



# Finance & Operations Committee

October 2019

October 10, 2019

9:00 a.m.

Boardroom, McNamara Alumni Center

## FIN - OCT 2019

### 1. President's Recommended Six-Year Capital Plan and 2020 State Capital Request - Action

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### 2. Resolution Related to Dining Services Contract Extension (Twin Cities campus) - Action

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### 3. Real Estate Transactions - Action

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- Sale of Murphy Warehouse - 701 24th Avenue SE, Minneapolis (Twin Cities campus)
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### 4. Twin Cities Undergraduate Nonresident/Non-Reciprocity Tuition Update

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Schematic Design: Student Housing and Dining Center (Duluth campus)

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8. Resolution to Conduct Non-Public Meeting of the Finance & Operations Committee Pursuant to Minnesota Statutes Section 13D.05, subdivision 3(c)(3) - Review/Action

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2019**

**AGENDA ITEM:** President’s Recommended 2019 Six-Year Capital Plan and 2020 State Capital Request

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** President Joan T.A. Gabel  
Brian D. Burnett, Senior Vice President  
Michael Berthelsen, Vice President, University Services

## **PURPOSE & KEY POINTS**

The purpose of this item is to act on the President’s recommended 2019 Six-Year Capital Plan and the 2020 State Capital Request.

Board of Regents Policy: *Board Operations and Agenda Guidelines* requires a Six-Year Capital Plan that sets priorities and direction for ongoing academic and capital planning efforts. This policy directs the administration to conduct capital planning with a “six-year time horizon, updated annually.” It is the University’s primary capital investment planning tool.

The President’s recommended 2019 Six-Year Capital Plan (Plan) includes major capital improvements planned for calendar years 2020 through 2025 (FY 2021 to FY 2026.) The Plan includes projects to be funded with state capital support as well as planned major 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 (2020) outlines the projects that the University will be submitting to the State of Minnesota for consideration during the 2020 legislative session. Higher Education Asset Preservation and Replacement (HEAPR) continues to be the top priority. This request also seeks funding for three standalone renovation projects, and finally for design services related to the Health Sciences Strategic Investment program.

## **2019 Plan Highlights**

The Plan presented for consideration continues to emphasize reinvestment into the University’s existing infrastructure. A growing deferred renewal backlog has widespread impacts on academic programs, research initiatives, student experience, and general competitiveness. The reduction of poor and critical space is a maroon measure on the University Progress Card, and HEAPR continues to be the smartest and most cost-effective investment toward this objective. It protects and extends the useful life of investments made by the taxpayers through capital bonding, by students who pay tuition, and by donors who give to the University. The Plan recommends HEAPR requests of \$200 million in each year to align with actual deferred renewal needs. It defines specific projects and placeholders that position the University for success through five capital strategic priorities:

## 1. Address Poor and Critical Backlog

The Facility Condition Assessment (FCA) identifies a facility's physical condition and needs. This process looks at each building across the system and identifies deferred, non-recurring, and projected renewal needs to determine a facility condition needs index (FCNI.) The FCNI (the 10-year projected needs divided by the estimated replacement value) determines where a building is rated on a scale that starts at 0.0 (new building, excellent) and extends to 1.0 (significant needs, critical.) This industry standard assessment is conducted by a third-party under contract.

Campus	Total GSF <sup>1</sup>	Estimated Replacement Value <sup>2</sup>	Projected 10-Year Needs <sup>2</sup>	10 Year Needs/Replacement Value = (FCNI)	GSF Poor / Critical
Twin Cities	23,782,047	\$10,489,267,986	\$4,009,944,029	0.38	7,432,465
Duluth	3,244,481	\$1,161,815,046	\$409,184,630	0.35	461,971
Morris	993,166	\$420,167,811	\$173,817,303	0.41	481,564
Crookston	723,407	\$341,386,861	\$86,556,619	0.25	59,773
ROCs	1,571,262	\$306,916,909	\$92,456,249	0.30	92,818
<b>TOTALS</b>	<b>30,314,363</b>	<b>\$12,719,554,613</b>	<b>\$4,771,958,830</b>	<b>0.38</b>	<b>8,528,591</b> <sup>3</sup>

<sup>1</sup> Total Gross Square Feet. Excludes Rochester Campus. Does not include parking ramp decks.

<sup>2</sup> Figures include formally assessed facilities plus actual or modeled values for non-assessed facilities less than 10 years old.

<sup>3</sup> Increase of 0.3% from previous year.

This Plan puts a strong emphasis on fixing or replacing some of the University's worst buildings. HEAPR funding remains at the core of this strategy.

## 2. Advance the Health Sciences

The Plan continues to promote a new strategic capital investment to improve the educational and clinical research spaces for University programs in medicine and health. The Health Sciences Strategic Capital Investment is developing capital projects to advance academic goals that over time would:

- co-locate clinical, translational, and outcomes focused research teams;
- create new clinical laboratories to support patient care;
- consolidate the School of Public Health; and
- support hospital service expansion.

Through the development of modern and efficient replacement space, several FCA critical facilities will be brought up to current code, condition, and efficiency standards while the Mayo complex will be decommissioned, resulting in a net reduction of campus square feet and annual facility operating costs. This new Health Sciences Strategic Capital Investment program continues to progress through different stages of planning. The Clinical Research Facility is well into predesign, while other program components are in varying stages of feasibility. Details on all aspects of the program including overall structure, program components, project costs, funding strategy, and schedule will continue to be refined in the coming year. A request for state funding in 2020 completes design, acquires land, prepares site and completes preconstruction services for the Clinical Research Facility.

### *3. Modernize Saint Paul Research Laboratories*

The Plan continues the vision first set out in the 2013 plan to renovate, construct, and decommission targeted laboratories on the Twin Cities campus in Saint Paul. The placeholder in 2022 for Saint Paul Capital Renewal will be informed by the outcome of the Saint Paul Strategic Facilities plan. Additional HEAPR investments in Food Science and Nutrition, Biosystems and Agricultural Engineering, and the Biological Science Center will optimize existing facilities and infrastructure to support teaching and research. Renovation or replacement of the Saint Paul Student Center will create a new hub of campus life for students, faculty, staff, and visitors.

### *4. Expand Capacity in STEM Programs*

Student demand and state performance measures related to STEM degrees have increased the need for teaching laboratory facilities. Chemistry is a core component of most STEM programs, and an inadequate supply of chemistry labs is restricting the University's ability to meet demand and move students through required course sequences. The Plan includes major investments for the Duluth campus Chemistry Building and Twin Cities campus chemistry teaching capacity, as well as major HEAPR investments in the Mechanical Engineering building and Food Sciences and Nutrition building.

### *5. Repositioning Libraries for the 21st Century*

Library spaces are in high demand. Investments will provide for materials that remain accessible, but are no longer housed in prime campus real estate. This will ensure existing libraries remain the center of campus scholarship and exchange by creating flexible teaching, learning, and collaboration spaces. Several investments are planned for the Twin Cities campus that will be done as part of the larger Health Sciences investment plan. Additional opportunities exist to modernize Wilson Library with future Twin Cities campus capital renewal or strategic capital investment placeholders.

## **2020 State Capital Request**

There are five items in the 2020 State Capital Request:

1. The first priority for funding is a \$200 million HEAPR request.
2. The Child Development replacement on the Twin Cities campus. (This is a carryforward request from last year.)
3. The renovation of A.B. Anderson Hall on the Duluth campus. Funding for A.B. Anderson was first proposed with the Academic and Student Experience Investments in 2016. (This is a carryforward request from last year.)
4. A Chemistry and Undergraduate Teaching Facility on the Twin Cities campus.
5. Funding to acquire land and advance design for the Health Sciences Strategic Capital Investment program. The \$375.8 million state capital request represents \$317.2 million from the state and \$58.6 million from the University.

## BACKGROUND INFORMATION

### Forming the Plan

Formation of the Plan is directed by University leadership including the Executive Vice President and Provost, the Senior Vice President for Finance and Operations, and the Vice Presidents for Health Sciences, Research, University Relations, and University Services. A multi-stage capital improvement planning process yields a draft plan for the President’s consideration and eventual recommendation to the Board.

Stage 1 Proposal	Stage 2 Planning and Feasibility	Stage 3 Predesign	Stage 4 Resource Acquisition	Stage 5 Implementation
Define the problem or opportunity  <ul style="list-style-type: none"> <li>• Programmatic needs</li> <li>• Facility conditions</li> <li>• Financial resources assessment</li> </ul>	Evaluate scope, scale and alternatives  <ul style="list-style-type: none"> <li>• Strategic positioning</li> <li>• Academic priorities</li> <li>• Financial constraints</li> <li>• Space needs</li> </ul>	Advance the optimal scenario  <ul style="list-style-type: none"> <li>• Project scope</li> <li>• Project budget</li> <li>• Project schedule</li> </ul>	Confirm source and availability of funds  <ul style="list-style-type: none"> <li>• Financial impact</li> <li>• Debt capacity</li> </ul>	Deliver Project  <ul style="list-style-type: none"> <li>• Schematic design and GMP approval by the Board.</li> </ul>
<b>Chancellors, vice presidents and deans submit proposals</b>	<b>Budget 5 – Capital Strategy Group authorize proposals for feasibility</b>	<b>The Six Year Plan authorizes projects eligible to begin predesign</b>	<b>Predesign completion authorizes resource acquisition to begin</b>	<b>Board of Regents authorize projects &gt;\$1 million to commence</b>

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

- *Financial parameters* such as state economic forecasts, state debt capacity, past trends, University debt capacity, and project-specific fundraising potential.
- *Operating budget impact* such as ability to fund the incremental operating (facility and programmatic) and debt costs associated with proposed projects.
- *Timing and sequencing of projects* to complete a series of related projects in process or other capital project “dominoes.”
- *Impact on programs (both research and instructional)* to manage the level of disruption while still maintaining research and teaching functions.
- *Health, safety, and regulatory requirements* result in issues that require some projects to be included in the Plan.
- *Geographic distribution* recognizes the University as a system and balances investment across the state.
- *Alignment with systemwide strategic objectives.*

### Project Costs

Costs for projects in the *feasibility* stage and projects under consideration are order-of-magnitude estimates, 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. Predesign studies are prepared for projects at the appropriate time to determine more accurate cost figures. Total project costs and funding will be confirmed for each project prior to approval in the Annual Capital Improvement Budget.

## **Debt Capacity Forecast**

The University's ability to service debt over the long term is considered in the Plan's development, specifically utilizing the following assumptions:

- Projected total debt includes all existing outstanding University debt, including the state supported special purpose revenue bonds, plus planned future issuances.
- University-supported portion of projects in the six-year plan are 100 percent funded with University-issued debt.
- Issuances of debt for six-year plan projects occur over three years with a 20 percent, 55 percent, 25 percent split.
- Annual debt service for future debt to be issued assumes repayment over 25 years; 4.0 percent annual interest for FY21 and FY22 issuances; 4.5 percent in years thereafter.
- Modest increases each year in ratio components of cash and investments (3.0 percent annually) and operating expenses (2.1 percent annually).
- Debt capacity is calculated based on arithmetic average of three ratios, assuming the University's goal is to maintain each ratio at the Aa1 median level, as defined by Moody's Investors Service
- University of Minnesota Foundation cash and investments are included in total cash and investments in the applicable ratios, as defined by Moody's.

## **PRESIDENT'S RECOMMENDATION**

The President recommends approval of the resolution related to the 2019 Six-Year Capital Plan and the resolution related to the 2020 State Capital Request.



## **REGENTS OF THE UNIVERSITY OF MINNESOTA**

### **RESOLUTION RELATED TO**

### **2019 Six-Year Capital Plan**

**WHEREAS**, preserving the University of Minnesota (University) campuses through stewardship of public investments that have been made over 165 years is a commitment the Board of Regents (Board) has made to the State of Minnesota (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; 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 2019 Six-Year Capital 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**

### **2020 State Capital Request**

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

**WHEREAS**, the Board 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 2020 State Capital Request in the amount of \$375,800,000 consisting of \$317,200,000 from the State of Minnesota and \$58,600,000 from the University.

2019 Six Year Capital Plan  
Project Description Report

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Description Report

### **Project Costs**

*Project costs included in the Six-Year Capital Plan are order-of-magnitude estimates. Project costs and funding will be verified prior to consideration for the Annual Capital Budget.*

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Description Report

### 111 PTRF Renovation - Turkey Research Facility

*Campus:* Twin Cities

*Unit:* College of Food, Agricultural &  
Natural Resource Sciences

*Total Cost:* \$11,000

*Plan Year:* 2021

- Renovates 28,000 GSF in the Poultry Teaching and Research Facility in St. Paul.
- Relocates small scale turkey research from Rosemount to St. Paul.
- Maximizes research effectiveness and space utilization.
- Replaces or upgrades exterior enclosure, HVAC systems and lab casework.

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### 124 3M Arena at Mariucci Ice Plant/Floor Replacement

*Campus:* Twin Cities

*Unit:* Intercollegiate Athletics

*Total Cost:* \$5,200

*Plan Year:* 2021

- Converts the refrigerant system in response to phase out of freon production by 2020.
- Reduces scale of ice sheet and expands capacity for seating.
- Enables meeting fluorocarbon emissions standards.

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### 127 Ridder Arena Ice Plant/Floor Replacement

*Campus:* Twin Cities

*Unit:* Intercollegiate Athletics

*Total Cost:* \$1,200

*Plan Year:* 2021

- Converts the refrigerant system in response to phase out of freon production by 2020.
- Replaces the ice plant, ice sheet floor and piping.
- Enables meeting fluorocarbon emissions standards.

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### 136 LSH 1st Floor Renovation & Expansion

*Campus:* Duluth

*Unit:* UMN Duluth

*Total Cost:* \$9,900

*Plan Year:* 2025

- Remodels and expands the 1st floor of Lake Superior Hall (LSH)
- Provides more efficient and consolidated office space for staff and better space for students

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### 140 St. Paul Capital Renewal

*Campus:* Twin Cities

*Unit:* Academic Affairs and Provost

*Total Cost:* \$45,000

*Plan Year:* 2022

- Renovates teaching and research space in one or more buildings in St. Paul.
- Achieves collegiate goals of synergy among researchers
- Enables demolition of obsolete teaching and research space
- Project(s) will be defined pending the outcome of the St. Paul Strategic Facilities Plan.

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Description Report

### 141 Twin Cities Campus Capital Renewal

*Campus:* Twin Cities - Advances priority projects focused on learning spaces and student support.  
*Unit:* Academic Affairs and Provost - Renews centers of campus scholarship and exchange by creating flexible teaching, learning, and collaboration spaces.  
*Total Cost:* \$40,000 - Project will be defined in future Six Year Plan update.  
*Plan Year:* 2023

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### 146 Arboretum: Farmhouse Education Center

*Campus:* ROCs & Stations - Creates a new welcome center with a classroom and conference space for the Farm at the Arb campus that includes the Bee Center, Red Barn and demonstration farm crops.  
*Unit:* College of Food, Agricultural & Natural Resource Sciences - Serves as the headquarters for the MN Extension statewide Master Gardener Program and Arboretum Adult Education.  
*Total Cost:* \$2,000 - Timeline may adjust pending availability of funds.  
*Plan Year:* 2020

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### 158 CSOM Experiential and Collaborative Improvement Project

*Campus:* Twin Cities - Aligns the functionality of teaching and scholarship user space with new pedagogical and technological trends.  
*Unit:* Carlson School of Management - Balances efficiency, utilization, and experience as part of a strategy for determining appropriate existing space use options.  
*Total Cost:* \$35,000 - Improves utilization of existing space through more flexible learning environments facilitating student, staff and faculty collaboration.  
*Plan Year:* 2023 - Addresses building infrastructure, systems, accessibility, and other deficiencies.

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### 163 Limnology Building and Property Capital Renewal

*Campus:* Duluth - Renovates the existing 7,000 GSF limnology research station and constructs a new 6,000 GSF addition.  
*Unit:* UMN Duluth - Creates a learning lab, meeting space and workstations for 27 personnel.  
*Total Cost:* \$9,000 - Relocates MN Sea Grant Center from its current location at UMD Chester Park.  
*Plan Year:* 2025 - Timeline for investment may adjust pending availability of funds.

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### 177 Child Development Replacement

*Campus:* Twin Cities - Renovates the interior and exterior of 30,000 GSF Institute of Child Development Building, built in 1913.  
*Unit:* College of Education and Human Development - Demolishes the existing 1967 addition.  
*Total Cost:* \$43,800 - Constructs a new 30,000 - 34,000 GSF addition.  
*Plan Year:* 2020 - Creates new research labs and observation space for 20 ICD faculty and research and administrative space for the Center for Early Childhood Education.

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# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Description Report

### 178 A. B. Anderson Hall Capital Renewal

*Campus:* Duluth

*Unit:* UMN Duluth

*Total Cost:* \$6,600

*Plan Year:* 2020

- Updates mechanical systems, life safety systems, and architectural finishes.

- Modernizes 35,000 SF of teaching space for the departments of Communication, Philosophy, History, and Art.

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### 187 Chemistry Undergraduate Teaching Laboratory

*Campus:* Twin Cities

*Unit:* College of Science and Engineering

*Total Cost:* \$98,400

*Plan Year:* 2020

- Creates a 101,600 GSF state-of-the-art undergraduate chemistry teaching facility with energy efficient teaching laboratories, student collaboration spaces, and classrooms.

- Provides 18 new teaching laboratories for general and organic chemistry.

- Renovates the 30,000 GSF original Fraser Hall building, demolishes the earlier 62,000 GSF addition, and constructs a new 71,600 addition.

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### 195 Systemwide Capital Investment

*Campus:* Systemwide

*Unit:* Systemwide

*Total Cost:* \$28,000

*Plan Year:* 2023

- Advances priority projects focused on learning spaces, student support, and research laboratories.

- Project(s) will be defined in future Six Year Plan update.

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### 206 Library Collections Off-Site Storage: Phase I

*Campus:* Twin Cities

*Unit:* University Libraries

*Total Cost:* \$36,350

*Plan Year:* 2021

- Construct new space to meet the collections needs of the University of Minnesota for the next 20 years.

- Relocate various library collections into offsite storage from around the library system

- Enable the creation of new, innovative spaces for teaching and research in prime locations on campus.

- Provide secure, environmentally controlled, offsite space for storage, preservation, regeneration and characterization of essential resources.

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### 277 Chemistry Building Capital Renewal

*Campus:* Duluth

*Unit:* UMN Duluth

*Total Cost:* \$24,600

*Plan Year:* 2021

- Invests in space that was vacated with the completion of the Chemistry and Advanced Materials Science building.

- Upgrades 65,000 GSF of research labs and offices to support future campus space needs.

