery

The expenses of the **'doers'** of the mission

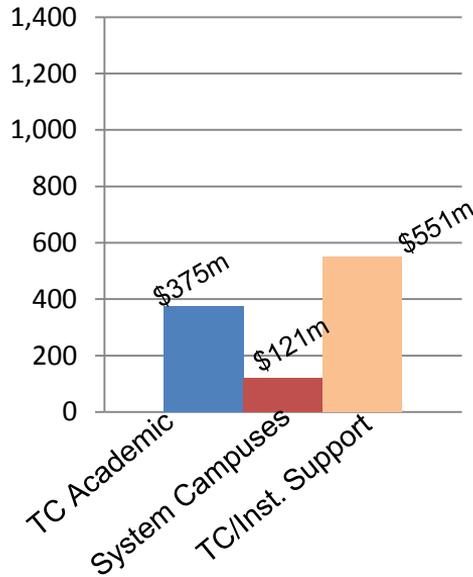
FY14 Costs – \$1,561b total



Mission Support & Facilities

The expenses to **'support'** the delivery of mission activities

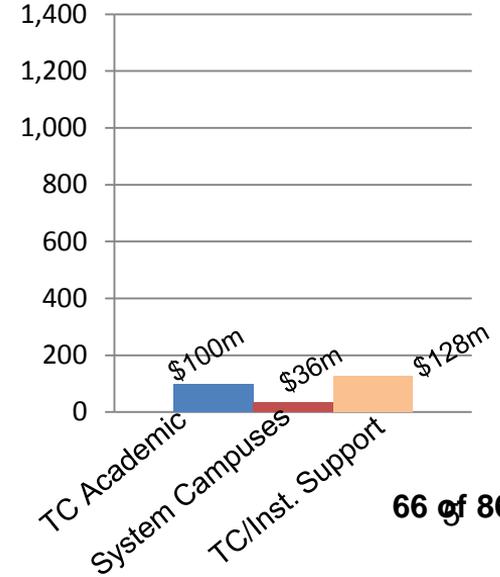
FY14 Costs – \$1,046b total



Leadership & Oversight

The expenses for the **'leadership, direction, control and management'** of the mission

FY14 Costs – \$264m total

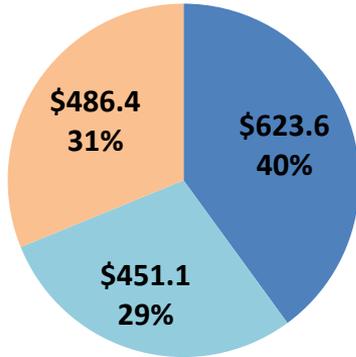


Costs Occur Across All Fund Groups

Direct Mission Delivery

The expenses of the **'doers'** of the mission

Dollars in Millions



- O&M/St. Special
- Other Nonsponsored
- Sponsored

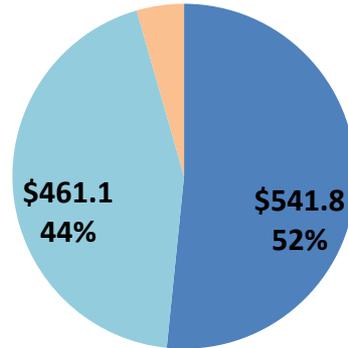
\$1.561b Total

Mission Support & Facilities

The expenses to **'support'** the delivery of mission activities

Dollars in Millions

\$46.8 4%



- O&M/St. Special
- Other Nonsponsored
- Sponsored

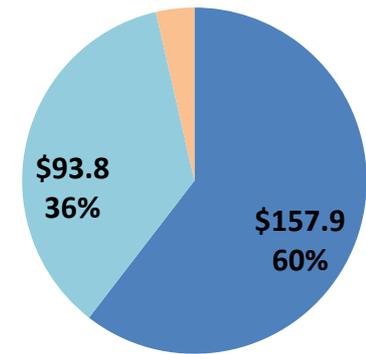
\$1,046b Total

Leadership & Oversight

The expenses for the **'leadership, direction, control and management'** of the mission