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# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Description Report

### 302 Health Sciences Strategic Capital Investment

*Campus:* Twin Cities - Advances the strategic goals of Health Sciences (AHC Strategic Facilities Plan), State of MN (Governor's Blue Ribbon Cmte) and other U of M institutional priorities through a phased investment program.  
*Unit:* Health Sciences Administration - Constructs new space including a Clinical Research Facility.  
*Total Cost:* \$475,000 - Renovates critical condition facilities to prepare for Mayo demolition.  
*Plan Year:* 2021

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### 304 Strategic Capital Investment

*Campus:* Twin Cities - Enhances existing teaching, research and student space.  
*Unit:* Academic Affairs and Provost - Project(s) will be defined in future Six Year Plan update.  
*Total Cost:* \$100,000  
*Plan Year:* 2024

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### 316 East Bank Capital Renewal

*Campus:* Twin Cities - Enhances existing teaching, research and student space in the area of upper Church Street. Including.  
*Unit:* Academic Affairs and Provost - Project(s) will be defined in future Six Year Plan update.  
*Total Cost:* \$48,000 - Potential facilities include: 10 Church Street, Armory, Nolte and Rapson Hall.  
*Plan Year:* 2022

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### 324 PWB Resident On-Call Rooms

*Campus:* Twin Cities - Renovate space in PWB to create resident on-call rooms.  
*Unit:* Medical School - Joint funding from Fairview and University of Minnesota.  
*Total Cost:* \$2,253  
*Plan Year:* 2020

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### 325 Lab School - CDC Unified Child Care Facility

*Campus:* Twin Cities - Renovate and expand the existing Child Care Facility to support increased enrollment.  
*Unit:* University Services  
*Total Cost:* \$11,000  
*Plan Year:* 2020

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# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Description Report

### 344 Clinical Research Facility - Design

*Campus:* Twin Cities - Designs, acquires land, prepares site and completes preconstruction services for the Clinical Research Facility.  
*Unit:* Health Sciences Administration  
*Total Cost:* \$27,000  
*Plan Year:* 2020

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### 348 Strategic Capital Investment

*Campus:* Twin Cities - Enhances existing teaching, research and student space.  
*Unit:* Academic Affairs and Provost - Project(s) will be defined in future Six Year Plan update.  
*Total Cost:* \$100,000  
*Plan Year:* 2025

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### 364 Child and Adolescent Brain Health

*Campus:* Twin Cities - Renovates the 117,500 GSF Shriners Hospital at 2025 East River Parkway in Minneapolis.  
*Unit:* Health Sciences Administration  
*Total Cost:* \$37,500  
*Plan Year:* 2020

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2019 Six Year Capital Plan  
Project Funding Report

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Funding Report

### **Project Costs**

*Project costs included in the Six-Year Capital Plan are order-of-magnitude estimates. Project costs and funding will be verified prior to consideration for Annual Capital Budget.*

### **Project Priority**

*Projects are shown in order of priority for the state capital budget request in year 2020. Projects in future years of the plan and projects under consideration are not prioritized.*

### **Annual Capital Budget Potential Additions**

*University funded capital projects in year 2020 of the Six Year Capital Plan were included in the FY20 Annual Capital Budget potential additions list and be presented as amendments to the capital budget within the current fiscal year.*

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Funding Report

2020

### State Funded

File	Project Title	Campus	Total	State Funds	University Funds
199	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
177	Child Development Replacement	Twin Cities	\$43,800	\$29,200	\$14,600
178	A. B. Anderson Hall Capital Renewal	Duluth	\$6,600	\$4,400	\$2,200
187	Chemistry Undergraduate Teaching Laboratory	Twin Cities	\$98,400	\$65,600	\$32,800
344	Clinical Research Facility - Design	Twin Cities	\$27,000	\$18,000	\$9,000
			\$375,800	\$317,200	\$58,600

### University Funded

File	Project Title	Campus	Total	State Funds	University Funds
146	Arboretum: Farmhouse Education Center	ROCs & Stations	\$2,000	\$0	\$2,000
364	Child and Adolescent Brain Health	Twin Cities	\$37,500	\$0	\$37,500
325	Lab School - CDC Unified Child Care Facility	Twin Cities	\$11,000	\$0	\$11,000
324	PWB Resident On-Call Rooms	Twin Cities	\$2,253	\$0	\$2,253
219	R&R - Crookston Campus	Crookston	\$245	\$0	\$245
285	R&R - Duluth Campus	Duluth	\$3,000	\$0	\$3,000
225	R&R - Duluth Student Life	Duluth	\$3,000	\$0	\$3,000
237	R&R - Morris Campus	Morris	\$90	\$0	\$90
213	R&R - Twin Cities Athletics	Twin Cities	\$1,300	\$0	\$1,300
255	R&R - Twin Cities Campus	Twin Cities	\$7,400	\$0	\$7,400
261	R&R - Twin Cities Dining Services	Twin Cities	\$3,200	\$0	\$3,200
231	R&R - Twin Cities Housing & Residential Life	Twin Cities	\$7,528	\$0	\$7,528
243	R&R - Twin Cities Parking & Transportation Services	Twin Cities	\$6,000	\$0	\$6,000
249	R&R - Twin Cities Student Affairs	Twin Cities	\$1,100	\$0	\$1,100
267	R&R - Twin Cities Utilities	Twin Cities	\$12,100	\$0	\$12,100
			\$97,716	\$0	\$97,716
FY Total:			\$473,516	\$317,200	\$156,316
Running Total:			\$473,516	\$317,200	\$156,316

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Funding Report

2021

### Proposed Special State Investment Program

File	Project Title	Campus	Total	State Funds	University Funds
302	Health Sciences Strategic Capital Investment	Twin Cities	\$475,000	\$316,667	\$158,333
			\$475,000	\$316,667	\$158,333

### State Funded

File	Project Title	Campus	Total	State Funds	University Funds
200	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
277	Chemistry Building Capital Renewal	Duluth	\$24,600	\$16,400	\$8,200
			\$224,600	\$216,400	\$8,200

### University Funded

File	Project Title	Campus	Total	State Funds	University Funds
124	3M Arena at Mariucci Ice Plant/Floor Replacement	Twin Cities	\$5,200	\$0	\$5,200
206	Library Collections Off-Site Storage: Phase I	Twin Cities	\$36,350	\$0	\$36,350
111	PTRF Renovation - Turkey Research Facility	Twin Cities	\$11,000	\$0	\$11,000
127	Ridder Arena Ice Plant/Floor Replacement	Twin Cities	\$1,200	\$0	\$1,200
220	R&R - Crookston Campus	Crookston	\$245	\$0	\$245
286	R&R - Duluth Campus	Duluth	\$3,000	\$0	\$3,000
226	R&R - Duluth Student Life	Duluth	\$3,000	\$0	\$3,000
238	R&R - Morris Campus	Morris	\$90	\$0	\$90
214	R&R - Twin Cities Athletics	Twin Cities	\$1,300	\$0	\$1,300
256	R&R - Twin Cities Campus	Twin Cities	\$7,400	\$0	\$7,400
262	R&R - Twin Cities Dining Services	Twin Cities	\$4,080	\$0	\$4,080
232	R&R - Twin Cities Housing & Residential Life	Twin Cities	\$18,285	\$0	\$18,285
244	R&R - Twin Cities Parking & Transportation Services	Twin Cities	\$5,430	\$0	\$5,430
250	R&R - Twin Cities Student Affairs	Twin Cities	\$1,100	\$0	\$1,100
268	R&R - Twin Cities Utilities	Twin Cities	\$12,500	\$0	\$12,500

	\$110,180	\$0	\$110,180
FY Total:	\$809,780	\$533,067	\$276,713
Running Total:	\$1,283,296	\$850,267	\$433,029

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Funding Report

2022

### State Funded

File	Project Title	Campus	Total	State Funds	University Funds
201	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
316	East Bank Capital Renewal	Twin Cities	\$48,000	\$32,000	\$16,000
140	St. Paul Capital Renewal	Twin Cities	\$45,000	\$30,000	\$15,000
			\$293,000	\$262,000	\$31,000

### University Funded

File	Project Title	Campus	Total	State Funds	University Funds
221	R&R - Crookston Campus	Crookston	\$245	\$0	\$245
287	R&R - Duluth Campus	Duluth	\$3,000	\$0	\$3,000
227	R&R - Duluth Student Life	Duluth	\$3,000	\$0	\$3,000
239	R&R - Morris Campus	Morris	\$90	\$0	\$90
215	R&R - Twin Cities Athletics	Twin Cities	\$1,300	\$0	\$1,300
257	R&R - Twin Cities Campus	Twin Cities	\$7,400	\$0	\$7,400
263	R&R - Twin Cities Dining Services	Twin Cities	\$4,400	\$0	\$4,400
233	R&R - Twin Cities Housing & Residential Life	Twin Cities	\$23,000	\$0	\$23,000
245	R&R - Twin Cities Parking & Transportation Services	Twin Cities	\$6,480	\$0	\$6,480
251	R&R - Twin Cities Student Affairs	Twin Cities	\$1,100	\$0	\$1,100
269	R&R - Twin Cities Utilities	Twin Cities	\$12,500	\$0	\$12,500
			\$62,515	\$0	\$62,515
FY Total:			\$355,515	\$262,000	\$93,515
Running Total:			\$1,638,811	\$1,112,267	\$526,544

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Funding Report

2023

### State Funded

File	Project Title	Campus	Total	State Funds	University Funds
362	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
195	Systemwide Capital Investment	Systemwide	\$28,000	\$18,667	\$9,333
141	Twin Cities Campus Capital Renewal	Twin Cities	\$40,000	\$26,667	\$13,333
			\$268,000	\$245,334	\$22,666

### University Funded

File	Project Title	Campus	Total	State Funds	University Funds
158	CSOM Experiential and Collaborative Improvement Project	Twin Cities	\$35,000	\$0	\$35,000
222	R&R - Crookston Campus	Crookston	\$245	\$0	\$245
288	R&R - Duluth Campus	Duluth	\$3,000	\$0	\$3,000
228	R&R - Duluth Student Life	Duluth	\$3,000	\$0	\$3,000
240	R&R - Morris Campus	Morris	\$90	\$0	\$90
216	R&R - Twin Cities Athletics	Twin Cities	\$1,300	\$0	\$1,300
258	R&R - Twin Cities Campus	Twin Cities	\$7,400	\$0	\$7,400
264	R&R - Twin Cities Dining Services	Twin Cities	\$3,225	\$0	\$3,225
234	R&R - Twin Cities Housing & Residential Life	Twin Cities	\$8,776	\$0	\$8,776
246	R&R - Twin Cities Parking & Transportation Services	Twin Cities	\$9,000	\$0	\$9,000
252	R&R - Twin Cities Student Affairs	Twin Cities	\$1,100	\$0	\$1,100
270	R&R - Twin Cities Utilities	Twin Cities	\$12,400	\$0	\$12,400

	\$84,536	\$0	\$84,536
FY Total:	\$352,536	\$245,334	\$107,202
Running Total:	\$1,991,347	\$1,357,601	\$633,746

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Funding Report

2024

### State Funded

File	Project Title	Campus	Total	State Funds	University Funds
361	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
304	Strategic Capital Investment	Twin Cities	\$100,000	\$66,667	\$33,333
			\$300,000	\$266,667	\$33,333

### University Funded

File	Project Title	Campus	Total	State Funds	University Funds
308	R&R - Crookston Campus	Crookston	\$245	\$0	\$245
306	R&R - Duluth Campus	Duluth	\$3,000	\$0	\$3,000
305	R&R - Duluth Student Life	Duluth	\$3,000	\$0	\$3,000
310	R&R - Morris Campus	Morris	\$90	\$0	\$90
307	R&R - Twin Cities Athletics	Twin Cities	\$1,300	\$0	\$1,300
313	R&R - Twin Cities Campus	Twin Cities	\$7,400	\$0	\$7,400
314	R&R - Twin Cities Dining Services	Twin Cities	\$6,175	\$0	\$6,175
309	R&R - Twin Cities Housing & Residential Life	Twin Cities	\$13,760	\$0	\$13,760
311	R&R - Twin Cities Parking & Transportation Services	Twin Cities	\$7,500	\$0	\$7,500
312	R&R - Twin Cities Student Affairs	Twin Cities	\$1,100	\$0	\$1,100
315	R&R - Twin Cities Utilities	Twin Cities	\$12,400	\$0	\$12,400
			\$55,970	\$0	\$55,970
FY Total:			\$355,970	\$266,667	\$89,303
Running Total:			\$2,347,317	\$1,624,268	\$723,049

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Project Funding Report

2025

### State Funded

File	Project Title	Campus	Total	State Funds	University Funds
349	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
348	Strategic Capital Investment	Twin Cities	\$100,000	\$66,667	\$33,333
			\$300,000	\$266,667	\$33,333

### University Funded

File	Project Title	Campus	Total	State Funds	University Funds
163	Limnology Building and Property Capital Renewal	Duluth	\$9,000	\$0	\$9,000
136	LSH 1st Floor Renovation & Expansion	Duluth	\$9,900	\$0	\$9,900
359	R&R - Crookston Campus	Crookston	\$245	\$0	\$245
355	R&R - Duluth Campus	Duluth	\$3,000	\$0	\$3,000
354	R&R - Duluth Student Life	Duluth	\$3,000	\$0	\$3,000
360	R&R - Morris Campus	Morris	\$90	\$0	\$90
357	R&R - Twin Cities Athletics	Twin Cities	\$1,300	\$0	\$1,300
352	R&R - Twin Cities Campus	Twin Cities	\$7,400	\$0	\$7,400
356	R&R - Twin Cities Dining Services	Twin Cities	\$4,700	\$0	\$4,700
350	R&R - Twin Cities Housing & Residential Life	Twin Cities	\$11,200	\$0	\$11,200
353	R&R - Twin Cities Parking & Transportation Services	Twin Cities	\$8,200	\$0	\$8,200
358	R&R - Twin Cities Student Affairs	Twin Cities	\$1,100	\$0	\$1,100
351	R&R - Twin Cities Utilities	Twin Cities	\$12,400	\$0	\$12,400

	\$71,535	\$0	\$71,535
FY Total:	\$371,535	\$266,667	\$104,868
Running Total:	\$2,718,852	\$1,890,935	\$827,917

2019 Six Year Capital Plan  
Under Consideration List

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Under Consideration List

*Proposals included on the Under Consideration list have been identified as priorities by the responsible unit. Projects under consideration are recommended to complete a feasibility study to support further decision making. Projects will be included in the Six Year Plan when the source of funding and year is determined.*

*Projects must complete predesign, obtain necessary funds and receive approval in the Annual Capital Budget to proceed with design and construction.*

*Preliminary cost estimates are included on the Under Consideration list where available. Estimates prepared at this time have a low expectation of accuracy. Estimates may be regarded as preliminary, ballpark or order of magnitude. Multiple factors including location, size, complexity, level of finish and inflation may impact the final cost. These figures are intended to support a decision to proceed with the proposal and must be verified through later phases of design.*

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Under Consideration List

### 113 St. Paul Student Center Replacement

<i>Campus:</i>	Twin Cities	- Renovates or replaces the St. Paul Student Center.
<i>Unit:</i>	Student Affairs	- Provides a venue for programming, services, meetings and events on St. Paul campus.
<i>Total Cost:</i>	To Be Determined	- Scope, budget and schedule to be confirmed pending the outcome of the St. Paul Strategic Facilities Plan.
<i>Status:</i>	Proposal	

---

### 118 Athletic Facilities Targeted Improvement Projects

<i>Campus:</i>	Systemwide	- Implements targeted investments to improve gender equity in athletics facilities on the Crookston, Morris, Duluth and Twin Cities campuses.
<i>Unit:</i>	Systemwide	- Project(s) to be defined pending outcome of individual campus planning studies.
<i>Total Cost:</i>	To Be Determined	
<i>Status:</i>	Feasibility	

---

### 120 Cloquet and Hubacheck Capital Investments

<i>Campus:</i>	ROCs & Stations	- Provides setting for field-based teaching and applied learning and research in northern forest and wilderness ecosystems.
<i>Unit:</i>	College of Food, Agricultural & Natural Resource Sciences	- Constructs lodging, dining and kitchen facilities for students, staff, professionals and families.
<i>Total Cost:</i>	To Be Determined	- Creates flexible research labs, classrooms and support spaces.
<i>Status:</i>	Planning	- Scope, budget and schedule to be confirmed pending outcome of site master plans.

---

### 121 Cowles Stadium Hitting Facility

<i>Campus:</i>	Twin Cities	- Constructs an indoor hitting facility and restrooms accessible from the dugout for the Gopher Women's Softball Team.
<i>Unit:</i>	Intercollegiate Athletics	- Enhances recruitment of top student-athletes and contributes to success on the field.
<i>Total Cost:</i>	To Be Determined	- Budget and schedule to be confirmed pending availability of funds.
<i>Status:</i>	Predesign	

---

### 142 Briggs Library Capital Renewal

<i>Campus:</i>	Morris	- Renovates the existing 50,000 GSF library and construct a new east link/entry addition and west entry.
<i>Unit:</i>	UMN Morris	- Replaces mechanical, electrical, and plumbing systems, technology infrastructure, elevator, and provides ADA/Code compliant restrooms.
<i>Total Cost:</i>	\$27,900	- Revitalizes the Briggs Library at the "heart of the campus" to best meet the academic, co-curricular, social and safety needs of the UMM Community.
<i>Status:</i>	Predesign	

---

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Under Consideration List

### 143 Welcome Center

<i>Campus:</i>	Twin Cities	- Provides a single location for undergrad, international and transfer student admissions.
<i>Unit:</i>	Academic Affairs and Provost	- Creates a new welcome center for the Twin Cities campus.
<i>Total Cost:</i>	To Be Determined	- Visioning study complete. Scope, budget and schedule to be confirmed pending outcome of feasibility study.
<i>Status:</i>	Planning	

---

### 148 Lions Eye Institute

<i>Campus:</i>	Twin Cities	- Constructs a new centralized 70,000 - 90,000 GSF clinical care, research and training facility for the Lion's Eye Institute.
<i>Unit:</i>	Medical School	- Consolidates multiple clinics including the Adult Eye Clinic, Clinical Trial Clinic, Advanced Ocular Imaging Clinic, Low-Vision Clinic, Eye Surgery Suites, Ocular BioMedical Lab, Education Space, Office Space, the Eye Bank, and potential shelled out space for future Visual Neurosciences Laboratories.
<i>Total Cost:</i>	\$54,000	
<i>Status:</i>	Feasibility	- Funding and timeline dependent upon business plan in alignment with Health Sciences and Fairview strategy.

---

### 151 St. Paul Gymnasium Renovation/Addition

<i>Campus:</i>	Twin Cities	- Renovates and constructs an addition to the St. Paul Gym.
<i>Unit:</i>	Student Affairs	- Programming may include an expanded area for youth programs drop-off, reconfiguration of the member desk, expanded weight room, refurbished running track and new family locker rooms.
<i>Total Cost:</i>	To Be Determined	- Scope, budget and schedule to be verified through predesign.
<i>Status:</i>	Feasibility	

---

### 164 Lind Hall Capital Renewal

<i>Campus:</i>	Twin Cities	- Renovates 20,000 SF in Lind Hall for the College of Science and Engineering.
<i>Unit:</i>	College of Science and Engineering	- Optimizes space following the completion of Pillsbury Hall.
<i>Total Cost:</i>	To Be Determined	- Scope, budget and schedule to be defined pending outcome of feasibility study.
<i>Status:</i>	Feasibility	- Timeline dependent upon availability of college and donor funds.

---

### 171 Animal Science Facility

<i>Campus:</i>	Crookston	- Constructs a new pole barn facility to consolidate the animal facilities at the Crookston campus with adjacent academic and research space.
<i>Unit:</i>	UMN Crookston	- Accommodates birthing, controls noise and protects against illness.
<i>Total Cost:</i>	To Be Determined	- Supports teaching needs of the Agriculture and Natural Resource program and provides space for student research.
<i>Status:</i>	Proposal	- Scope, budget and schedule to be defined pending outcome of feasibility study.

---

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Under Consideration List

### 175 Historic District Capital Renewal

<i>Campus:</i>	Morris	- Invests in programmatic needs of the Morris campus.
<i>Unit:</i>	UMN Morris	- Modernizes systems and infrastructure in the campus national historic district.
<i>Total Cost:</i>	To Be Determined	- Renovates learning spaces and student support spaces to meet the needs of future students.
<i>Status:</i>	Planning	- Projects to be defined pending outcome of campus strategic facilities plan.

---

### 202 Equine Center Expansion

<i>Campus:</i>	Twin Cities	- Constructs a 13,000 SF addition to the Equine Center to treat critically ill and infectious horses.
<i>Unit:</i>	College of Veterinary Medicine	- Provides a clinical isolation unit, surgery suite and intensive care unit.
<i>Total Cost:</i>	To Be Determined	- Predesign completed in 2010. Cost estimates will be updated prior to ACB approval.
<i>Status:</i>	Predesign	- Timeline dependent upon availability of college and donor funds.

---

### 205 Kirby Student Center Expansion

<i>Campus:</i>	Duluth	- Expand and updates the Kirby Student Center to provide space for student programming, social and active study spaces for students, meeting and event facilities.
<i>Unit:</i>	UMN Duluth	
<i>Total Cost:</i>	To Be Determined	
<i>Status:</i>	Predesign	

---

### 210 PWB release space renovations - 8th Floor, Phase II

<i>Campus:</i>	Twin Cities	- Renovate the southeast corner of PWB 8, which was released when Fairview relocated to ACC
<i>Unit:</i>	Health Sciences Administration	- Create (8) faculty offices or small conference rooms, (1) larger 12 -person conference room, and (18) 48 sq ft workstations.
<i>Total Cost:</i>	\$1,367	
<i>Status:</i>	Predesign	

---

### 272 Shepherd Laboratories Phase 2 (Floors 3-5) Renovation

<i>Campus:</i>	Twin Cities	- Renovate approximately 12,600 SF on floors 3-5 of Shepherd Labs to provide space for the Computer Science and Engineering Department.
<i>Unit:</i>	College of Science and Engineering	
<i>Total Cost:</i>	To Be Determined	
<i>Status:</i>	Feasibility	

---

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Under Consideration List

### 280 Strategic Campus Development

*Campus:* Rochester

*Unit:* UMN Rochester

*Total Cost:* To Be Determined

*Status:* Planning

- Create academic and student life space for the growing UMR student community.
- Provide space to support active, collaborative, and adaptive learning environments, student laboratories and faculty/student interaction.

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### 290 Molecular and Cellular Therapeutics Expansion

*Campus:* Twin Cities

*Unit:* Health Sciences Administration

*Total Cost:* To Be Determined

*Status:* Planning

- Expands the existing Molecular and Cellular Therapeutics facility to accommodate Vector Production and Gene Therapy (VP/GT) and other health sciences research.
- Provides a minimum of 3,500 ASF for cleanroom, lab and lab support spaces.
- Scope, budget and schedule to be defined pending outcome of feasibility study.

---

### 299 Strategic Land Acquisitions

*Campus:* Twin Cities

*Unit:* Planning, Space, and Real Estate

*Total Cost:* To Be Determined

*Status:* Planning

- Evaluates opportunities for strategic land and asset acquisitions that support University mission.

---

### 300 New Child Care Facilities

*Campus:* Twin Cities

*Unit:* University Services

*Total Cost:* To Be Determined

*Status:* Predesign

- Provides for child care services on the Twin Cities campus based on the recommendations of the Provost's Child Care Advisory Committee.