Dollars in Millions

\$9.4 4%

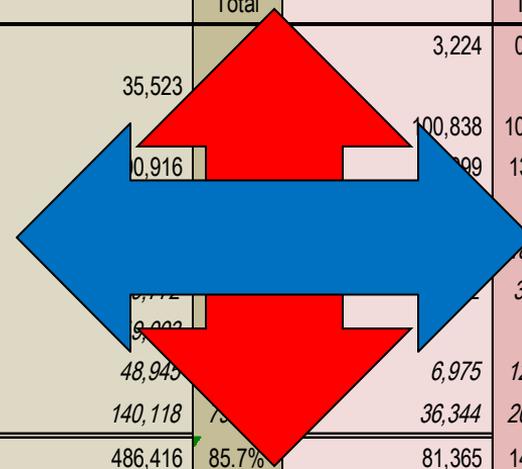


- O&M/St. Special
- Other Nonsponsored
- Sponsored

\$264m Total

Job Family Effects – “rows” and “columns”

PERSONNEL	Mission	Mission as % of Total	Student Aid	Student Aid as % of Total	Mission Support & Facilities	MS&F as % of Total	Leadership & Oversight	L&O as % of Total	Total
Direct Academic	855,872	99.6%					3,224	0.4%	859,095
Students **	237,185	87.0%			35,523				272,708
Leadership							100,838	100.0%	100,838
Campus Operations ***					10,916		99	13.0%	116,015
Support:									
<i>Audit/Finance/HR/Info Tech/Legal</i>								8.1%	193,652
<i>Clerical Support</i>								3.2%	92,744
<i>Coordinators</i>					9,000				49,003
<i>Skilled Generalists</i>					48,945		6,975	12.5%	55,920
<i>Other Support</i>					140,118		36,344	20.6%	176,462
Support Subtotal	0	0.0%	0	0.0%	486,416	85.7%	81,365	14.3%	567,782
Total Personnel	1,093,056	57.0%	0	0.0%	622,856	32.5%	200,526	10.5%	1,916,438



“Row movements” are between groupings of employees.

Job family studies are moving some employees from generalists job categories to more specific job categories.

“Column movements” are between Mission Support and Leadership & Oversight.

Job family studies are defining management roles with greater clarity.

FY13 restated to make valid year-to-year comparisons

Three year trends

- Leadership & Oversight category declining in headcount and as a percentage of overall spend
- 87% of additional spend directed at mission or mission support
- Lack of growth in available sponsored funding puts pressure on additional mission investment
- Program expansions often require mission support & facilities spending, as well as additional direct mission spending
- Non-personnel and sub-contract spending is quite variable year-to-year

FY14 Analysis – Summary of Results

- Total Spend Was \$3.2 Billion (up \$120m or 3.9% from FY13)
- Personnel costs increased 2.6% overall, mostly reflecting the FY14 compensation increase
 - Total system-wide headcount increased about 1%
 - Continued movement from part-time to full-time employees
- Non-personnel costs increased to a greater extent than personnel costs
 - Research equipment, new facilities, royalty and sub-contact payments
- Mission Increased as % of Total
- Leadership & Oversight and Mission Support & Facilities Categories Decreased as % of Total

Seeing the shift from “right to left” in the summary chart

- Notable Findings by Category Following....

Direct Mission Delivery

*The expenses of the
'doers' of the mission*

Student Aid

Direct Mission Delivery

FY14

49.2% of overall spend

Types of Positions Included in this Category:

- Tenured and tenure-track professors
- Adjunct instructors, lecturers, clinical professors
- Extension educators
- Health science professionals
- Scientists and laboratory technicians
- Students in teaching assistant, research assistant, or fellowship roles

Plus all non-personnel expenses with instruction, research, or public service function codes (excluding utilities, rents, leases and repairs & maintenance – assigned to facilities)

Direct Mission Delivery

(Dollars in Thousands)			FY13	FY14	Change	
					\$\$	%%
MISSION	Mission Personnel					
		Direct Academic	829,301	855,872	26,571	3.2%
		Students	232,890	237,185	4,295	1.8%
		Mission Nonpersonnel	426,0204	468,024	42,004	9.9%
		Mission Total	1,488,212	1,561,080	72,8692	4.9%
		Mission - % of Total Spend	48.8%	49.2%	Increased four tenths	

Notable Changes FY14 Compared to FY13:

Personnel:

- Compensation increases were \$31m of the \$73m increase (up 2.9%)
- In addition to the 2.5% general wage increase, compensation changed for promotional increases, exceptional retention or merit increases, and changes in the number of personnel hours

Non-personnel:

- The most significant growth in this category is tied to increased spending in sponsored grants – three new subcontracts alone (in CEHD, CSE & SPH) account for a change of \$11m, and there is another \$11m increase in equipment purchases on sponsored grants spread throughout
- Tied to research, there were also single large equipment purchases (\$615,000 in one; \$375,000 in another) in setting up labs for new faculty hires
- Increases in gifts and endowment earnings led to increased spending of these resources in support of faculty as well.

Mission Support & Facilities

*The expenses to **'support'** the delivery of mission activities*

Mission Support & Facilities

FY14
33% of overall spend

Types of Positions Included in this Category:

Support categories – all non-supervisory

- Audit/Finance/HR/Info Tech/Legal and Clerical Support
- Other specialized support - Examples: Advisors, librarians, curators, child care workers, coaches
- Non-descriptive job codes – Examples: Coordinators, “Skilled generalists” – analysts, associate to, administrative professional, etc.

Campus Operations – all non-supervisory

- Buildings and grounds workers
- Skilled trades, Engineers, safety technicians, environmental health and safety workers

Plus Prorated Share of Supplies, Services, Equipment etc. in non-mission functions

Plus All Consulting in non-mission functions

Plus Utilities, Repair & Maintenance, Rents & Leases

Mission Support & Facilities

(Dollars in Thousands)		FY13	FY14	Change	
				\$\$	%%
MISSION SUPPORT & FACILITIES	Mission Support & Facilities Personnel				
	Students	34,792	35,523	731	2.1%
	Campus Operations	95,764	100,916	5,151	5.4%
	Support	474,954	622,856	11,462	2.4%
	Mission Support & Facilities Nonpersonnel	407,943	423,492	15,550	3.8%
	Mission Support & Facilities Total	1,013,4530	1,046,348	32,895	3.2%
	Mission Support & Facilities-% of Total Spend	33.2%	33.0%	Down two tenths	

Notable Changes FY14 Compared to FY13:

Personnel:

- Compensation increases were \$17m of the \$33m increase (2.9%)
- In addition to the general 2.5% compensation increase, the growth in campus operations is largely driven by three FY14 additions: opening the 17th Ave. residence hall in Minneapolis; implementing UMarket, and opening the new Rec Sports facility on the Twin Cities campus
- The overall increase in the other personnel categories is less than the general 2.5% wage increase due to reductions in positions and/or personnel hours worked – example: voluntary lay-off/nonrenewal program at UMD

Non-personnel:

- Supplies/Services/Misc. – prorated across this category and Leadership & Oversight – examples include increased royalty payments through the Office of Technology Transfer, increased property & liability insurance costs, increased telecommunications costs, growth in the NCAA Championship costs in Intercollegiate Athletics and so on

Leadership & Oversight

*The expenses for the **'leadership, direction, control and management'** of the mission*

Leadership & Oversight

FY14

8.3% of overall spend

Types of Positions Included in this Category (Leadership & Management):

- **Executive leadership** – President, Vice Presidents, Chancellors, Provost & Vice Provosts
- **Academic leadership** – Deans & Associate Deans, Department chairs and heads
- **Directors** – program, department, campus, and system-wide (another “non-descriptive” set of job codes)
- **Supervisor and managerial titles** across the organization

Plus prorated share of Supplies, Services, Equipment, etc. in non-mission functions

Leadership & Oversight

(Dollars in Thousands)			FY13	FY14	Change	
					\$	%
LEADERSHIP & OVERSIGHT		Leadership & Oversight Personnel	199,987	200,526	539	0.3%
		Leadership & Oversight Nonpersonnel	62,457	63,867	1,411	2.3%
		Leadership & Oversight Total	262,444	264,393	1,950	0.7%
		Leadership & Oversight - % of Total Spend	8.6%	8.3%	Down three tenths	

Notable Changes FY14 Compared to FY13:

Personnel:

- Compensation increases were \$.5m of the \$2m increase (.3%)
- In addition to the general 2.5% compensation increase, the growth in the Leadership row is in part due to moving pay for department chairs or vice chancellors from an augmentation to their faculty pay (Mission category) to a 100% pay as chair or vice chancellor (Leadership), and in part due to filling previously open positions: VP Equity & Diversity, Chief Executive Officer of the Alumni Assoc., Associate Director of International Student & Scholar Services, for example
- Overall headcount in Leadership & Oversight personnel is down slightly in FY14 compared to FY13

Non-personnel:

- Equipment, Supplies & Services etc. (not coded instruction/research/public service) were prorated between Mission Support & Facilities & Leadership & Oversight – so items from prior category here too (see slide 13 for examples)

Expense Summary for Administrative Cost Benchmarking – FY14 University of Minnesota – Systemwide*

(\$\$ in Thousands)

	a	b	c	d	e	d	e	f	g	h
1	PERSONNEL	Mission	Mission as % of Total	Student Aid	Student Aid as % of Total	Mission Support & Facilities	MS&F as % of Total	Leadership & Oversight	L&O as % of Total	Total
2	Direct Academic	855,872	99.6%					3,224	0.4%	859,095
3	Students **	237,185	87.0%			35,523	13.0%			272,708
4	Leadership							100,838	100.0%	100,838
5	Campus Operations ***					100,916	87.0%	15,099	13.0%	116,015
6	Support:									
7	<i>Audit/Finance/HR/Info Tech/Legal</i>					158,579	81.9%	35,074	18.1%	193,652
8	<i>Clerical Support</i>					89,772	96.8%	2,972	3.2%	92,744
9	<i>Coordinators</i>					49,003	100.0%			49,003
10	<i>Skilled Generalists</i>					48,945	87.5%	6,975	12.5%	55,920
11	<i>Other Support</i>					140,118	79.4%	36,344	20.6%	176,462
12	Support Subtotal	0	0.0%	0	0.0%	486,416	85.7%	81,365	14.3%	567,782
13	Total Personnel	1,093,056	57.0%	0	0.0%	622,856	32.5%	200,526	10.5%	1,916,438
14	NON-PERSONNEL	Mission	Mission as % of Total	Student Aid	MS&F as % of Total	Mission Support & Facilities	MS&F as % of Total	Leadership & Oversight	L&O as % of Total	Total
15	Direct Mission Subcontract/Participant	127,718	100.0%							127,718
16	Supply/Service/Misc	210,923	49.8%			160,520	37.9%	51,679	12.2%	423,122
17	Equipment/Other Capital Assets	46,516	48.2%			37,859	39.2%	12,189	12.6%	96,564
18	Consulting/Prof Services	82,867	69.1%			37,095	30.9%			119,961
19	Repair & Maintenance Supply					57,464	100.0%			57,464
20	Utilities					99,448	100.0%			99,448
21	Rents/Leases					31,106	100.0%			31,106
22	Student Aid			299,966	100.0%					299,966
23	Total Non-Personnel	468,024	37.3%	299,966	23.9%	423,492	33.7%	63,867	5.1%	1,255,350
24	TOTAL EXPENSE	1,561,080	49.2%	299,966	9.5%	1,046,348	33.0%	264,393	8.3%	3,171,787

* Excludes expenditures for Enterprise Systems Upgrade Project (RRC: Enterprise Resource Planning), direct construction activity, debt, agency funds activities, cross-unit charges, and SO Funds. Also excludes expenditures for University of Minnesota Foundation (and Minnesota Medical Foundation) which were previously excluded as Agency funds.

Administrative Cost Reductions And Cost Definitions & Benchmarking Analysis

Cost Benchmarking Categories

\$15m Per Year
\$90m over 6 Years
Can Impact:

Mission

Non-Personnel

Personnel

Mission Support & Facilities

Non-Personnel

Personnel

Leadership & Oversight

Non-Personnel

Personnel

Over 50% of actions taken to reduce expense in first two years results in salary savings in these two categories

Strategies on the \$15 million Examples:

- Redesign work processes to increase efficiency and effectiveness:
- Redesign & reconfigure organizations to increase efficiency and effectiveness:
 - Organizational design (spans, layers)
 - Shared services design across the enterprise
 - Targeted restructurings and attrition
- Leveraging the institution's technology capabilities to drive efficiencies
- Targeted operational budget reductions (e.g., travel, printing, consulting, supplies, equipment)
- Spending audits and controls; elimination of spending with low value-add