---

### 301 Parking Structure

*Campus:* Twin Cities

*Unit:* Auxiliary Services

*Total Cost:* To Be Determined

*Status:* Proposal

- Provides additional parking for students, faculty, staff and visitors.
- Scope, budget and schedule to be defined pending outcome of feasibility study.

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Under Consideration List

### 318 Cedar Creek Science Barn

*Campus:* ROCs & Stations - Constructs a new 6,000 SF building for research, education, and outreach.  
*Unit:* College of Biological Sciences - Provides three classrooms (seating 25 students each), restrooms, storage, and a 150 person auditorium for year round use.  
*Total Cost:* \$3,300  
*Status:* Feasibility

---

### 320 Consolidated Livestock Research Complex (FAARM)

*Campus:* ROCs & Stations - Constructs an off-campus consolidated animal research facility for the College of Food, Agriculture and Natural Resource Sciences.  
*Unit:* College of Food, Agricultural & Natural Resource Sciences - Scope, budget and schedule to be defined pending outcome of feasibility study.  
*Total Cost:* To Be Determined  
*Status:* Feasibility

---

### 327 Murphy Warehouse Building Code Improvements

*Campus:* Twin Cities - Analyze potential long term modernization and capital improvements. The University is currently entertaining offers to sell the facility.  
*Unit:* University Services  
*Total Cost:* To Be Determined  
*Status:* Predesign

---

### 332 Food Centric Corridor Expansion

*Campus:* Twin Cities - Remodel approximately 3,700 SF to expand the existing Food Centric Corridor BSL-2 research labs.  
*Unit:* College of Veterinary Medicine - Provides expanded lab space, improved dirty and clean sample prep labs, additional procedure rooms and shared equipment space.  
*Total Cost:* To Be Determined - 2014 Phase 1 remodel was similar in scope and size.  
*Status:* Predesign

---

### 340 Rec Sports Fields

*Campus:* Twin Cities - Upgrade the rec sports fields on the west bank  
*Unit:* Student Affairs - Install artificial turf, replace the support building, and reformat fields to better accommodate student need.  
*Total Cost:* To Be Determined  
*Status:* Planning

---

# UNIVERSITY OF MINNESOTA

## 2019 Six Year Capital Plan - Under Consideration List

### 343 Coffman Programming and Retail Renovation

*Campus:* Twin Cities - Upgrade retail and dining facilities in Coffman.  
*Unit:* Student Affairs  
*Total Cost:* To Be Determined  
*Status:* Proposal

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# President's Recommended 2019 Six-Year Capital Plan and 2020 State Capital Request

Joan Gabel, President

Brian Burnett, Senior Vice President for Finance and Operations

Michael Berthelsen, Vice President, University Services

Finance & Operations Committee

October 10, 2019

**SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS**

World Class Services for a World Class University



**University Services**

Stewardship • Integrity  
Respect • Innovation • Safety

# Plan Priorities

- Address poor and critical backlog
- Advance the Health Sciences
- Expand capacity in STEM programs
- Modernize laboratories on the Twin Cities campus in St. Paul
- Reposition libraries for the 21st century



# 2020 State Capital Request

	State	U of M	Total
HEAPR (Systemwide)	\$200,000,000		\$200,000,000
Child Development Replacement (Twin Cities)	\$29,200,000	\$14,600,000	\$43,800,000
A. B. Anderson Hall Capital Renewal (Duluth)	\$4,400,000	\$2,200,000	\$6,600,000
Chemistry Undergraduate Teaching Laboratory (Twin Cities)	\$65,600,000	\$32,800,000	\$98,400,000
Clinical Research Facility - Design (Twin Cities)	\$18,000,000	\$9,000,000	\$27,000,000
	<b>\$317,200,000</b>	<b>\$58,600,000</b>	<b>\$375,800,000</b>



# Six-Year Plan Resolution

- **WHEREAS**, preserving the University of Minnesota (University) campuses through stewardship of public investments that have been made over 165 years is a commitment the Board of Regents (Board) has made to the State of Minnesota (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; 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 2019 Six-Year Capital Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research, and outreach objectives.



# State Capital Request Resolution

- **WHEREAS**, the Board of Regents (Board) has directed the administration to annually submit a capital improvement budget and a six-year capital plan in support of the University of Minnesota's (University) strategic priorities; and
- **WHEREAS**, the Board 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 2020 State Capital Request in the amount of \$375,800,000 consisting of \$317,200,000 from the State of Minnesota and \$58,600,000 from the University.





UNIVERSITY OF MINNESOTA

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2019**

**AGENDA ITEM:** Resolution Related to Dining Services Contract Extension (Twin Cities campus)

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Michael Berthelsen, Vice President, University Services  
Amy Keran, Director, Contract Administration

## **PURPOSE & KEY POINTS**

The purpose of this item is to act on an extension to the current dining services contract with Aramark for the Twin Cities campus. The current contract is in the final year of the original 12-year term. It provides a four-year extension option.

The University has been engaged in a year-long effort to better understand its options for the delivery of food service on the Twin Cities campus, including the following:

- Extend the current Aramark contract via the extension option.
- Issue a request for proposal (RFP) for contracted service.
- Return food service to a self-operated program.

Each option carries both challenges and opportunities. The University delivers food service via contracted operations at Crookston, Morris, and the Twin Cities and via self-operated operations at Duluth.

Informed by this work, University Services (through Auxiliary Services' Contract Administration) is convening a broadly representative advisory team to gather feedback on the institution's priorities for food service. In order to engage as many of the campus stakeholders as possible, this process will take much of the fall semester. The feedback gathered will inform the RFP process, which will commence in late winter or early spring 2020.

At the same time this process is underway, the University will work to review and better understand the logistics and costs involved with self-operating dining services. This review and the RFP responses will be used to make a final recommendation about the future of food service on the Twin Cities campus. If a new vendor is selected through RFP or if the University returns to self-operation, there will be a lengthy transition period.

To allow sufficient time to undertake the necessary level of campus engagement; draft and issue an RFP; fully understand what a self-operated model entails; and potentially transition to a different future state, the administration seeks approval to extend the current Aramark contract for up to two years.

### **BACKGROUND INFORMATION**

The University first entered into a contract with Aramark for food service on the Twin Cities campus in 1998. The current 12-year contract was approved by the Board in 2007 for the period July 1, 2008 - June 30, 2020.

### **PRESIDENT'S RECOMMENDATION**

The President recommends approval of the resolution related to dining services contract extension (Twin Cities campus).



## **REGENTS OF THE UNIVERSITY OF MINNESOTA**

### **RESOLUTION RELATED TO**

#### **Dining Services Contract Extension (Twin Cities Campus)**

**WHEREAS**, the Board of Regents (Board) reserves authority to approve purchase of goods and services over \$1 million; and

**WHEREAS**, the existing Board-approved contract for dining services on the Twin Cities campus provides an option for a four-year extension beginning July 1, 2020; and

**WHEREAS**, the provision of reliable and high-quality dining services is a critical component in the campus experience.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Regents, exercising its reserved authority, authorizes the President to negotiate and execute an extension of the existing dining services agreement with Aramark Educational Services LLC for up to two years.

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

To Aramark Educational Services, LLC for a contract extension valued at an estimated \$100 million to provide Retail Food Service, Residential Food Service and Catering Services on the Twin Cities Campus, including the Minnesota Landscape Arboretum and Intercollegiate Athletic Venues for the period of July 1, 2020 to June 21, 2022 for the Department of Auxiliary Services.

*The University of Minnesota Twin Cities Campus entered into a twelve- year management agreement with Aramark for food service in 2008 with a potential for one, four year extension. The extension of the Aramark Food Service Agreement will provide for Retail Food Service, Residential Food Service and Catering Services on the Twin Cities Campus, including the Minnesota Landscape Arboretum, Bell Museum, and Intercollegiate Athletic Venues. The terms and conditions of the Agreement remain the same during the extension, with the caveat that three business lines: the Minnesota Landscape Arboretum, Intercollegiate Athletics and the Bell Museum, have the option to exit the contract early. The extension has an estimated financial value of \$18 million to the University of Minnesota over 2 years.*

*During the extension, University Services (through Auxiliary Services' Contract Administration) intends to broadly engage the community on the institution's priorities for food service. The institution will use these priorities to develop the future vision of campus dining and inform the Request for Proposal for the future Food Service Agreement for the Twin Cities campus. At the sametime, staff will be working to review and better understand the logistics and costs involved with self-operating food service on the Twin Cities campus.*

*In 2008, Aramark Educational Services, LLC was approved for the above referenced twelve-year Agreement for the food service program for the Twin Cities Campus by the Board of Regents. Aramark was selected through a competitive request for proposal process and presented the strongest overall food service program for the Twin Cities Campus. The Aramark Agreement will continue to be held to established performance measures and an annual business review, as well as periodic performance reviews to ensure that performance requirements are being met.*

Submitted by: Laurie McLaughlin  
Interim Associate Vice President  
Auxiliary Services  
612-624-0542

Approval for this item requested by:

 Date 8-27-19  
Michael Berthelsen  
Vice President University Services

 Date 8/27/19  
Michael Volna  
Associate Vice President & Assistant CFO

# Dining Management Contract Extension

## Twin Cities Campus

Michael Berthelsen, Vice President, University Services  
Amy Keran, Director, Contract Administration

### Finance & Operations Committee

October 10, 2019

**SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS**

World Class Services for a World Class University



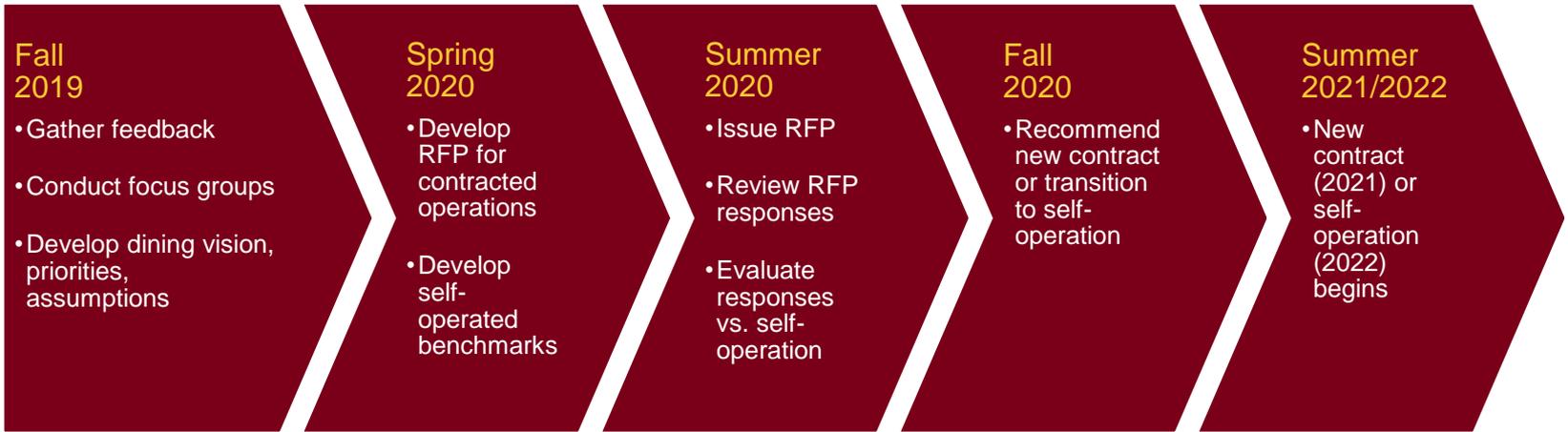
**University Services**

Stewardship • Integrity  
Respect • Innovation • Safety

# Dining Management History



# Proposed Path Forward



# Resolution

- WHEREAS, the Board of Regents (Board) reserves authority to approve purchase of goods and services over \$1 million; and
- WHEREAS, the existing Board-approved contract for dining services on the Twin Cities campus provides an option for a four-year extension beginning July 1, 2020; and
- WHEREAS, the provision of reliable and high-quality dining services is a critical component in the student experience.
- NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents, exercising its reserved authority, authorizes the President to negotiate and execute an extension of the existing dining services agreement with Aramark Educational Services LLC for up to two years.





UNIVERSITY OF MINNESOTA

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Crookston Duluth Morris Rochester Twin Cities

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2019**

**AGENDA ITEM:** Real Estate Transactions

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Leslie Krueger, Assistant Vice President, Planning, Space, and Real Estate

## **PURPOSE & KEY POINTS**

The purpose of this item is to act on the following real estate transactions:

- A. Purchase of 2025 East River Parkway, Minneapolis, Minnesota (Twin Cities campus)
- B. Sale of 701 24th Avenue Southeast, Minneapolis, Minnesota (Twin Cities campus)

## **BACKGROUND INFORMATION**

Board of Regents Policy: *Reservation and Delegation of Authority* states that “[t]he Board reserves to itself authority to approve the purchase or sale of real property (a) with a value greater than \$1,000,000; (b) located on or within 2 miles of a University campus; or (c) larger than 10 acres,” and “...leases of real property, easements, and other interests in real property if the initial term amount to be paid by or to the University exceeds \$1,000,000.”

## **PRESIDENT’S RECOMMENDATION**

The President recommends approval of the following real estate transactions:

- A. Purchase of 2025 East River Parkway, Minneapolis, Minnesota (Twin Cities campus)
- B. Sale of 701 24th Avenue Southeast, Minneapolis, Minnesota (Twin Cities campus)

## **PURCHASE OF 2025 EAST RIVER PARKWAY MINNEAPOLIS (TWIN CITIES CAMPUS)**

### **1. Recommended Action**

The President recommends that the appropriate administrative officers receive authorization to purchase the property at 2025 East River Parkway, Minneapolis, Hennepin County, Minnesota.

### **2. Location and Description of the Property**

The subject property is one tax parcel: 10.2 acres of land, improved with a 103,500 square foot, two-level building with out-patient clinics, inpatient hospital facility, and supporting uses, with a skyway connected to a 14,000 square foot, 10-room hotel and conference facility. The property also includes a 172 space attached parking ramp plus 28 additional parking spaces. The property is approximately one mile of the University's Twin Cities East Bank campus. The facility has been operated by the Shriners since it was constructed in 1991.

The legal description of the property is: Parts of Section 31, Township 29, Range 23, all in Hennepin County, Minnesota (Abstract Property).

### **3. Basis for Request**

University intends to use the property for the proposed Institute of Child and Adolescent Brain Health. The new institute will include two primary collegiate partners: College of Education and Human Development and the Medical School. This comprehensive, interdisciplinary Institute will gather researchers, clinicians, and community practitioners from the Institute for Community Integration, Institute for Translational Research in Children's Mental Health, Institute for Child Development, Center for Neurobehavioral Development, Child and Adolescent Psychiatry, Pediatrics – Clinical Behavioral Neuroscience, and Rehabilitation Medicine, to focus on the earliest possible interventions and the processes underpinning neurological disorders.

The property is uniquely suited serve this proposed Institute. Its quiet setting, with ease of access, was designed and constructed to serve the needs of children with disabilities and their families.

### **4. Details of Transaction**

The total purchase price for the subject property will be \$22,500,000, with \$250,000 in earnest money. The 160 day due diligence period ends on December 9, 2019. At the end of this period, the \$250,000 earnest money would be non-refundable. The University could purchase two

additional 30-day extensions provided the University pay an additional non-refundable \$100,000 for each 30-day period.

Closing on the property is contingent upon the University and Shriners negotiating an agreement for the University to leaseback a portion of the facility to Shriners while their new facility is under construction. The period of the leaseback would be until July 31, 2020, which an option for an additional five month period.

## **5. Use of the Property**

The University intends to renovate the building to accommodate the programs associated with the Institute of Child and Adolescent Brain Health. Preliminary cost estimates for the renovations range from \$24.5 million to \$33 million (\$30 million estimate included in Six-Year Capital Plan). A predesign for this capital project is underway and will be completed prior to Board of Regents action on the acquisition. Annual building operating costs are estimated at \$3.0 million.

## **6. Environmental**

During the 160 day due diligence period, the University will complete Phase I, Phase II and hazardous materials/asbestos environmental site assessments of the property to confirm the property is in acceptable environmental condition prior to close. In addition, the University is completing an independent facility condition assessment.

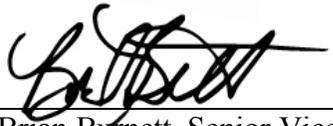
## **7. Source of Funding**

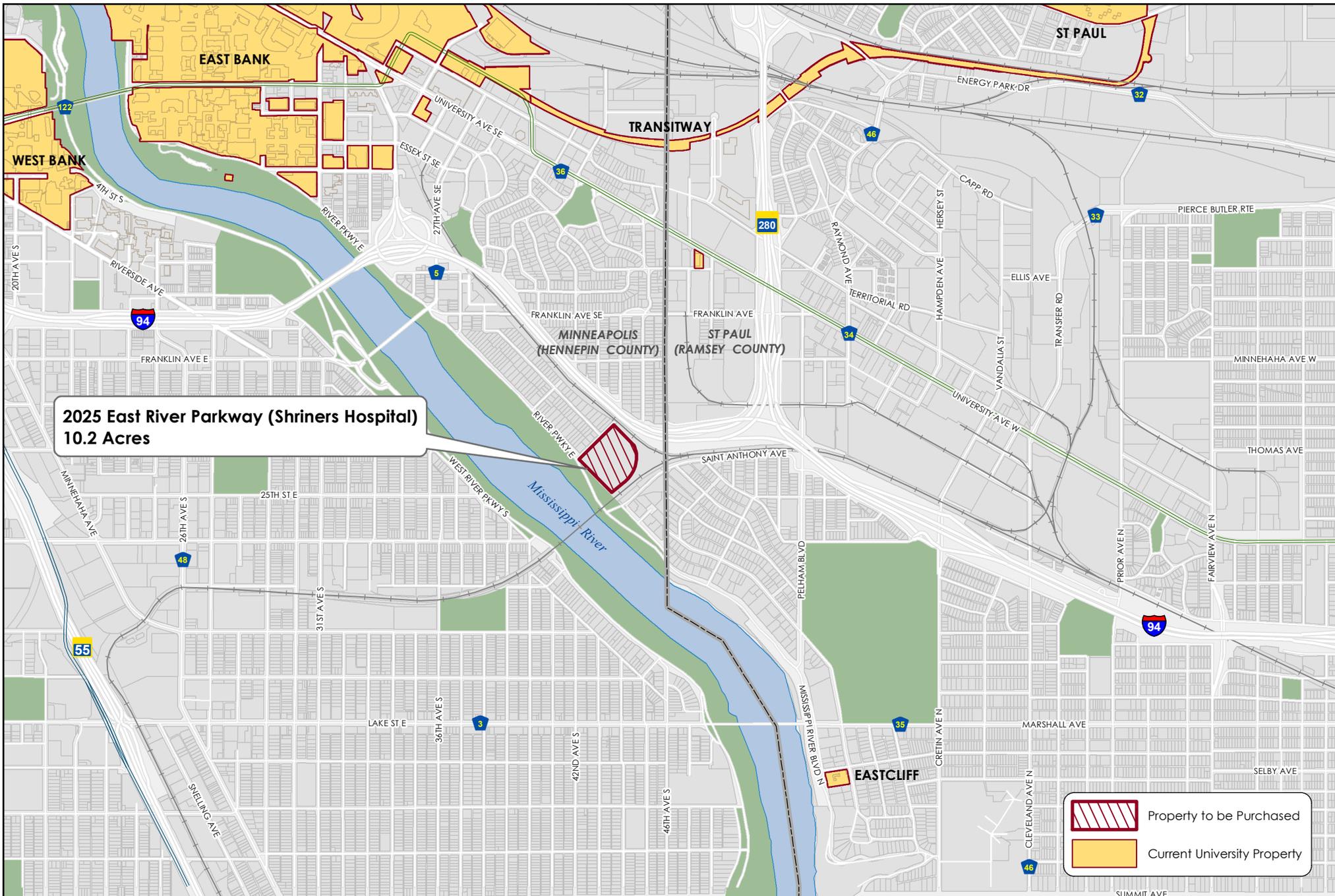
The University intends to fund the purchase and renovation of the subject property through philanthropic donations. Additional financing may be required to match donor schedules with cash flow requirements. Annual building operating costs will be funded by the participating units.

## **8. Recommendations**

The above-described real estate transaction is appropriate:

  
\_\_\_\_\_  
Karen Hanson, Executive Vice President and Provost

  
\_\_\_\_\_  
Brian Burnett, Senior Vice President for Finance and Operations



**2025 East River Parkway (Shriners Hospital)  
10.2 Acres**

-  Property to be Purchased
-  Current University Property

Planning, Space,  
and Real Estate



University Services  
University of Minnesota

## Purchase of 2025 East River Parkway (Shriners Hospital) Twin Cities campus - Minneapolis



This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Base Data: Real Estate Office  
UServices Enterprise GIS, MnDNR,  
Met Council, Ramsey Co, Hennepin Co

## **SALE OF 701 24TH AVENUE SE, MINNEAPOLIS (TWIN CITIES CAMPUS)**

### **1. Recommended Action**

The President recommends that the appropriate administrative officers receive authorization to execute the appropriate documents providing for the sale of 21.76 acres and buildings thereon at 701 24th Avenue SE, Minneapolis.

### **2. Property To Be Sold**

The property proposed for sale is 701 24th Avenue SE (secondary address 2222 Elm Street SE), Minneapolis, otherwise known as Murphy Warehouse. It consists of 21.76 acres and 38 interconnected building sections totaling 706,029 square feet, constructed between 1902 and 1977. The property is located south of Elm Street and west of 24th Avenue SE. The legal description of the property is Lot 8 and the East 75 feet of Lot 7, Auditor Subdivision No. 200, Hennepin County, Minnesota.

The property was purchased from the Murphy Warehouse Company on December 21, 2015, for \$17,975,000.00. At close, the University and Murphy Warehouse Company entered into a ten-year leaseback initially covering 663,630 square feet of building space. The site continues to serve as the headquarters for the Murphy Warehouse Company, a full-service public warehousing and contract logistics-services company. The site also houses the University Bookstore warehouse operations and some departmental storage. The older brick buildings that front along Elm Street are vacant.

### **3. Basis for Request**

Despite purchasing the property three years ago, a number of factors now lead the University to propose the sale of the property:

- 1) One potential use of the property was the Library Collections facility. During predesign for facility, it was determined that the existing warehouses were not suitable. The structural capacity and the climate controls required for the storage of books would have necessitated the construction of essentially a new building within one of the current structures. This was both cost prohibitive and not a wise investment for a forty-plus year old building.
- 2) The property requires significant capital investment. Since acquisition, the University has invested almost \$1 million to address known fire code issues. Additional investments are required to make sprinkler system improvements, roof repairs, and structural improvements to the older buildings at the front of the complex.
- 3) The University initially considered this purchase as an opportunity to land bank the property for the future. However, since 2015, the University further refined its Twin Cities Campus master planning efforts through creation of *The Development Framework*.

*The Development Framework* focuses our long-term efforts on the reinvestment in the campus core as needed and where expansion is required, to focus such expansion efforts on the Southeast Gateway Area.

- 4) Recent changes in the federal tax laws have created a unique opportunity for reinvestment in the property by the private sector. This property is located within a designated Opportunity Zone. Investors who develop real estate in Opportunity Zones are now allowed to defer capital gains on profits earned elsewhere and to eliminate capital gains on new investments within the Zone. New companies that locate in Opportunity Zones may also benefit from the federal tax laws.

#### **4. Details of Transaction**

The University offered the property for sale through an RFP process. Five proposals were received. After careful evaluation by the University and per the process identified in the Request for Proposal (RFP), Element, Inc./Ryan Companies US, Inc. has been selected as the preferred buyer.

The Purchase and Sale Agreement will be with Ryan Companies US, Inc. and/or its assigns. The purchase / sale price is \$22,000,000, including \$250,000.00 Earnest Money. The buyer is to assume the existing Lease with Murphy Warehouse Company, and the sale is conditioned upon the buyer and the University successfully negotiating a new lease for the University to occupy space in the facility. Details of the leaseback are being negotiated with Ryan Companies US, Inc. and will be included in the docket materials when this transaction returns to the Board for approval. Closing is to occur on/before December 18, 2019.

#### **5. Use of Proceeds**

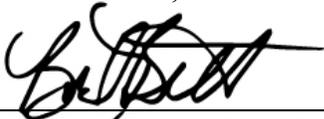
The sale proceeds would free up debt capacity for other strategic capital investments.

#### **6. Recommendations**

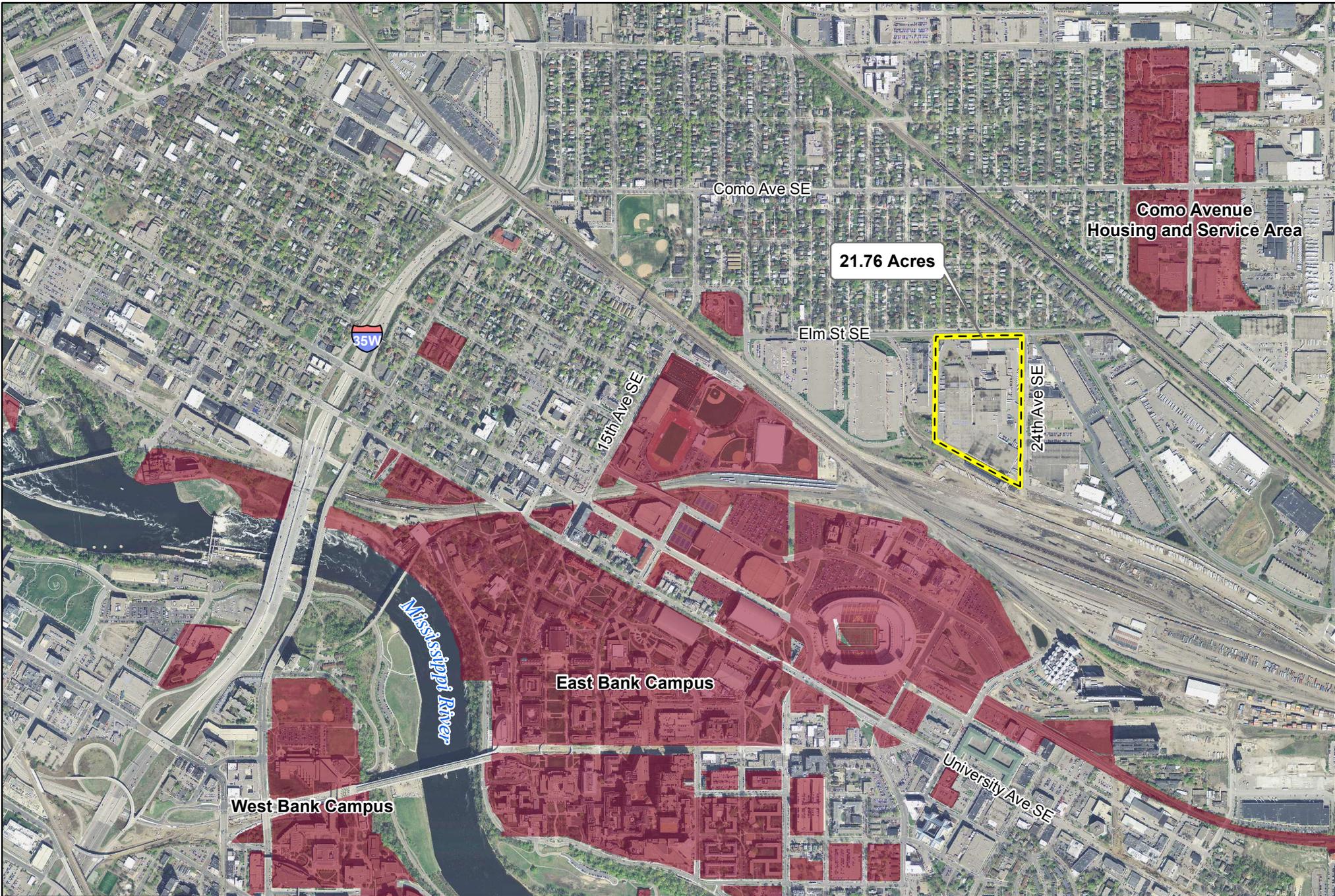
The above-described real estate transaction is appropriate:



\_\_\_\_\_  
Karen Hanson, Executive Vice President for Academic Affairs and Provost

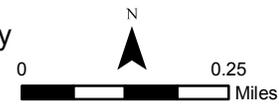


\_\_\_\_\_  
Brian Burnett, Senior Vice President for Finance and Operations



**Location of Murphy Warehouse Property**  
**701-24th Avenue SE, Minneapolis**  
**(Twin Cities Campus)**

 Other University Property  
 Murphy WH Property



This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Base Data: Real Estate Office, MnGEO, Hennepin County

11/30/2015



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2019**

**AGENDA ITEM:** Twin Cities Undergraduate Nonresident/Non-Reciprocity Tuition Update

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Robert McMaster, Vice Provost and Dean, Undergraduate Education  
Julie Tonneson, Associate Vice President and Budget Director

## **PURPOSE & KEY POINTS**

The purpose of this item is to provide nonresident/non-reciprocity (NRNR) undergraduate student enrollment and pricing information for the Twin Cities campus. The discussion will include recent enrollment trends and recruitment activity to show how the University has cultivated a national market in the past 20 years. The discussion will also include recent pricing and net revenue information as part of a plan to further develop national markets and enhance geographic diversity, while recognizing the goal to implement rates more consistent with the competitive ranking the University’s resident tuition rates hold in the market. These recent trends in enrollment and pricing will serve to inform future discussions on the desired NRNR tuition rates for FY 2021 and beyond.

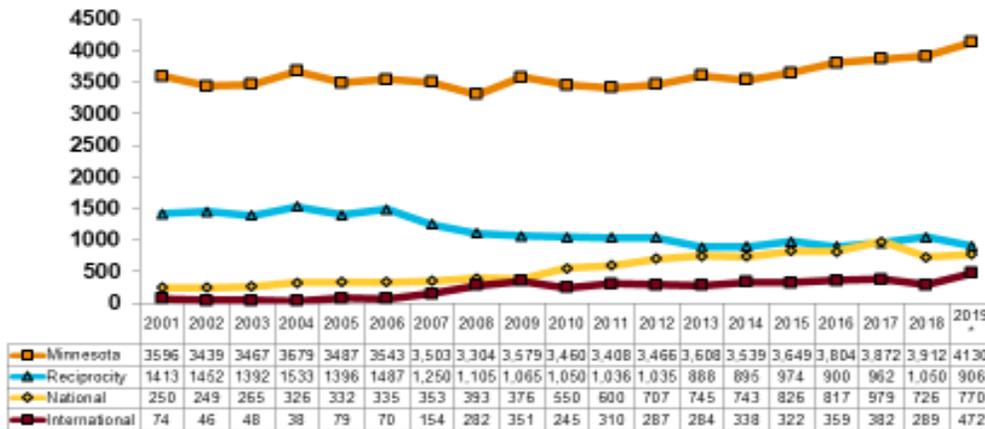
## **Nonresident/non-Reciprocity Enrollment and Recruitment**

### *History of Enrollment/Recruitment*

The Twin Cities campus began its first strategic outreach to recruit students outside of Minnesota and the reciprocity regions beginning in 2003, when it implemented a multi-pronged approach toward Illinois and specifically the Chicago area. The reasons to expand national recruitment were to ensure the University had strategic pipelines of prospective students to respond to demographic shifts in Minnesota and the upper Midwest, as well as to establish the University as a talent magnet, build a more diverse student body overall, and increase national visibility and prestige. The University added a California regional recruiter in 2012, regional recruiters in New York/New Jersey and Texas in 2018, and an additional recruiter for northern California for the fall 2020 recruitment cycle. Developing these new markets will require 5-10 years before substantial enrollment will manifest in the entering class.

Since fall 2003 when strategic recruiting began, the University has nearly tripled the number of NRNR students in the fall new freshman (NHS) undergraduate entering class. The unusually high enrollment of 979 in fall 2017 was an anomaly compared to the targeted number of students of between 800 and 850. After dropping significantly in the fall 2018 cycle (by 253), the enrollment has begun to rebound again for the fall of 2019 with an estimated increase of 44.

## Twin Cities Campus Fall Semester New Freshman (NHS) Headcount Enrollment by Home Location



\*Pre-census count as September 11, 2019

Throughout all of these changes, the long-term strategy was (and remains) to maintain the University’s historic commitment to serving Minnesota students, while over time growing the non-resident student population. The data would suggest the strategy is being realized where the University has recently increased the number of Minnesota residents to its historical high of 4,130 in Fall 2019 and consistently maintained at least 62 percent Minnesota resident share of the entering fall new freshman class.

## Recent Percentage Shares of Twin Cities Campus Fall Semester New Freshmen (NHS) Students by Home Location

Home Location	2013		2014		2015		2016		2017		2018		2019*	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Minnesota	3,608	65.1%	3,539	64.0%	3,649	63.2%	3,804	64.7%	3,872	62.5%	3,912	65.5%	4,130	65.8%
Reciprocity	888	16.0%	895	16.2%	974	16.9%	900	15.3%	962	15.5%	1,050	17.6%	906	14.4%
Other US	745	13.4%	743	13.4%	626	14.3%	817	13.9%	979	15.8%	726	12.1%	770	12.3%
Foreign	284	5.1%	338	6.1%	322	5.6%	359	6.1%	382	6.2%	289	4.8%	472	7.5%
Unknown	19	0.3%	15	0.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>5,544</b>	<b>100%</b>	<b>5,530</b>	<b>100%</b>	<b>5,771</b>	<b>100%</b>	<b>5,880</b>	<b>100%</b>	<b>6,195</b>	<b>100%</b>	<b>5,977</b>	<b>100%</b>	<b>6,278</b>	<b>100.0%</b>

\*Pre-census count as September 11, 2019

### *Factors Influencing Recent Recruitment*

Beginning in the fall 2018 recruitment cycle and continuing this past year, there has been increased competition for domestic nonresident students. Some of this came from competitor institutions reacting to a fall 2017 decline in international students, shifting efforts to more aggressively enroll domestic nonresidents. In addition, some competitor institutions clearly provided more aggressive discounting in order to bolster their nonresident enrollment. Finally, information seems to suggest that a larger number of prospective students have been choosing to stay in their home state for college, thereby reducing the pool of potential recruits.

The University's Office of Admissions has responded to this increased competition in a variety of ways:

- Reviewing discounting strategies.
- Adding additional regional recruiters.
- More selective in "buying" names from key geographies.
- Working with OUE and UMF to increase scholarships.

### *Enrollment Goals for FY 2021 (fall 2020)*

The enrollment goals for the fall 2020 class include enrolling 770-795 domestic NRNR students and 450-480 international students, reflecting reasonable targets given trends over the last few years.

## **Nonresident/Non-reciprocity Tuition**

### *History of Tuition Rates*

Historically, a minority of NRNR students paid the actual nonresident rate. Most students enrolling from outside of the region received some type of financial aid or participated in alternative tuition reduction programs such as the Midwest Student Exchange Program (MSEP). By 2006, less than 25 percent of students (approximately 400 students overall) were paying the full nonresident rate.

Given this situation, along with additional revenue from Wisconsin students due to a change in the reciprocity agreement between the two states, the University decided to markedly lower the NRNR rate and offset any minor revenue loss through decreasing discounts to these students. NRNR rates dropped from \$20,130 in 2007-08 to \$12,500 in 2008-09. Beginning in 2015-16, the University began to increase NRNR tuition rates more aggressively for incoming students while strategically increasing scholarships and grants to better align our tuition pricing and discounting with peer/competitor institutions. As part of this strategy, the University has been limiting the tuition increase for continuing NRNR students to no more than 5.5 percent of their prior year's rate.

## Twin Cities Nonresident, Nonreciprocity (NRNR) Tuition Rates by Recent Entry Cohort

Entry Cohort	Year 1		Year 2		Year 3		Year 4	
	Amount	Amount	% Percent Change from Prior Year	Amount	% Percent Change from Prior Year	Amount	% Percent Change from Prior Year	
Fall 2013	\$18,310	\$19,310	5.5%	\$20,660	7.0%	\$21,796	5.5%	
Fall 2014	\$19,310	\$20,660	7.0%	\$21,796	5.5%	\$22,994	5.5%	
Fall 2015	\$20,660	\$21,796	5.5%	\$22,994	5.5%	\$24,258	5.5%	
Fall 2016	\$22,210	\$22,994	3.5%	\$24,258	5.5%	\$25,584	5.5%	
Fall 2017	\$24,966	\$26,364	5.5%	\$27,820	5.5%			
Fall 2018	\$28,736	\$30,316	5.5%					
Fall 2019	\$31,616							



On a percentage basis, the NRNR rates for the incoming class have been increased by more than 5.5 percent each of the last five years:

- FY16 = 7.0%
- FY17 = 7.5%
- FY18 = 12.5%
- FY19 = 15.0%
- FY20 = 10.0%

### *Big 10 Public Institution Comparison*

The 10 percent NRNR tuition rate increase approved for FY 2020 put the University in a more competitive “middle” position in the Big Ten. Of the 14 schools in the conference, including Northwestern, the University’s NRNR rate now ranks as the 8<sup>th</sup> highest. A middle ranking is consistent with goals previously discussed by the Board as a driver in the recent rate increases. The fall 2019 tuition and fees ranking is as follows:

1. \$56,232 Northwestern
2. \$51,200 University of Michigan
3. \$39,830 Michigan State University
4. \$37,615 University of Wisconsin
5. \$36,890 University of Maryland
6. \$36,512 Indiana University
7. \$35,514 Pennsylvania State University
- 8. \$33,534 University of Minnesota**
9. \$33,352 University of Illinois (base rate)
10. \$32,061 Ohio State University
11. \$31,709 Rutgers University
12. \$28,794 University of Iowa
13. \$28,794 Purdue University

14. \$25,828 University of Nebraska

If all other schools maintain their rates at the 2019-20 level, it would take a 6.0 percent increase in the University's rate to move to a ranking of 7<sup>th</sup>, and a 9.0 percent increase to move to a ranking of 6<sup>th</sup>. At this point in the process President Gabel does not believe it is necessary to advance a formal recommended rate change for FY 2021 for review by the Board. The FY 2021 strategy for all tuition rates will be incorporated into the President's Recommended Annual Operating Budget for review by the Board in May 2020. Prior to that, committee agenda items in December and February will further inform development of the budget, including the tuition rates.

*Tuition Revenue Estimates*

With implementation of the more aggressive rate increases beginning in FY 2016 as described above, gross revenue and net revenue after increased discounting and recruitment costs has grown as a total and on a per student basis.

Tuition Revenue for Domestic and International NRNR Total Enrollment:

	2015-16	2016-17	2017-18	2018-19	2019-20 (est)
Gross Revenue	\$121,900,000	\$132,500,000	\$147,000,000	\$156,100,000	\$166,500,000
Discounting	(\$14,500,000)	(\$18,300,000)	(\$19,900,000)	(\$22,600,000)	(\$25,700,000)
Recruitment Costs	(\$1,300,000)	(\$1,300,000)	(\$1,500,000)	(\$2,200,000)	(\$2,800,000)
Net Revenue	\$106,100,000	\$112,900,000	\$125,600,000	\$131,300,000	\$138,000,000
Total Fall NRNR Enrollment	6,102	6,259	6,565	6,332	6,215
Revenue Per Student	\$17,388	\$18,038	\$19,132	\$20,736	\$22,204

# Twin Cities Undergraduate Nonresident/Non-Reciprocity Tuition Update

Brian D. Burnett, Senior Vice President for Finance and Operations

Robert McMaster, Vice Provost and Dean, Undergraduate Education

Julie Tonneson, Associate Vice President and Budget Director

## Finance & Operations Committee

October 10, 2019

**SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS**

World Class Services for a World Class University



# Nonresident Tuition and Recruitment History

- 1990s
  - Began participation in MSEP which offered lower tuition to nonresidents from participating states
- 2003
  - Started national outreach and recruitment in IL
- 2008-09
  - Renegotiated reciprocity agreement requiring WI residents to pay higher MN resident tuition rate
  - Lowered nonresident tuition from \$20,130 to \$12,500 (“R4000”)
- 2012
  - Expanded recruitment in CA
- 2016
  - Began implementing tuition rate increases above 5.5% for incoming freshmen (continuing students held at no more than 5.5% increase)
- 2018
  - Added regional recruiters in NJ/NY and TX
- 2020
  - Added regional recruiter in Northern CA to serve Bay area and Pacific Northwest



# Twin Cities Undergraduate Nonresident Tuition Rates Have Been Increasing

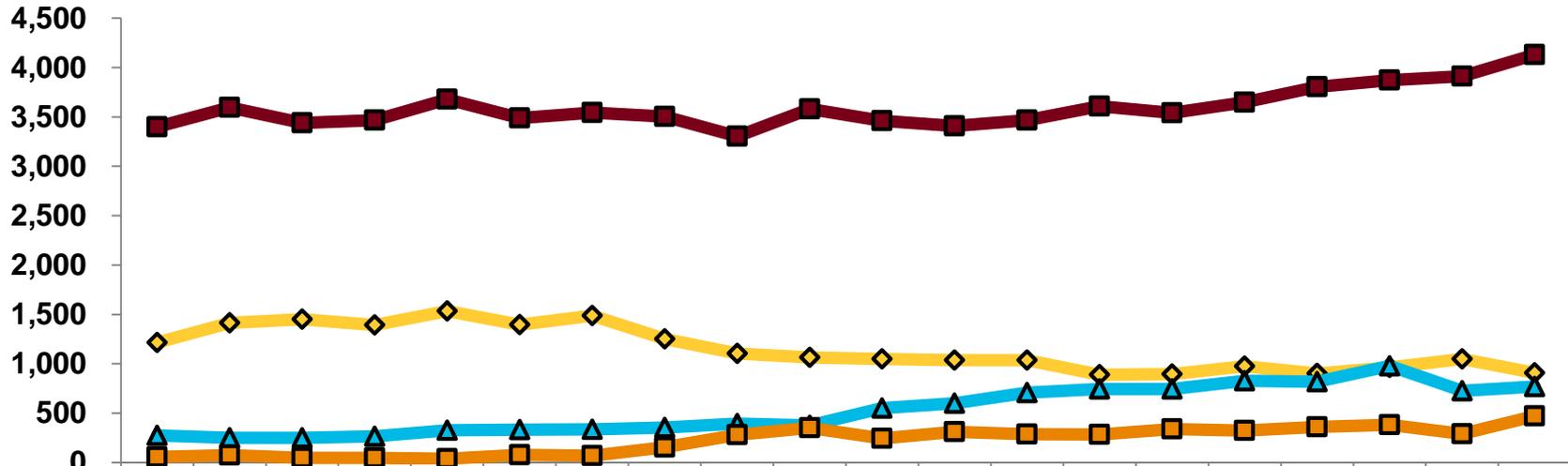
Approved  
Dec. 2018

Campus	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Twin Cities	\$17,310	\$18,310	\$19,310	\$20,660	\$22,210	\$24,986	\$28,734	\$31,616
Dollar change		+\$1,000	+\$1,000	+\$1,350	+\$1,550	+\$2,776	+\$3,748	+\$2,880
% change		+5.8%	+5.5%	+7.0%	+7.5%*	+12.5%*	+15.0%*	+10.0%*

\*Continuing students that were enrolled the prior year will see no more than a 5.5% annual increase through their timely graduation.