FY14 Analysis - Key Takeaways

- “Operational Excellence” activities in all 3 areas:
 - Direct Mission Delivery
 - Mission Support & Facilities
 - Leadership & Oversight
- Cost saving strategies and efficiency improvements come from all areas of University operations
- Evidence of specific efficiencies or savings will not be detected in this level of analysis – masked by program growth & service increases
- Refining job families to better understand what people do is helping overall analysis but making year-to-year comparisons more challenging
- Mission support spending will vary as investments in mission activities change and grow
- Greatest value will be in monitoring data over time
- Focus of the annual budget process



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 9, 2014

Agenda Item: Consent Report

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, VP & Chief Financial Officer

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.

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.

- To Cardinal Health for an estimated \$1,200,000 for the purchase of pharmaceuticals and related supplies for the period of November 1, 2014, through February 28, 2015, for Boynton Health Service Pharmacy. This purchase will be paid for from the sale of prescriptions and other items to patients and from payments by U of M departments for pharmaceuticals. Vendor was selected through a competitive process.
- DOSECC Exploration Services, LLC, (DES) for \$8,200,000 for building and testing services to provide a mobile drilling platform to be used for research purposes on the ice sheets of Antarctica for University of Minnesota Duluth (UMD). The National Science Foundation (NSF) made a research award of about \$8.9M to UMD in August 2014. Most of the award funds are obligated to DES as the principal contractor for construction and testing, and direct payment by UMD is based on detailed weekly invoices from DES that are reviewed by the project management team. Continuation of funding will be based on overall performance as documented in periodic reports to NSF. Vendor 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 2014-15

Recipient	Allocation	Balance	Purpose
1 FY2015 General Contingency		\$1,000,000	
2 Carryforward from FY2014 into FY2015	785,396	1,785,396	
3 VP University Services	*	500,000	UMarket Logistics Dock
4 VP University Services	*	250,000	U Relations Space Remodel
5 VP University Services	(85,000)	1,120,396	U Market Sprinkler System (return of unused funds)
6 College of Liberal Arts	25,000	1,095,396	Human Rights Program
7 Office of Public Safety	*	271,300	PSECC Radio Technology
8 Environmental Health & Safety	200,000	624,096	UMore GUE Additional Investigation & Response Action Plan
9 New items this reporting period:			
No new items this period			
10 FY 2014-15 Ending Balance	624,096		

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

Purchase of Goods and Services over \$1,000,000

To Cardinal Health for an estimated \$1,200,000 for the purchase of pharmaceuticals and related supplies for the period of November 1, 2014 through February 28, 2015 for Boynton Health Service Pharmacy.

The pharmaceuticals purchased by the Boynton Pharmacy are used to fill prescriptions for U of M students, staff, dependents and retirees; to stock various clinics at Boynton Health Service; or wholesaled to other U of M departments.

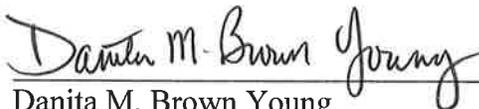
Cardinal Health was selected through a competitive process led by the State of Minnesota, Department of Administration, Materials Management Division, on behalf of the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). Total MMCAP purchases are over 1 billion dollars annually.

MMCAP has been in existence for 26 years. Over 5,000 facilities from 43 states participate in this buying group. Because of the large purchasing volume, members are able to get the most advantageous pricing available and next-day delivery for most items, thus enabling prompt service to Boynton's patients and other University departments.

This purchase will be paid for from the sale of prescriptions and other items to patients and from payments by U of M departments for pharmaceuticals.

Submitted by: Michelle Jacobson, PharmD
Pharmacy Supervisor
Boynton Health Service Pharmacy
Phone: (612) 624-2193

Approval of the item requested by:



Danita M. Brown Young
Vice Provost for Student Affairs & Dean of Students

9-19-14

Date

Purchase of Goods and Services \$1,000,000 and over

To DOSECC Exploration Services (DES), LLC, for \$8,200,000 for build and testing services to provide a mobile drilling platform to be used for research purposes on the ice sheets of Antarctica for University of Minnesota Duluth (UMD).