# Twin Cities Campus Fall Semester New Freshman (NHS) Headcount Enrollment by Home Location



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>MN</b>	3,398	3,596	3,439	3,467	3,679	3,487	3,543	3,503	3,304	3,579	3,460	3,408	3,466	3,608	3,539	3,649	3,804	3,872	3,912	4,130
<b>WI/ND/SD</b>	1,214	1,413	1,452	1,392	1,533	1,396	1,487	1,250	1,105	1,065	1,050	1,036	1,035	888	895	974	900	962	1,050	906
<b>Other US</b>	274	250	249	265	326	332	335	353	393	376	550	600	707	745	743	826	817	979	726	770
<b>Intl</b>	56	74	46	48	38	79	70	154	282	351	245	310	287	284	338	322	359	382	289	472



# Recent Percentage Shares of Twin Cities Campus Fall Semester New Freshmen (NHS) Students by Home Location

Fall	2013		2014		2015		2016		2017		2018		2019*	
Home Location	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Minnesota	3,608	65.1%	3,539	64.0%	3,649	63.2%	3,804	64.7%	3,872	62.5%	3,912	65.5%	4,130	65.8%
Reciprocity	888	16.0%	895	16.2%	974	16.9%	900	15.3%	962	15.5%	1,050	17.6%	906	14.4%
Other US	745	13.4%	743	13.4%	826	14.3%	817	13.9%	979	15.8%	726	12.1%	770	12.3%
Foreign	284	5.1%	338	6.1%	322	5.6%	359	6.1%	382	6.2%	289	4.8%	472	7.5%
Unknown	19	0.3%	15	0.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>5,544</b>	<b>100%</b>	<b>5,530</b>	<b>100%</b>	<b>5,771</b>	<b>100%</b>	<b>5,880</b>	<b>100%</b>	<b>6,195</b>	<b>100%</b>	<b>5,977</b>	<b>100%</b>	<b>6,278</b>	<b>100.0%</b>

\*Pre-census count as of September 11, 2019



# Total nonresident tuition revenue (net) from freshmen on the Twin Cities campus has varied with enrollment, while net tuition per student has increased.

	Fall 2016				Fall 2017				Fall 2018				Fall 2019 Estimated			
	N	Gross Tuition (in Millions)	Net Tuition (in Millions)	Avg. Net Tuition Per Student	N	Gross Tuition (in Millions)	Net Tuition (in Millions)	Avg. Net Tuition Per Student	N	Gross Tuition (in Millions)	Net Tuition (in Millions)	Avg. Net Tuition Per Student	N	Gross Tuition (in Millions)	Net Tuition (in Millions)	Avg. Net Tuition Per Student
NRNR Domestic	817	\$17.6	\$14.9	\$18,249	979	\$23.8	\$20.5	\$20,926	726	\$20.4	\$16.6	\$22,910	770	\$23.7	\$18.6	\$24,128
NRNR Intl	359	\$7.8	\$6.9	\$19,185	382	\$9.4	\$8.0	\$20,922	289	\$8.1	\$7.0	\$24,142	472	\$14.6	\$13.1	\$27,795

\*Pre-census count as of September 11, 2019



# Factors Influencing Fall 2019 Recruitment and Yield

- Shifting geodemographics in the Upper Midwest
- Increased competition for national students
- Higher Minnesota NRNR cost of attendance (\$49K in Fall 2019 vs \$45K Fall 2018) may have pushed some prospective students to stay in their home state
  - Cost is especially a factor in Illinois
- New markets in NJ/NY and Dallas/Fort Worth are in the earlier stages of development, which have long-term plans to supplement established markets in IL and CA



# NRNR Gross and Net Tuition Revenue and Net Revenue Per Student Continue to Rise *(\$ in millions)*

			A	B	C	D	E
			2015-16	2016-17	2017-18	2018-19	Est 2019-20
1	<b>Domestic</b>	Gross revenue	\$ 63.7	\$ 71.9	\$ 81.9	\$ 88.0	\$ 91.0
2		Discounting	\$ (9.7)	\$ (12.4)	\$ (13.1)	\$ (15.0)	\$ (17.3)
3		Recruitment cost	\$ (1.0)	\$ (1.0)	\$ (1.2)	\$ (1.9)	\$ (2.5)
4		Net revenue	\$ 53.0	\$ 58.5	\$ 67.6	\$ 71.2	\$ 71.3
5							
6	<b>International</b>	Gross revenue	\$ 58.2	\$ 60.6	\$ 65.1	\$ 68.1	\$ 75.5
7		Discounting	\$ (4.8)	\$ (5.9)	\$ (6.8)	\$ (7.6)	\$ (8.5)
8		Recruitment cost	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.4)	\$ (0.4)
9		Net revenue	\$ 53.1	\$ 54.4	\$ 58.0	\$ 60.1	\$ 66.7
10							
11	<b>Total</b>	Gross revenue	\$ 121.9	\$ 132.5	\$ 147.0	\$ 156.1	\$ 166.5
12		Discounting	\$ (14.5)	\$ (18.3)	\$ (19.9)	\$ (22.6)	\$ (25.7)
13		Recruitment cost	\$ (1.3)	\$ (1.3)	\$ (1.5)	\$ (2.2)	\$ (2.8)
14		Net revenue	\$ 106.1	\$ 112.9	\$ 125.6	\$ 131.3	\$ 138.0
15		Total NRNR Enrollment	6,102	6,259	6,565	6,332	6,215
16		Revenue per student	\$ 17,388	\$ 18,038	\$ 19,132	\$ 20,736	\$ 22,204
17		% change from prior year		3.7%	6.1%	8.4%	7.1%



# 2019-20 Nonresident Big Ten Tuition and Fees

	2019-20 Tuition and Fees	\$ increase in 2019-20 over 2018-19	% increase in 2019-20 over 2018-19
Northwestern University	\$56,232	\$1,665	3%
University of Michigan	\$51,200	\$118	0%
Michigan State University	\$39,830	\$64	0%
University of Wisconsin	\$37,615	\$810	2%
University of Maryland	\$36,890	\$1,674	5%
Indiana University	\$36,512	\$1,056	3%
Pennsylvania State University	\$35,514	\$656	2%
<b>University of Minnesota</b>	<b>\$33,534</b>	<b>\$3,096</b>	<b>10%</b>
University of Illinois--Base Rate	\$33,352	\$778	2%
Ohio State University	\$32,061	\$1,319	4%
Rutgers University	\$31,709	\$427	1%
University of Iowa	\$31,568	\$335	1%
Purdue University	\$28,794	\$0	0%
University of Nebraska	\$25,828	\$790	3%

Source: Institutional websites



# NRNR Enrollment and Tuition Setting Goals

- Enhance the geographic diversity
- Contribute some of the highest academic metrics on campus
- Improve nonresident retention and graduation rates
- Pricing that more closely represents reputation of the University compared to peer institutions



# Regional Recruitment

- **Selecting Regional Markets for Regional Counselor placement:**
- High populations of college going students
- UMNTC has a “natural” pipeline
- Areas where Big Ten Network is visible (ie, Rutgers and Maryland additions)
- Areas where students are not able to attend flagship universities in state due to population
- Areas where students are likely be financially able to attend school out of state
  
- **Additional markets:**
- Colorado (Denver/Colorado Springs/Fort Collins)
- Washington DC and Maryland/Virginia suburbs
- Kansas City/St Louis
  
- **Test Markets:**
- Seattle
- Austin and Houston, TX



# Regional Recruitment Feedback

## Biggest Challenges for students considering the University of Minnesota

- *Cost, the weather, overall location. Those are the two things I get asked about the most. Many NY/NJ people think it is winter all the time and in the middle of nowhere. (New York/New Jersey)*
- *Navigating Conversations about rising cost for our families. Multiple school counselors commented to me about how generous we used to be and now we give less. (Illinois)*
- *Cost- even when considering scholarships. Being able to make a visit. Also, lack of awareness as to what a hidden gem the Twin Cities is. Obviously weather as well. (Texas)*
- *Cost, weather, location (California)*

## Biggest competitors in your territory:

- *New York University, Columbia, University of Connecticut, University of Maryland, Penn State University, University of Michigan, Purdue (New York/New Jersey)*
- *University of Illinois, Wisconsin, Missouri, Indiana, Purdue (Illinois)*
- *UT-Austin, Dallas, and Arlington campuses specifically, Texas Tech, Texas State, University of North Texas, Southern Methodist University, Ole Miss, Louisiana State University, Louisiana Tech, Alabama, Oklahoma and Oklahoma State University, Michigan State, Purdue, Wisconsin, Penn State (Texas)*
- *University of California schools, Wisconsin, University of Michigan (California),*



# NRNR Enrollment Goals for FY 2021:

Group	Goal/Estimate	Change from Prior Year
NHS Domestic	770-795	+13
NHS International	450-480	-7
Continuing Students	5,124	+155
Total	6,379	+161



# Student Feedback from SERU

- Being an out of state student, I was disappointed to learn that my tuition would increase 15%. I think that I'm paying enough, and I don't understand the need to be competitive with other Big 10 Schools. I have thought/ still thinking about transferring due to the price increase.
- I know there is talk of increasing out of state tuition. I would NOT have attended the U if tuition was any higher. I was considering more highly ranked universities all around the country and ultimately picked the U because it was affordable to begin with, and I got scholarships on top of that.
- Increasing out of state tuition is very disappointing to me. I came here because the out of state tuition I thought was manageable. Now I am forced to reevaluate my standing here and whether it is worth it because of this increase.





UNIVERSITY OF MINNESOTA

**Driven to Discover<sup>®</sup>**

Crookston Duluth Morris Rochester Twin Cities

The University of Minnesota is an equal opportunity educator and employer.



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2019**

**AGENDA ITEM:** FY 2021 Budget Variables and Levers

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Brian Burnett, Senior Vice President for Finance and Operations  
Julie Tonneson, Associate Vice President and Budget Director

## **PURPOSE & KEY POINTS**

The purpose of this item is to engage in a discussion of the primary variables impacting budget planning for the fiscal year beginning July 1, 2020 (FY 2021).

Board discussion and review of components of the annual operating budget began with the development of the biennial budget request to the State of Minnesota in the summer and fall of 2018. FY21 is the second year of the biennium; given the timing of the presidential transition in the context of the biennium, the FY21 annual operating budget can be considered a transition year budget, with slight modifications to the original framework but not wholesale change. It is also important to note that development of the systemwide strategic plan, a process running simultaneously with development of the FY21 budget, will inform some of the thinking behind modifications to the budget framework, but real evidence of the strategic plan will not surface until the 2022/2023 biennial budget request to the state and the corresponding annual budgets of the next biennium.

The timeline for Board discussion and review of components specific to the FY21 annual operating budget begins with this item and a related agenda item on the impact of changes in the Twin Cities undergraduate nonresident non-reciprocity (NRNR) tuition rates. This discussion will focus on general definitions and trends in resources and expenditures, rather than specific issues or values for FY21. The process continues in December with a discussion of primary cost drivers and revenue sources and a review of the long-range financial planning estimates. The budget development then moves to an examination of the specific to FY21 annual budget framework values in February and ends with review and action on the President’s Recommended FY21 Annual Operating Budget in May and June of 2020. The complementary goals of each interaction are for the administration to share information and recommendations and for Board members to provide input and guidance reflecting their priorities and expectations for next year’s budget.

## **The Budget Framework**

At the very early stages of developing each biennial budget request to the State of Minnesota, the University creates a budget planning framework for the two years of the upcoming biennium. The

framework is a very high-level set of assumptions regarding changes in revenues and expenditures that summarize plans for achieving a balanced budget. The framework focuses on the significant unrestricted funds available to support the maintenance and operations of the University's core missions: the state appropriation and tuition.

The other funds of the institution (fees, auxiliary and other unrestricted sales, restricted grants, contracts, gifts, etc.) are generated differentially by units throughout the University based on the activities they engage in. They are monitored and reviewed by central administration, but are automatically attributed to units as generated. The annual budgeting of revenues and expenses in this category of funds requires estimating and decision making processes at the local unit level, but not by central administration (some auxiliary rates, such as those for student room and board and parking, are reviewed and approved by central administration). These other funds are incorporated into detailed budget planning for each unit and are included in the President's recommended annual operating budget, but they are only a very small component of the "budget framework."

Where possible, growth in these revenues can cover general operating cost increases, taking the place of what might have been funded by O&M in the past. For example, an increase of \$100,000 in indirect cost recovery funds within a unit may be budgeted as an unrestricted revenue source to cover the compensation costs of an employee or two that was funded by O&M in the past. The opposite scenario is also true, however. If grant funding decreases in a unit and that unit must continue to support a tenured faculty member's salary previously supported by that grant, it is the unrestricted state O&M appropriation that often must shift to cover that expense. These shifts occur each year in many units as they strategically manage their resources and costs, but they are small adjustments on the margin relative to the \$1.6 billion of unrestricted O&M and tuition resources. It is important to note that many of the funds in these other categories are restricted to unit and to purposes, so they cannot replace a dollar of state appropriation or tuition.

A typical budget framework reflects incremental changes in resources and costs and includes the following components:

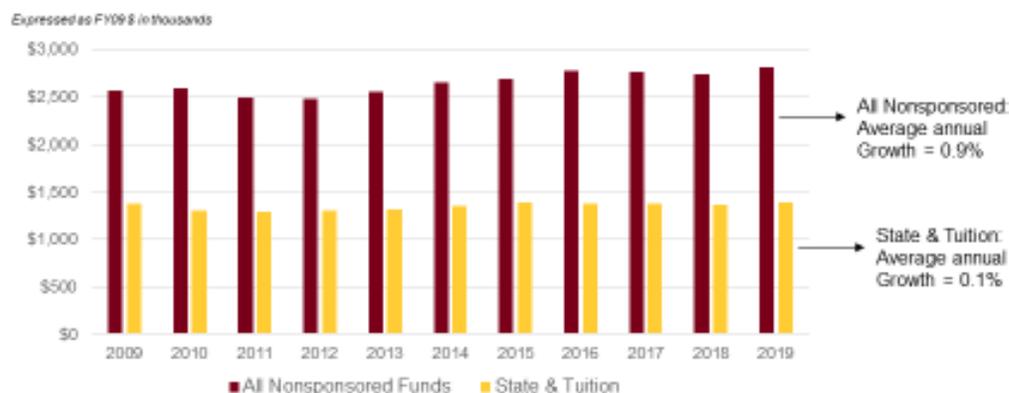
- Estimated or known changes in state appropriations.
- Planned internal reallocations (savings from efficiencies or spending decreases).
- Planned changes in tuition revenue based on recommended rates and enrollment.
- Planned increases in salary costs based on recommended compensation plan.
- Estimated cost increases for fringe benefits.
- Estimated cost increases for facilities operations (utilities, debt service etc.) & technology maintenance.
- Planned investment pool for programmatic and operating initiatives.

The budget framework is a guide that impacts the decision making process throughout the year, but it does not remain stagnant. As new information becomes available or as decisions are made based on priority needs of the institution, the framework is adjusted. It must always, however, result in a positive or \$0 balance.

### **Change in Total Expenditures**

Adjusted for inflation (CPI), total expenditures at the University over the last ten years have increased at an average annual rate less than 1 percent: 0.9 percent average annual growth for all non-sponsored funds combined and 0.1 percent average annual growth for state and tuition funds alone. In total, the growth in expenditures has been 9.5 percent for all non-sponsored funds combined, but just 0.7 percent for state and tuition funds alone.

**Total expenditures (adjusted for inflation - CPI) have grown 9.5% in all nonsponsored funds combined, and 0.7% in state and tuition funds alone – FY09 through FY19**



The growth in expenditures adjusted for inflation from FY09 to FY19 (< 1 percent for state and tuition funds) corresponds to a time frame in which:

- Enrollment at all U of M campuses has grown 1 percent (66,312 to 66,880).
- Sponsored research expenditures (adjusted for inflation) have grown 9 percent.
- The number of sponsored awards received has grown 45 percent (from 3,467 in 2009 to 5,031 in 2018).
- The total gross square footage of University space has grown by 15.2 percent (assignable square feet by 9.2 percent).
- The total number of buildings has grown by 11 percent (from 880 to 974).

On an all-funds basis, breaking the expenditure categories into tiers, the strongest growth over this time frame has occurred for student aid, rents and leases, and non-capital equipment. The second “tier,” with a slightly lower rate of growth, includes fringe benefits, misc. supplies and services, and repairs and maintenance. All other expenditures (salaries, utilities, consulting and professional services, etc.) show even lower rates of growth or actual decreases over this time frame.

Within the state and tuition funds, the strongest growth again occurred in student aid and non-capital equipment. Fringe benefits grew slightly less but still faster than most other categories of spending, and all other expenditure categories show slower rates of growth or actual decreases over this time frame.

Throughout the institution, decisions have been made to control cost growth over the last 10 years, which is best exhibited in the low total and annual rate of expenditure growth in the state and tuition funds adjusted for inflation. As University programming has expanded, the expenditures have increased at or below that rate of growth. Moreover, as the University’s research and instruction profile has grown, expenditures across all non-sponsored funds – including from gifts, clinical activities, restricted contracts, royalty income, external sales etc. – have increased at the same rate or less than those activities, even when factoring in things such as medical costs for employees and animals, debt service, and increased compliance responsibilities.

The following primary budget variables must be understood and considered for their impact on the immediate term (FY21 budget) and on the long-range financial planning parameters to be discussed in more detail at the December meeting of the Finance & Operations Committee.

### *Compensation*

Board of Regents Policy: *Employee Compensation and Recognition* outlines the goals for the University's compensation strategies:

- (a) The University strives to achieve and maintain a compensation structure that, when combined with benefits and other rewards, is competitive relative to institutional peers and other appropriate labor markets and serves to attract and retain a high performance workforce.*
- (b) The University seeks to reward meritorious performance and employee contribution to the success of the University through compensation and other forms of recognition.*
- (c) In the setting of initial salaries and subsequent pay adjustments, the University considers the work responsibilities, market, internal equity, experience and expertise, performance, and other criteria as appropriate.*

In the last eight years, the approved University average compensation increases have been in the 2.0 percent to 2.5 percent range, delivered on a merit basis (not across the board) or through collective bargaining agreements. The decision for FY21 compensation increases will naturally take into consideration the major drivers for this variable:

- Inflation faced by University employees and their households.
- Market competition for talented faculty and staff (globally in some cases and the best the Twin Cities and the region have to offer in others).
- The results of collective bargaining.

In addition to salary increases, the University' budget framework must include the projected impact of changes in fringe benefit rates charged to departments. If these rates are increasing overall, then there will be a budgetary cost to all University departments, regardless of whether or not there is a salary increase. For FY21, the required methodology for the calculation of fringe rates (which is designed to recover actual costs faced in FY19) is projected to result in an increase in the rates largely driven by several factors:

- Medical costs increased over 7 percent between FY18 and FY19.
- Minnesota State Retirement System (MSRS) premiums increased due to state action to fund required obligations, increasing employer costs.
- The salary base on which some of the rates are calculated increased at a lower rate than in the past and at a lower rate than the fringe costs (lower base yields higher rates).

In state and tuition funds alone, for FY21 the additional fringe cost (with no salary increase) is estimated to be \$10 million. Each percentage increase in salaries then will have an additional impact on the budget, over and above that \$10 million, of \$12.8 million.

### *Facilities and Technology*

Many of the facility and technology infrastructure cost increases can be estimated in advance based on current or recent activity or known vendor driven changes. While in any given year, some costs go up and others remains stable or decrease, it is not unusual for total required obligations in these cost categories to grow in the range of \$2-\$7m per year. Each year

estimated changes are built into early versions of the framework and updated throughout the process as more information becomes available. For FY21, current estimates are projecting an overall cost increase of just over \$5 million.