UMD is building a new Rapid Access Ice Drill (RAID) that will penetrate the Antarctic ice sheets in order to core through deep ice, the glacial bed, and into bedrock below. This new technology will provide a critical first look at the interface between major ice caps and their subglacial geology. RAID will transform our understanding of ice sheet behavior, glaciology, paleoclimate records, terrestrial heat flow, and subglacial geology.

Phase 2 of RAID involves fabrication, construction and testing of the drilling system in Utah based on the detailed engineering design completed by DES in Phase 1. RAID is collaborative with the Scripps Institution of Oceanography and is funded by the National Science Foundation as a basic research platform.

Through a competitive process, two proposals were received and DES provided the best value based on a combination of price, schedule, work plan, and qualifications.

A research award of about \$8.9M was made to UMD by the NSF in August 2014. Most of the award funds are obligated to DES as the principal contractor for construction and testing, and direct payment by UMD is based on detailed weekly invoices from DES that are reviewed by the project management team. Continuation of funding will be based on overall performance as documented in periodic reports to the NSF.

Submitted by: John Goode, Professor and RAID project Principal Investigator
Department of Earth & Environmental Sciences
Duluth Campus
Phone: (218) 726-7491
Fax: (218) 726-8275

Approval for this item requested by:



VP or Exec. VP Signature



Date



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 9, 2014

Agenda Item: Information Items

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, VP & Chief Financial Officer

Purpose & Key Points

Quarterly Investment Advisory Committee Update

The purpose of this item is to provide the committee with a summary of the quarterly meeting of the Investment Advisory Committee (IAC) held on August 20, 2014.

Chief Investment Officer Stuart Mason indicated to the IAC that the market value of the Consolidated Endowment Fund (CEF) had grown over the last quarter by \$47.2 million and by \$192.8 million over the past year, to a June 30, 2014 total of \$1,272.5 million. He reviewed the quarterly performance for CEF noting that the 4.03% increase was 0.62% above the custom benchmark. The 12-month performance of 20.38% was 4.85% above the same custom benchmark. The most significant contributor to outperformance for the year and for the quarter was the Private Capital portfolio as 2013 and early 2014 experienced very significant M&A and public market exits driving up valuations across the entire private market portfolio.

Mason reported that a net \$89.4 million of cash had been distributed to CEF as all forms of the private partnerships liquidated assets through the month of August. \$15 million has recently been allocated to the intermediate treasury investments in CEF and there remains approximately \$70 million of cash available that is being "equitized" by the purchase of futures and is intended to fund early investments in the absolute return hedge fund portfolio being assembled.

Portfolio Manager Ann Hanna summarized the recommendation for a new commitment to an existing manager, Energy Spectrum. Equity investments in natural resources, including oil and gas, provide protection against unanticipated inflation, current cash flow and opportunities to exploit pricing inefficiencies. In addition, they provide diversification with low (or negative) correlations to other asset classes at the portfolio level. The fund will be primarily invested in the midstream sector of the energy industry in the US, Canada and Mexico. OIB proposed to invest \$25 million in the \$1.2 billion ESP Fund VII, based on their strong track record, experienced team, market niche, and appropriate risk level and liquidity terms for the CEF portfolio. Committee members were in favor of the fund's mid-stream market focus and approved the recommendation unanimously.

Portfolio Manager Vitali Datsenko, who is responsible for the absolute return portfolio, summarized the results of his exhaustive search for a single manager to build out a hedge fund portfolio within CEF. The committee discussed at length the need to implement absolute return strategies, based on the portfolio's asset allocation parameters. Some members noted a declining interest in the strategies implemented by hedge funds and their high fees, but that a strong team could certainly identify top managers. Several proposals for a "fund of one" account were considered. IAC members voted unanimously to authorize OIB staff to enter into contract negotiations with one of the investment management firms presented for discussion, under the terms outlined in their proposal.

Mason referred briefly to the Quarterly Asset Management Report noting that other portfolios such as TIP, GIP, and RUMINCO all had performance that was above benchmark for the quarter and for longer-term periods, and all portfolios were very much in balance relative to their specific asset allocation guidelines.