The primary drivers of costs in these categories are varied. Some are beyond the control of the University and others are the result of University decisions. The former includes energy costs, weather, government regulations and security threats. The latter includes the scope and magnitude of mission activities (growth in research, academic programs and enrollment), capital projects and resulting bond sales, expansion of gross square footage, the number of employees and access points into University systems, desires for system modernization, and the University's risk tolerance.

Upon reviewing these drivers annually, some specific cost increases must be planned for, including those for utilities, facility operations for newly opened space (net of de-commissioned space), debt service, leases, and agreements/contracts related to licensing and maintenance of technology systems. In addition, decisions must be made related to the desired investment in repair and renovation of existing facilities, cyber security and core technology infrastructure (storage, network, phone system, etc.).

### *Academic and Support Unit Needs and Ambitions/Opportunities*

A strategic investment category is included as a discretionary item each year in the framework. Academic and support units bring forward many proposals for funding during the budget development process – from expansion of programs and services, to general support for base operations. Maintaining excellence in University programs and services is a consistent priority, but the amount of available resources changes as other revenue and spending components of the framework fluctuate. The challenge is often committing adequate funds to this category while providing a reasonable salary increase and covering required cost increase – all while balancing within constrained resource growth.

The decision about an appropriate level of investment funding in the budget for FY21, over and above the required amounts necessary to address the other categories of spending mentioned above, will naturally consider a variety of influences. Example considerations include:

- Implementation of strategic plans at the University, campus and college levels.
- Goals of the Board of Regents, the President, chancellors, deans and vice presidents.
- Emerging needs of students and faculty (mental health, cyber security, research computing, student debt, building security, etc.).
- Enrollment shifts that lead to reduced tuition, demand for instructors etc.
- Improvements in system and processes to produce more and better data and enhance accountability.
- Inflation and market-driven cost increases in operations.
- Pursuit of performance metrics related to research rankings, departmental and program rankings, graduation rates, etc.

## **Resource Variables in the Budget Framework**

### *State Appropriation*

In recent years state appropriations to the University have increased modestly after a four-year decline during the great recession (dollars in millions):

FY08	FY09	FY10	FY11	FY12	FY13	FY14
\$708.8	\$701.5	\$647.8	\$615.6	\$569.7	\$569.7	\$601.2
	-\$7.3	-\$53.7	-\$32.2	-\$45.9	\$0.0	+\$31.5

FY15	FY16	FY17	FY18	FY19	FY20	FY21
\$615.5	\$650.0	\$650.8	\$683.1	\$673.0	\$694.1	\$695.8
+\$14.3	+\$34.5	+\$0.8	+\$32.3	-\$10.0	+\$21.1	+\$1.7

At \$694.1 million in FY20, without adjusting for inflation, the appropriation remains \$14.7 million less than the University received at its peak support of \$708.8 million in FY08. Adjusting for inflation (CPI), an appropriation of \$708.8 million in FY08 would have the same buying power as \$831.1 million today, which is \$137.0 million more than the actual FY20 appropriation.

Within the \$694.1 million appropriation for FY20, \$601.1 million is the unrestricted Operations & Maintenance (O&M) “block grant” and \$93.0 million is restricted state special appropriations. There is no opportunity to repurpose the restricted funds to broader purposes, and they are held flat for FY21.

As approved in the FY20 operating budget, \$8 million of the increased O&M appropriation for FY20 was left uncommitted in FY20 in order to apply it to cost increases in FY21. With that \$8 million, the incremental new appropriation available to address increased costs in FY21 will be \$9.7 million. There is no growth potential beyond what is currently in law unless the state entertains the idea of a supplemental request for the 2020 legislative session.

### *Tuition*

In development of the budget framework at the beginning of the process, tuition rate decisions are generally considered in three categories: resident undergraduate on each campus, nonresident/non-reciprocity undergraduate on each campus, and graduate/professional.

During the first decade of this century, tuition rates at the University increased significantly in almost all categories: partially in response to periodic reductions in state funding; partially to address cost increases for essential items in the budget; and partially to maintain excellence in academic programs and services. It is an annual decision that takes into consideration a variety of factors as part of a larger total budget package. The primary variables impacting the decision include student debt levels, availability of financial aid, student demand, market comparisons to institutions with which the University competes for students, earnings potential of graduates, inflationary pressures on University costs, and benefits to students of increased spending allowed from revenue gains.

In two of the last four biennium, the University requested funding from the state specifically to take the place of increased resident tuition rates. The state approved that request in FY14-FY15 and partially in FY16-FY17. As a result of the increased appropriations and University decisions to lower internal costs, the resident undergraduate tuition rate on the Twin Cities campus has increased at an average annual rate of 1.5 percent since FY13. On the other campuses the

increase has been even less, with an average annual rate increase of 0.6 percent at UMC, UMD and UMR and 0.7 percent at UMM. This year (FY20) the Twin Cities campus resident undergraduate tuition rate ranks 7 out of 14 in the Big Ten (or 6 out of 13 excluding Northwestern). The other campuses remain at or near the top of their comparison groups.

Recent history for NRNR undergraduate tuition rates has been different. The Crookston and Rochester campuses do not have a nonresident tuition differential, and the Morris campus just reinstated a differential beginning in FY17. The Duluth campus has a nonresident tuition differential that has been increasing by 5 percent or less in recent years (1.5 percent for FY20).

In 2007, the University implemented a plan to decrease the nonresident tuition differential on the Twin Cities campus significantly – to the bottom of the Big 10 – in order to improve recruitment potential and build pipelines of potential students from markets throughout the country. This happened at a time when fewer than 25 percent of the NRNR students were paying the full tuition rate. At the same time, the State of Minnesota changed the reciprocity agreement with Wisconsin in such a way that resulted in additional revenue for the University, so the small loss in nonresident tuition was offset by increased reciprocity tuition and minor changes in tuition discounting. This strategy, combined with continued improvement in the academic profile of the University, was successful in building strong demand for nonresident enrollment. Over the last five years, the University has increased the Twin Cities NRNR tuition rates in the range of 7-15 percent, and for FY20, that rate combined with fees ranks 8<sup>th</sup> out of 14 schools in the Big Ten.

The tuition rate changes for graduate and professional programs vary significantly by program. The professional schools take into consideration their tuition rate compared to peers, student demand and the ranking of their programs, as well as the debt levels and earning potential for their graduates. The rates for graduate programs factor in many of those same variables, as well as the financial impact to departments of assistantship costs. Generally, these rates have increased at a steady, moderate pace reflecting inflation or trends among other schools.

*Savings from Efficiencies and Reduced Expenditures*

Each year, some level of internal reallocation has been incorporated into the annual approved budget, reflecting choices to reduce spending on items throughout the University in order to pay for cost increases and priority investments in other areas of spending (dollars in millions):

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Framework Funds									
Reallocation	\$40.5	\$4.0	\$14.9	\$16.1	\$30.5	\$22.8	\$17.1	\$19.0	\$16.7
% of State/Tuition	3.1%	0.3%	1.1%	1.2%	2.1%	1.6%	1.1%	1.3%	0.8%

Prior to FY14, the reallocations were largely driven by a reduction in state appropriations combined with annual cost increases and investment priorities. Beginning in FY14, those pressures on the budget were joined by significant concern over increasing tuition rates, and then-President Kaler introduced a goal to reduce administrative costs \$90 million over six years. The recommended budget for each year since then has included significant reallocations in the framework funds to reduce administrative costs (combined with some reallocations to reduce spending on mission activities as well) in order to balance the budget. In FY19 the full \$90 million was achieved.

The approved budget for FY20 and early plans for FY21 include continued expectations regarding increased efficiencies and decisions to reduce spending throughout the University. Decisions are made in the budget process regarding the location and levels of reallocation in the framework funds (state appropriations and tuition). For all other funds, budget planning includes an expectation that revenues will grow to cover cost and investment needs related to activities funded by those sources, or the relevant units must make decisions to lower costs in order to operate within available resources. While some amount of re-prioritization within existing resources can be implemented annually in most units, significant expenditure reductions cannot continue each year without an impact to programs and services. Clear direction on the desired scope of programming and tactical goals associated with strategic plans will aid in determining the appropriate placement of those impacts.

### *Other Revenues*

The FY20 approved operating budget includes estimated revenues in all other funds (excluding state appropriations and tuition) of \$2.2 billion. Just over 25 percent of that (\$586 million) is estimated sponsored grant funding; highly restricted to specific research and outreach projects as directed by the sponsoring organizations. Another 18 percent (\$386 million) is estimated revenues derived from the auxiliary businesses of the University including sales to students and others for room and board, parking, bookstore purchases, athletic tickets and so forth. The remaining 55 percent of the \$2.2 billion is split between grants and contracts, federal appropriations and gifts/endowment earnings (each restricted by the source to a particular unit or purpose within the University), and the unrestricted funds from sales and fees, indirect cost recovery (reimbursement for overhead expenditures associated with sponsored grants) and private practice funds in the Medical School. Roughly 54 percent of the total \$2.2 billion is restricted revenue unavailable for broad purposes.

The University has made it a priority to increase resources from these other funds. Over the last six years, the total from these revenues has grown 15 percent. Within the budget process and the budget model, the University incents units to seek out and grow these revenues, and in fact it is expected that these revenues will grow to cover the compensation and general inflationary costs for programming supported by them. They are, however, available differentially across the institution. Because the revenues are directly attributed to the units that generate them, some units are able to leverage these resources and benefit from them more than others. In some cases, it is also true that these resources are managed within the context of providing funding for specific activities that would not exist without that revenue. Due to the nuances associated with these funding sources, the potential for growth in them to offset a loss of tuition or state appropriation is minimal.

### **Distributed Budget Management Model**

Over the last 20 years, the University has evolved into a full Responsibility Center Management (RCM) budget model in which the leaders of the campuses, colleges, and major support units are held accountable for the financial health of their activities. As a result, they are each responsible for developing the financial strategies to accompany their programmatic goals and aspirations, within the context of University policies, priorities, and direction. The budget process is one in which the goals and priorities of the Board of Regents and the President provide University direction to units' planning, and information is shared in a way that allows for strategic decisions by leadership to best achieve those goals. The unique financial challenges, opportunities, and available tools (described in budget variable terminology in this document) are discussed for each individual unit with the intent of making each as successful as possible, within the overall requirement of a

balanced budget. An understanding of the budget variables as discussed here, when applied to the unit level, is what ultimately results in a recommended balanced budget.

## **BACKGROUND INFORMATION**

The President's recommended annual operating budget is submitted to the Board for review and action each year in late spring or early summer depending on the adjournment date of the Minnesota Legislature. Because the University's appropriation is known for FY21, the President will provide recommendations on the FY21 annual operating budget for review in May and action in June 2020.

In the last four years, discussion on the upcoming fiscal year budget assumptions were held in September or October (prior to the budgets for FY17 through FY20). Early discussion on the annual operating budget offers Board members the opportunity to develop their thoughts regarding priorities and recommendations for future action.

# FY 2021 Budget Variables and Levers

Brian Burnett, Senior Vice President for Finance and Operations  
Julie Tonneson, Associate Vice President and Budget Director

Finance & Operations

October 10, 2019

**SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS**

World Class Services for a World Class University



# Today's purpose is threefold:

- To introduce the FY21 process as a “transition year budget”; largely based on the original framework developed as part of the 20/21 biennial budget request
- To introduce the primary budget variables for FY21 in the context of the annual budget and the six year financial planning framework (*strategic plan impact more in FY22 and beyond*)
- To discuss Board members' questions and priorities related to the variables that must be addressed in balancing next year's budget



# Timeline – Annual Budget Items Before the Board

2018	Summer	➔	Develop Biennial Budget Framework-set the stage
2019	October	➔	Discuss FY21 Budget Variables and Levers
	December	➔	Discuss University Cost Drivers and Revenue Sources Review Long Range Financial Planning Update
2020	February	➔	Discuss FY21 Annual Budget Framework
	May/June	➔	Review and Act on President’s Recommended Budget

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Oct. – TC Undergraduate Nonresident/Non-Reciprocity Tuition Update

Dec. – Administrative Cost Definition and Benchmarking

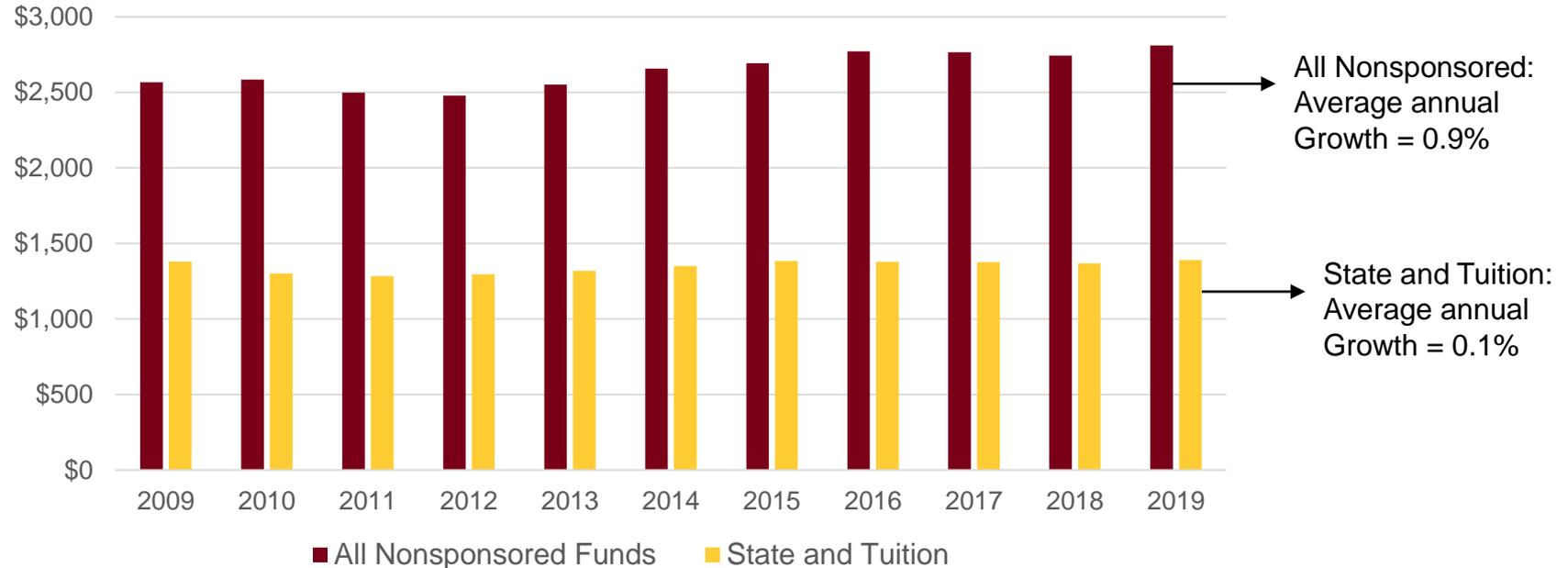
Feb. – Unit Reserves Policy Framework and Overview of HR Analytics



# First – the spending side of the budget.....

**Total expenditures (adjusted for inflation - CPI) have grown 9.5% in all nonsponsored funds combined, and 0.7% in state and tuition funds alone – FY09 through FY19**

*Expressed as FY09 \$ in thousands*



# Cost Variables – FY21

- Compensation – State and Tuition Funds:  
Fringe = \$10m  
Each 1% on salary = \$12.8m

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- Facilities:  
Utilities = \$2m  
New Building Operations = \$700k  
Debt Service = \$1.5m

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- Technology:  
Licensing/Maintenance = \$1m  
Cyber Security and Core Infrastructure

# Drivers:

Inflation; Market Competition for Employees; Collective Bargaining Results; Health Care Costs; Numbers of Employees

Energy Costs; Weather; Gross Square Footage; Capital Projects/Resulting Bond Sales; Expanding Research and Enrollment

Vendor Contracts; System Modernization; Scope of Mission Activities; Balance of Security Threats and Risk Tolerance



# Cost Variables – FY21

- Academic and Support Unit “Needs”: \$TBD
  - ❖ Personnel to Address Demand
  - ❖ Tuition/Other Revenue Decreases
  - ❖ Student Financial Aid
  - ❖ Contract Requirements
  - ❖ Compliance

- Academic and Support Unit Ambitions/Opportunities: \$TBD
  - ❖ Faculty and Program/Project Staff
  - ❖ Research/Instructional Infrastructure
  - ❖ Program Growth

# Drivers:

Emerging needs of students and faculty; Enrollment shifts; Systems and process improvements; Inflation and market-driven cost increases in operations

Strategic planning at all levels; Goals of the Board of Regents and University leadership; Pursuit of excellence



# What has the University implemented or what could we do to manage costs?

- Process redesign
- Increased efficiencies
- Centralized/regionalized services
- Consolidation
- Renegotiated contracts
- RFP savings
- Stabilized enrollment
- Hiring pauses/freezes
- Position eliminations
- Square footage reduction
- Scope reduction
- Refinancing

“Under the hood” these take on different meaning as they are contemplated across the wide variety of University units and programs



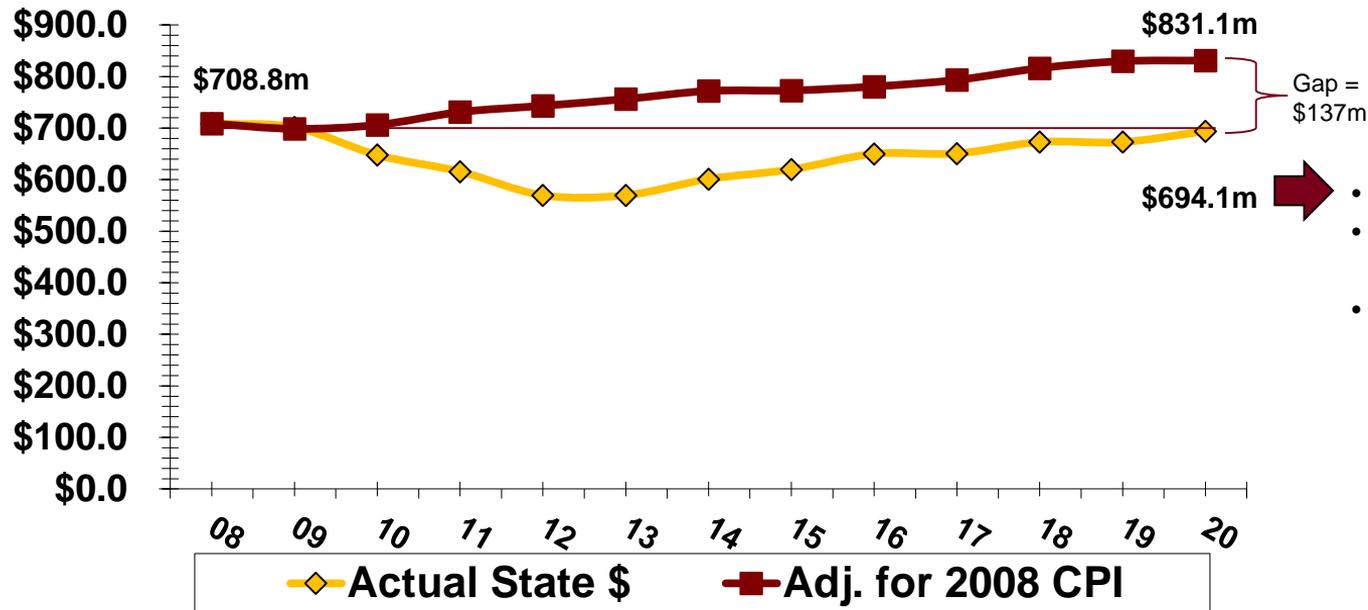
# Major Resource Variables in the University's Budget:

1. State Appropriation
2. Tuition
3. Savings from Efficiencies and Expenditure Reductions
4. Other Revenues



The actual \$708.8m appropriation\* in 2008, if adjusted for CPI, would equal \$831.1m in 2020.

The actual appropriation in 2020 is \$694.1m



- Increase for FY21 = \$1.7m
- Plus shifted \$8.0m from FY20 to FY21, so
- Incremental growth for next year for budget planning = \$9.7m

\*Includes Cigarette Tax and MnCare – excludes nonrecurring project appropriations

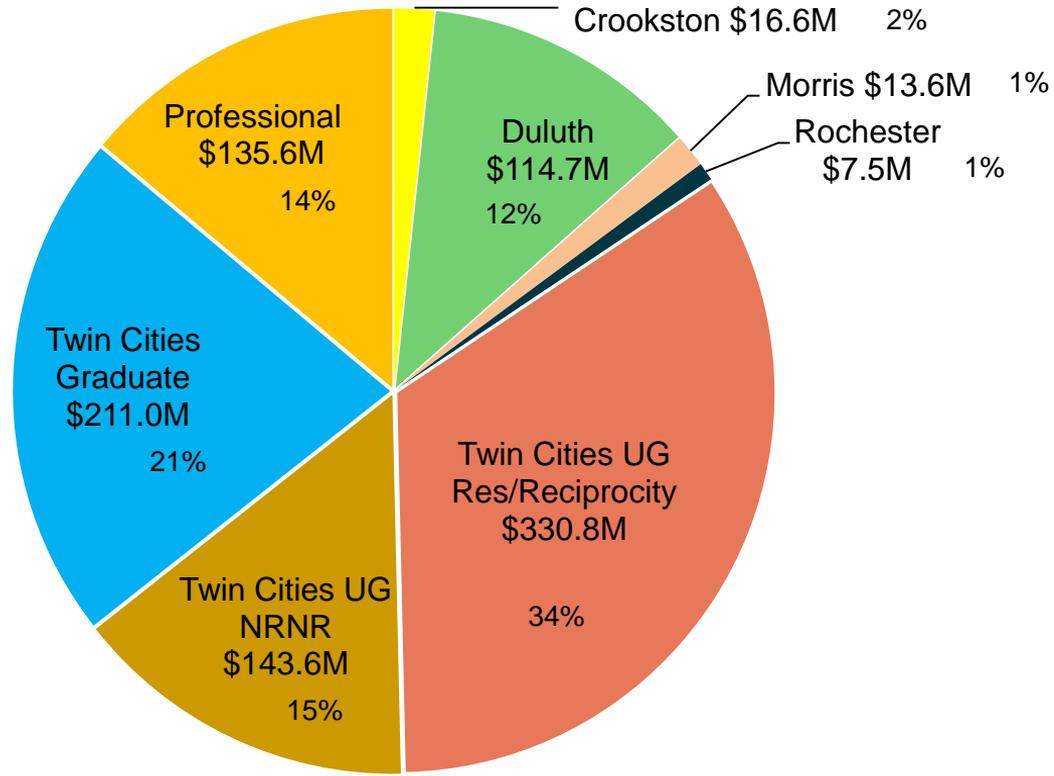


# State Appropriation: Growth Potential and Impact

- No growth potential beyond what is in law unless the state entertains the idea of a supplemental request for the 2020 legislative session.
- No opportunity to repurpose restricted state specials to operating cost increases.



# Estimated FY20 Tuition Revenue - \$973.4M



# Tuition: Growth Potential and Impact

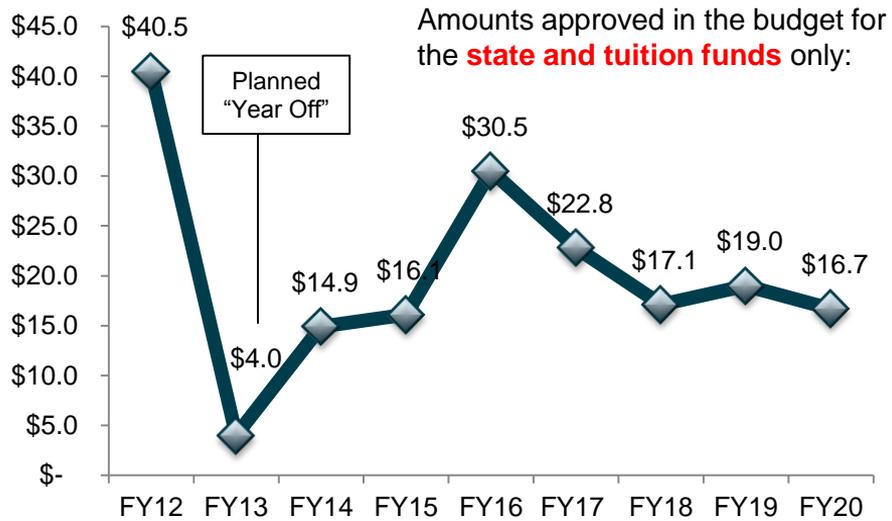
Assuming stable enrollment, each 1% increase in the tuition rate is estimated to generate:				
Twin Cities:				
	Resident Undergraduate			\$ 3,200,000
	Nonresident Undergraduate (to 5.5%)*			\$ 1,400,000
	Resident Graduate & Professional			\$ 2,000,000
	Nonresident Graduate & Professional			\$ 1,500,000
System Campuses:				
	Resident Undergraduate			\$ 1,200,000
	Nonresident Undergraduate*			\$ 100,000
	Graduate & Professional			\$ 100,000
Total for a 1% increase across all rates				\$ 9,500,000

\* Each 1% after 5.5% generates \$350k if all current students are grandfathered into no more than a 5.5% increase

- Decisions at each level to change tuition rates are influenced by a combination of variables centered on enrollment demand, the financial impact on students, availability of financial aid, price comparisons, and resource needs of the University.
- The tuition rate change is not “backed into” to balance the overall budget: it is a conscious decision in the context of many variables.
- Expansion of enrollment is based on program capacity and potential applicant pool. Revenue gain varies depending on student level, resident/nonresident mix, waivers etc.



# Savings from Efficiencies and Reduced Expenditures: Growth Potential and Impact

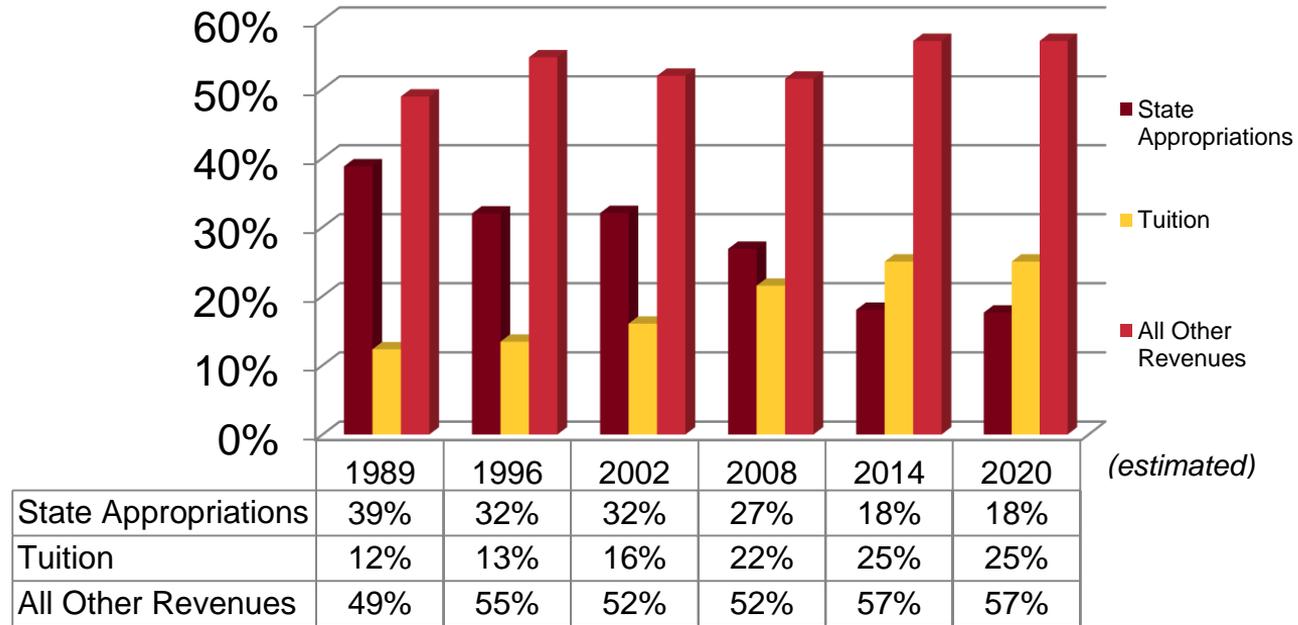


Each year units must do the same thing in the **other funds** to the extent that revenue growth does not cover associated cost increases.

- Each 1% of the state appropriation and tuition base is currently \$20 million.
- For six years units focused on reducing “administrative costs”.
- Implementation is aided with clear direction on the desired scope of programming and tactical goals associated with a strategic plan.
- It is reasonable to expect some level of re-prioritization for most units each year.

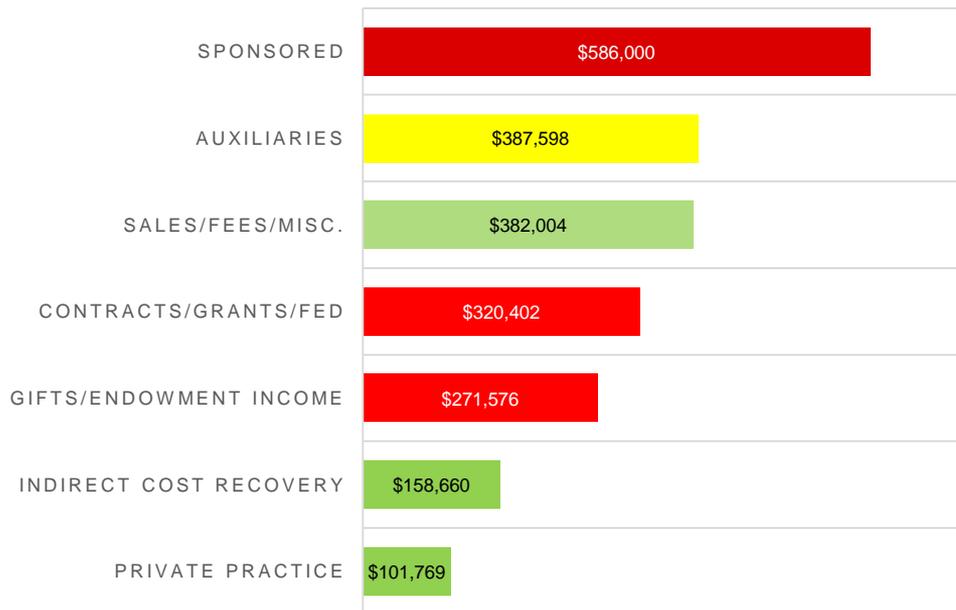


# “Other Funds” have grown as a percent of the University’s total revenues



# Other Funds: Growth Potential and Impact

Total \$2.2 billion in FY20 (*\$ in thousands*)



- 15% growth over last 6 years - potential for annual growth varies by source
- Expected to grow to support inflationary, personnel, and program enhancement cost increases of associated activities
- Budget process/model incents units to seek out and increase these revenues

## Challenges

- Increased reliance forces evaluation of which can support general operating costs of the institution; unequal ability across the institution
- Research grants bring costs > revenue
- Today roughly 98% of gifts are restricted to unit and/or purpose and most are not recurring



# Annual Budget Process

## Distributed Budget Management Model

President	<ul style="list-style-type: none"> <li>• Sets broad goals, strategies, principles</li> <li>• Directs and delegates the overall process</li> <li>• Receives and acts on recommendations from Budget Committee</li> <li>• Delivers Final Recommended Budget to the Board</li> <li>• Accountable for ensuring University's financial health in accordance with Board of Regents' direction</li> </ul>
Chancellors, Deans, VPs	<ul style="list-style-type: none"> <li>• Provide input into broad goals and strategies</li> <li>• Develop unit level priorities, goals and strategies</li> <li>• Request funding and assistance from Central to achieve goals</li> <li>• Implement final decisions/Accountable for overall unit financial health</li> </ul>
Departments	<ul style="list-style-type: none"> <li>• Respond to RRC level direction regarding development of departmental priorities, goals and strategies</li> <li>• Request funding and assistance from RRC to achieve goals</li> <li>• Implement final decisions</li> </ul>
Board of Regents	Reviews and acts on Annual Budget submitted by the President



**The process to ensure the University's budget is balanced begins with decisions to shape the "Budget Framework"**

**Change in  
Available  
Resources**

**=  
or  
>**

**Change in Costs  
and Investments**

# And today's discussion can provide direction to that decision making process. What does the Board think about the variables?

## Costs:

Compensation strategy?  
Program maintenance or growth?  
Research expansion with associated infrastructure costs?  
Top priorities for student services?  
Scope reduction in targeted areas?

## Resources:

Tuition strategy?  
Enrollment maintenance or growth?  
Strategies for thinking about the internal reallocation of resources to higher priorities?  
Potential for growth of "other funds" to address operations?



UNIVERSITY OF MINNESOTA

**Driven to Discover<sup>®</sup>**

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The University of Minnesota is an equal opportunity educator and employer.



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2019**

**AGENDA ITEM:** Consent Report

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Brian D. Burnett, Senior Vice President

## **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 \$13,200,000 for the purchase of pharmaceuticals and related supplies for Boynton Health Pharmacy for the period of November 1, 2019 through October 31, 2021. 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. Cardinal Health, the current supplier, was selected as a result of a competitive request for proposal 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).
- To Minnesota Airlines, dba Sun Country, for an additional \$4,500,000 for air charter services for additional large plane needs (over 70 seats) for men's and women's hockey and men's and women's basketball team travel needs for Twin Cities Intercollegiate Athletics (ICA) for the period of July 1, 2019 through June 30, 2022 with the option to renew for two additional one-year terms through June 30, 2024 for an additional \$3,000,000. Total contract value if all options for hockey and basketball are exercised would be \$7,500,000. Source of funds is ICA operating and gift funds as necessary. These services have historically been included in the operating budget and will be during the life of the agreement. On occasion, gift funds may be used. Minnesota Airlines, was selected as a result of a competitive request for proposal process conducted by Purchasing Services. These additional charter services, for hockey and basketball, are being added to the contract approved by the Board in June 2019 for football. Total contract value, for all sports if all

options are exercised will be \$9,250,000.

- To Premier Sports Psychology, PLLC for \$1,250,000 (\$250,000/Annually) for July 2019 to June 2024 for Twin Cities Intercollegiate Athletics (ICA). The sport psychology services will be paid for using department funds currently available for these services. The sport psychology services were identified as a line item in ICA's FY20 budget process and are planned for in FY21 and FY22 as part of a 3-year agreement. FY23 and FY24 are both individual option years per the agreement. Premier Sports, the current supplier, was selected as a result of a competitive bid led by Purchasing Services. One supplier responded to the RFP.
- To Thermo Fisher Scientific for \$1,444,958 for a Model Talos F200X G2 Analytical Scanning and Transmission Electron Microscope with 3-year service contract for Department of Chemical Engineering and Materials Science and Characterization Facility in the College of Science and Engineering, Twin Cities campus. The analytical high-resolution scanning and transmission electron microscope will be purchased with funds from the College of Science and Engineering, Characterization Facility and instrumentation grant awarded through the University of Minnesota Research Infrastructure Investment Program competition. See enclosed documentation for basis of supplier selection.

### **Capital Budget Amendments**

The purpose of this item is review and action on amendments to the FY 2020 Annual Capital Improvement Budget for the following projects:

- Unified Lab School and Child Development Center Facility (Twin Cities campus)
- University of Minnesota Medical Center Resident Fellow Health and Rest Suite (Twin Cities campus)

A project data sheet is included that addresses the basis for request, project scope, cost estimate, funding, and schedule for each of these projects. A site map locating the projects on the Twin Cities campus is also included.

### **Real Estate Transaction**

The purpose of this item is review and action on a real estate transaction for the following property:

- Lease of Apartment Units at 511 3rd Avenue SW, Rochester, Minnesota (Rochester campus)

A data sheet is included that addresses the basis for request, description of leased premises, details of transaction, lease cost, and source of funding. A map locating the property on the Rochester campus is also included.

### **Schematic Designs**

The purpose of this item is review and action on schematic designs for the following project:

- Student Housing and Dining Center (Duluth campus)

A project data sheet is included that addresses the basis for request, project scope, cost estimate, funding, and schedule for the project. A map locating the project on the Duluth campus is also included.

## **BACKGROUND INFORMATION**

Approvals are sought in compliance with Board of Regents policy as follows:

- General Contingency: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 1.
- Purchase of Goods and Services \$1,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6.
- Capital Budget Amendments: *Reservation and Delegation of Authority*, Article I, Section VIII, Subd. 8.
- Real Estate Transactions: *Reservation and Delegation of Authority*, Article I, Section VIII, Subd. 2.
- Schematic Designs: *Reservation and Delegation of Authority*, Article I, Section VIII, Subd. 9.

## **PRESIDENT'S RECOMMENDATION**

The President recommends approval of the Consent Report.

# General Contingency

**Fiscal Year 2020**  
(7/1/2019-6/30/2020)

Current Activity:

	Recipient	Amount	Balance	Purpose
1	<b>FY20 General Contingency Allocation</b>		<b>1,000,000</b>	
2	Carryforward from FY19 to FY20	1,912,966	2,912,966	
3	Office of the General Counsel	(228,918)	2,684,048	Support for Board-requested Athletics review. (posted in FY19 adjustment period)
4	Capitol Project Management	(150,000)	2,534,048	Partial support for St Paul Campus Strategic Facilities Plan.
5	<b>New items this reporting period:</b>			
6	none			
7	<b>Current Balance</b>		<b>2,534,048</b>	

Commitments\*:

	Recipient	Amount	Balance	Purpose
8	Office of the Board of Regents	(350,000)	2,184,048	University President search & transition activities. Allocated October, 2018.
9	University Relations	(250,000)	1,934,048	University President innaguration activities. Allocated June, 2019.
10	<b>Projected Balance</b>		<b>1,934,048</b>	

\* Items \$250,000 or more Subject to Board approval.

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

To Cardinal Health for an estimated \$13,200,000 for the purchase of pharmaceuticals and related supplies for Boynton Health Pharmacy for the period of November 1, 2019 through October 31, 2021.

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

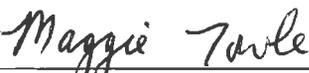
*Cardinal Health has been selected through a competitive process led by the State of Minnesota, Department of Administration, Materials Management Division, on behalf of the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). Total MMCAP purchases are over 1 billion dollars annually.*

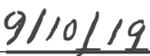
*MMCAP has been in existence for over 30 years. Over 5,000 facilities from 47 states participate in this buying group. Because of the large purchasing volume, members are able to get the most advantageous pricing available and next-day delivery for most items, thus enabling prompt service to Boynton's 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 for clinical and research activities.*

Submitted by: Pepper N. Meyer, PharmD  
Pharmacy Director  
Boynton Health Pharmacy  
Phone: (612) 624-2193

Approval of the item requested by:

  
\_\_\_\_\_  
MAGGIE TOWLE  
Vice Provost for Student Affairs & Dean of Students

  
\_\_\_\_\_  
Date

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

To Minnesota Airlines, dba Sun Country for an additional \$4,500,000 for air charter services for additional large plane needs (over 70 seats) for men's and women's hockey and men's and women's basketball team travel needs for Intercollegiate Athletics (ICA) for the period of July 1, 2019 through June 30, 2022 with the option to renew for two additional one-year terms through June 30, 2024 for an additional \$3,000,000. Total contract value if all options are exercised would be \$7,500,000.

*Air charter services for Intercollegiate Athletics (ICA) team travel is needed for away games depending on location, schedule, and qualification for post-season games.*

*In March 2019, a competitive Request for Proposal process was completed. Suppliers were evaluated on price, references and relevant experience, travel arrangements, cancellation or delayed operation, aircraft equipment, and ability to meet Big Ten Championship/Bowl Game needs, and an award was made to Minnesota Airlines.*

*Approval of air charter services of \$1,750,000 for football team travel and potential other large plane needs was received by the Board of Regents in June 2019. Since that time, ICA began to source air charter services for the additional team travel needs and it has been determined that adding the additional teams to the existing contract with Minnesota Airlines can provide air charter services at a lower cost. Total contract value, if all options are exercised with Minnesota Airlines will be \$9,250,000.*

*Source of funds is ICA operating and gift funds as necessary. These services have historically been included in the operating budget and will be during the life of the agreement. On occasion, gift funds may be used.*

Submitted by: Tim McCleary  
270 Bierman Athletic Field Building  
612-625-2524

Approval for this item requested by:

Mark Coyle

VP or Exec. VP Name  
VP or Exec. VP Title

9/9/2019

Date

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

To Premier Sports Psychology, PLLC for \$1,250,000 for sports psychology services for Intercollegiate Athletic Department for the period of July 2019 to June 2024.

*Within Intercollegiate Athletic Department, the Health and Performance unit serves the physical and mental health needs of the student-athletes at the University of Minnesota. This is accomplished through a holistic approach including the use of certified athletic trainers, certified strength and conditioning coaches, medical doctors, licensed massage therapists, registered dietitians, and licensed psychologists.*

*Student-athletes require a unique and tailored service approach to psychological consultation. The services desired should aim to improve the overall well-being and performance of high-performing Division I student-athletes, while remaining consistent with all NCAA bylaws and legislation. In-house, coordinated treatment and management continuity is paramount in the provision of mental health services.*

*Through a Request for Proposal process with University Purchasing for sport psychology services, Premier Sport Psychology was the only vendor to respond and is the current provider of these services for which the department is very satisfied.*

*The sport psychology services will be paid for using department funds currently available for these services. The sport psychology services were identified as a line item in Intercollegiate Athletic Department's FY20 budget process and are planned for in FY21 and FY22 as part of a 3-year agreement. FY23 and FY24 are both individual option years per the agreement.*

Submitted by: Tim McCleary  
270 Bierman Athletic Field Building  
612-625-2524

Approval for this item requested by:

Mark Boyle / Athletic Director

VP or Exec. VP Name  
VP or Exec. VP Title

9/31/2019

Date

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

To ThermoFisher Scientific for \$1,444,958 for a Model Talos F200X G2 Analytical Scanning and Transmission Electron Microscope with 3-year service contract for Department of Chemical Engineering and Materials Science and Characterization Facility in the College of Science and Engineering.

*The acquisition of a new generation, analytical high-resolution scanning and transmission electron microscope (HR-(S)TEM) will fill a critical need for a first-class electron microscopy facility at the University of Minnesota.*

*This HR-(S)TEM is an essential instrument that will allow students, researchers and faculty to push the limits of our understanding of the fundamentals of nano-scale materials via atomic level imaging and spectroscopy at one of the University's core facilities that provide support for the research in a wide range of fields and disciplines.*

*The analytical high-resolution scanning and transmission electron microscope will be purchased with funds from the College of Science and Engineering, Characterization Facility and instrumentation grant awarded through the University of Minnesota*

*Research Infrastructure Investment Program competition.*

Submitted by: K. Andre Mkhoyan,  
Department of Chemical Engineering and Materials Science  
34 Amundson Hall  
Phone: (612) 625-2059  
Fax: (612) 626-7246

Approval for this item requested by:

  
\_\_\_\_\_  
Dean of College of Science and Engineering

17 Sept 2019  
Date

Provost Hanson for Dean Kaveh

### Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because this purchase is an upgrade of the existing equipment that includes a trade in of the existing FEI Tecnai F30 TEM which was manufactured by this supplier. Upgrades to existing equipment guarantees compatibility of other, already existing at the University.

Thermo Fisher offered a discounted 53% over listed price on the purchase, and a 36% discount on the service of the equipment over the next four years.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.

**Capital Budget Amendment:  
Unified Lab School and Child Development Center Facility  
Twin Cities Campus  
Project No. 01-173-19-1573**

**1. Basis for Project**

The College of Education and Human Development (CEHD) proposes to renovate the existing Child Development Center (CDC) and construct an addition for the unification of the Child Development Center and Shirley G. Moore Laboratory School (Lab School):

- The unified academic program will provide high quality early childhood education on campus, improve research facilities, enhance teaching of undergraduates and graduates in the early childhood education academic programs, and increase community engagement opportunities.
- The unified program will deliver a research-based early childhood education program to approximately 240 infants to 5 year old children.

The total project area will involve the renovation of approximately 18,700 GSF and an addition of 11,860 GSF for a total project area of 30,560 GSF.

**2. Scope of Project**

This project involves demolition, renovation, and new construction to expand the existing Child Development Center for the unification of the Lab School and CDC into a single, academically-rooted Early Childhood Education program:

- Renovated and new spaces will include (13) total classrooms, modern research space that enables observation of behavior and behavioral testing, teaching and outreach active classroom for 40 people, renovation/expansion of the existing kitchen facility, multipurpose space for active play and research, office and support space for administrative staff and teachers, and a safe/welcoming entry.
- The project site area includes onsite parking to meet zoning requirements, service access, new fire water and sanitary connections, and underground storm water system.
- This project includes allowance for meeting B3/SB2030 Guidelines.

**3. Master Plan**

The project is in compliance with the 2009 Twin Cities Campus Master Plan.

**4. Environmental Issues**

There are existing buried foundations from previous Cargill buildings on the site within the new addition area. There are also known environmental issues on this site. Geo-technical and environmental testing have been performed as part of the design process and mitigation efforts have been addressed.

**5. Cost Estimate**

Construction Cost	\$ 9,000,000
Non-Construction Cost	\$ 2,000,000
Total Project Cost	\$11,000,000

**6. Capital Funding**

College of Education and Human Development	\$ 1,000,000
University Debt	\$10,000,000
Total Capital Funding	\$11,000,000

**7. Capital Budget Approvals**

A capital budget amendment for this project is requested so that construction can begin in July 2020. The Unified Lab School and CDC Facility project was identified as a potential project in the FY2020 Capital Budget while efforts continued to identify funding.

**8. Annual Operating and Maintenance Cost**

Estimated Facility Operating Cost (*net increase*) \$241,600/annual

**9. Time Schedule**

Proposed Design Completion: May 2020  
Proposed Construction Completion: July 2021

**10. Project Team**

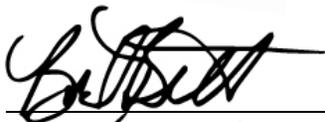
Design-Build Architect: TBD  
Design-Build Contractor: TBD

**11. Recommendation**

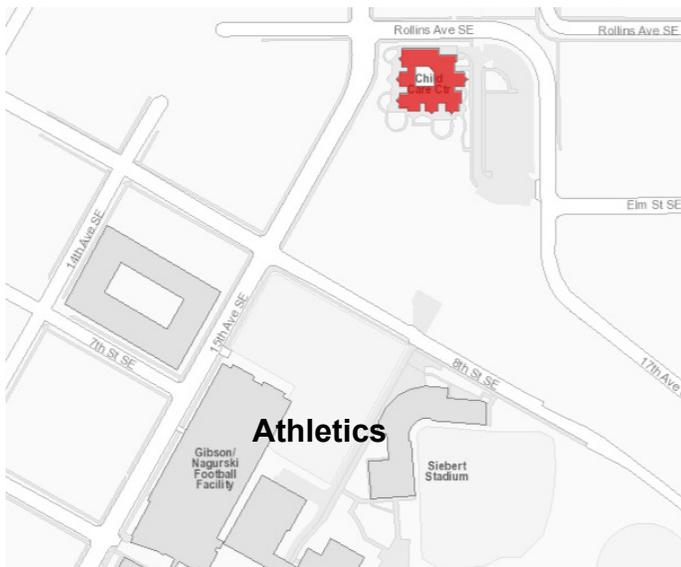
The above described project scope of work, cost, funding, and schedule is appropriate:



Karen Hanson, Executive Vice President and Provost



Brian D. Burnett, Senior Vice President for Finance and Operations



**LOCATION MAP**



**KEY PLAN**



**PROPOSED FLOOR PLAN**

**TWO-YEAR LEASE OF  
24 APARTMENT UNITS FOR STUDENT HOUSING,  
RESIDENCE AT DISCOVERY SQUARE  
511 – 3RD AVENUE SW, ROCHESTER, MN  
(ROCHESTER CAMPUS)**

**1. Recommended Action**

The President recommends that the appropriate administrative officers receive the authorization to execute a two-year lease for the University's use of 24 apartment units (with maximum occupancy of 47 beds) at the Residence at Discovery Square located at 511 – 3rd Avenue SW, Rochester, MN

**2. Description of Leased Premises**

The leased premises will consist of the following spaces in an existing apartment building located 511 – 3rd Avenue SW, Rochester, MN:

(a) Entire Fourth Floor totaling 25 apartment units: Twenty-Two 2-BR Units (44 beds) and Three 1-BR Units (3 beds), with maximum occupancy of 47 beds;

(c) Use of all building common areas including a Roof-Top Community Patio, Fitness Center and lower level bicycle storage area.

**3. Basis for Request**

At UMR, first-year students are required and second-year students are highly encouraged to live on campus, a high-impact practice supporting student well-being and retention. By Fall 2020, UMR projects that its only student housing facility on the Rochester campus, 318 Commons (267 beds), will only have capacity to accommodate first-year students and a third of the second-year students. The increasing cost of housing in downtown Rochester makes living near campus unaffordable for many students. This two-year lease will create the capacity to provide housing for all first-year and second-year students who are required or desire to live on campus as an interim measure until the University determines and implements next steps for student housing as part of its broader enrollment management plan.

If student demand were to be less than projected and did not fill all of the units covered by this agreement, apartments not leased by students can be sub-leased to the public at market rates.

**4. Details of Transaction**

The lease of the subject property will commence on August 1, 2020 and continue through July 31, 2022. The University is also granted five (5) successive options to extend the Term of the lease for two (2) years each which could potentially extend the lease until July 31, 2032.

**5. Lease Costs**

Effective August 1, 2020, annual rent for the 24 apartment units will be \$487,200.00. Rent will increase by 1.5% in through the initial term and any exercised renewal options.

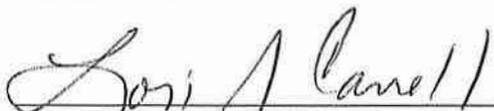
Students housed in the 24 apartment units can elect to enter into parking contracts directly with the landlord and pay them directly for the use of a parking space.

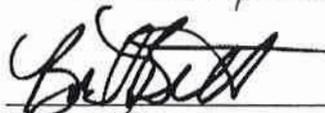
**6. Source of Funds**

The rental costs for the leased premises will be funded through student housing fees paid to UMR Housing and Residential Life by students choosing this housing option.

**7. Recommendations:**

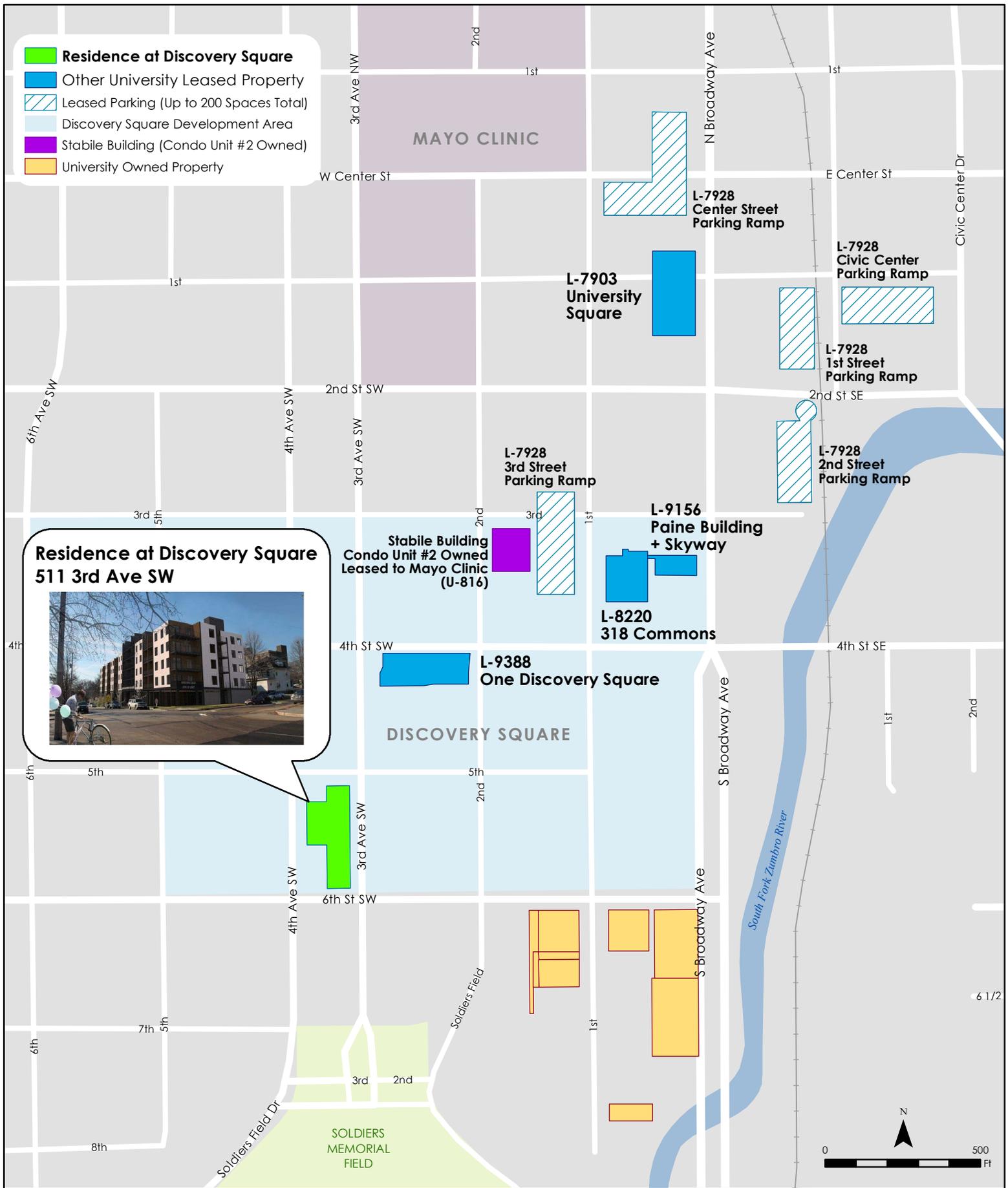
The above-described real estate transaction is appropriate:

  
\_\_\_\_\_  
Lori J. Carrell, Chancellor

  
\_\_\_\_\_  
Brian D. Burnett, Senior Vice President for Finance and Operations

- Residence at Discovery Square
- Other University Leased Property
- Leased Parking (Up to 200 Spaces Total)
- Discovery Square Development Area
- Stable Building (Condo Unit #2 Owned)
- University Owned Property

**Residence at Discovery Square  
511 3rd Ave SW**

Planning, Space,  
and Real Estate



University Services  
University of Minnesota

**Two-Year Lease of 24 Apartment Units at  
Residence at Discovery Square for Student Housing  
University of Minnesota - Rochester Campus**

This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Base Data: Real Estate Office  
MNDNR, MNDOT, Olmsted County

9/17/2019

**Schematic Design: Student Housing and Dining Center  
Duluth Campus  
Project No. 03-500-18-1465**

**1. Basis for Project**

The University of Minnesota Duluth proposes to add additional student housing and dining capacity to their campus. The UMD Student Housing and Dining Center will address the following needs:

- The current mix and quantity of available residence halls/apartments do not sustain current or future demand.
- The current capacity of dining facilities to service the campus community and residential population negatively affects the student experience.

Campus infrastructure capacity upgrades are integrated into the project scope for the desired programs to maintain larger campus functionality.

**2. Scope of Project**

- The housing component is a new 351 bed, 10-story building of approximately 113,200 GSF connected to the existing Griggs Hall corridor system.
- A separate dining facility project involves the expansion of UMD's existing Residence Dining Center (RDC). This 26,000 GSF addition/renovation will address existing deficiencies within RDC while adding an expanded dining facility that increases both server and seating capacity, and affords numerous options for streamlined food-service to the students, staff, and visitors at UMD.

**3. Master Plan**

This project is consistent with the 2013 UMD campus master plan.

**4. Environmental Issues**

The project has no anticipated environmental issues.

**5. Cost Estimate**

**Housing**

Construction Cost	\$43,350,000
Non-Construction Cost	\$6,650,000
<hr/>	
Total Project Cost	\$50,000,000

**Dining**

Construction Cost	\$17,050,000
Non-Construction Cost	\$2,950,000
<hr/>	
Total Project Cost	\$20,000,000

<b>Total Project Cost</b>	<b>\$70,000,000</b>
---------------------------	---------------------

**6. Capital Funding**

**Housing**

UMD Auxiliary Services	\$5,000,000
University Debt	\$45,000,000
<hr/>	
Total Capital Funding	\$50,000,000

**Dining**

UMD Auxiliary Services	\$8,000,000
University Debt	\$12,000,000
<hr/>	
Total Capital Funding	\$20,000,000

**Total Project Funding** \$70,000,000

**7. Capital Budget Approvals**

This project was approved as part of the FY2020 Annual Capital Budget in June 2019.

**8. Annual Operating and Maintenance Cost**

Estimated Operating Cost ( <i>net increase</i> )	Housing: \$714,480/annual
	Dining: \$233,480/annual

**9. Project Schedule**

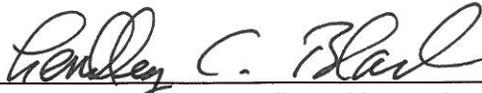
Design Completion:	March 2020
Proposed Substantial Completion:	June 2021

**10. Project Team**

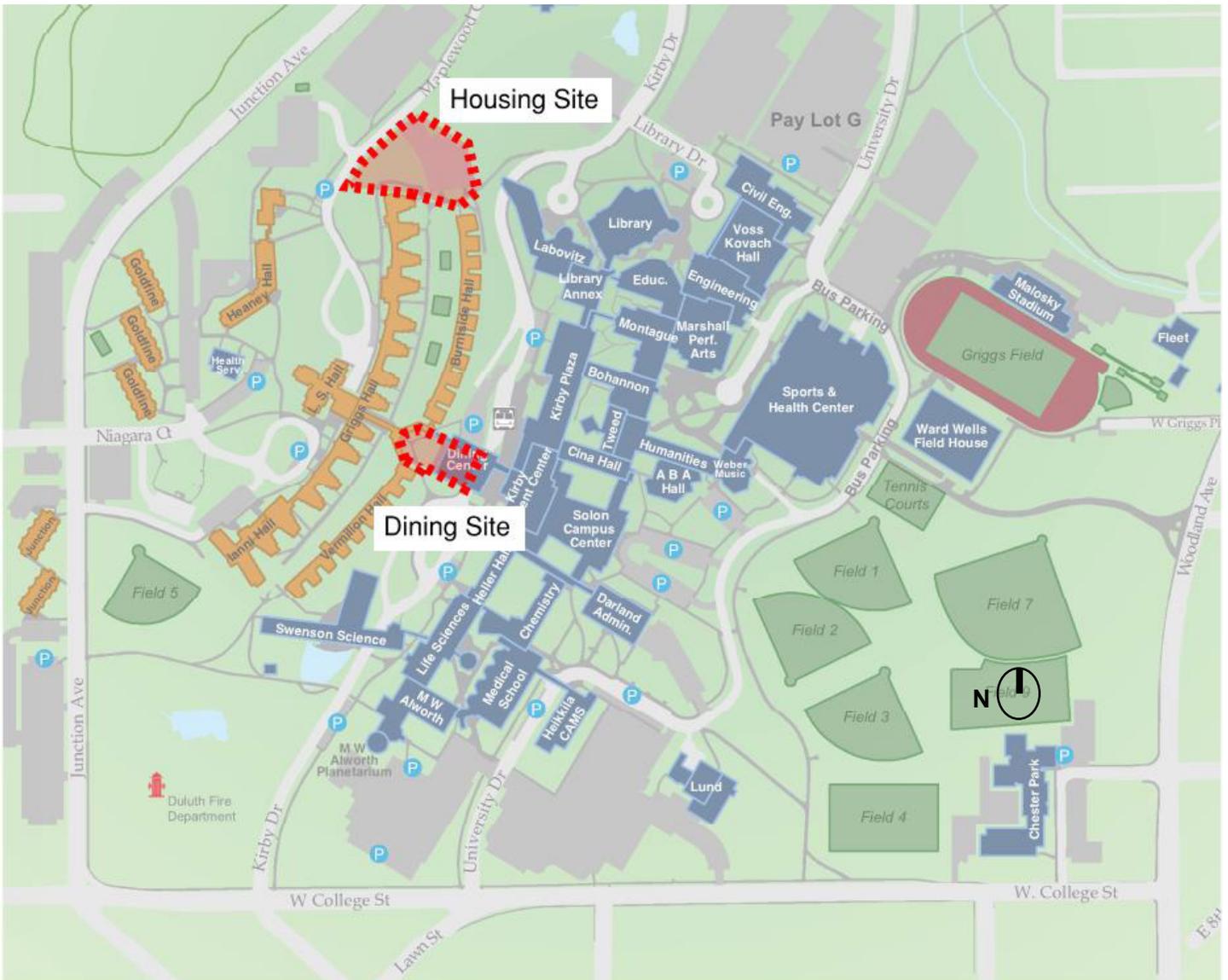
Architect:	TKDA, in association with KWK Architects
Construction Manager at Risk:	McGough Construction Co., Inc.

**11. Recommendation**

The above described project scope of work, cost, funding, and schedule is appropriate:

  
 \_\_\_\_\_  
 Lendley Black, Chancellor – University of Minnesota Duluth

  
 \_\_\_\_\_  
 Brian Burrett, Senior Vice President for Finance and Operations



**KEY PLAN**



**HOUSING**



**DINING**

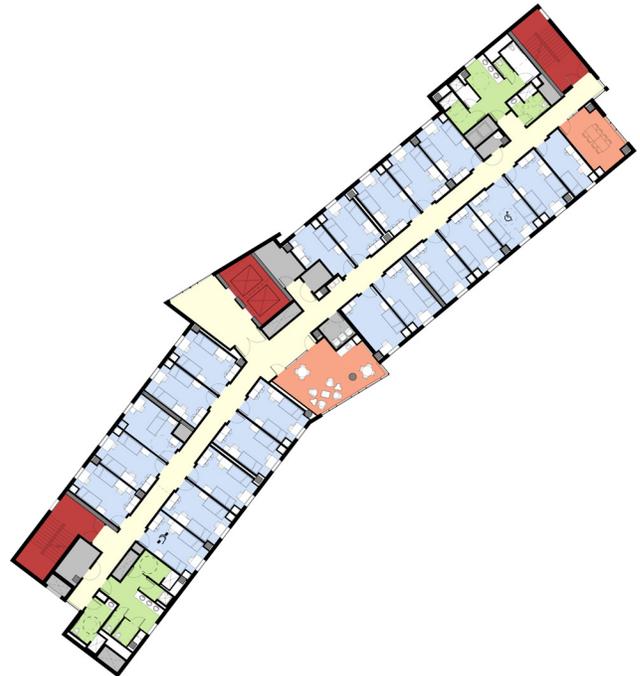
# UMD HOUSING



IMAGE FROM SOUTHEAST



1ST FLOOR



TYPICAL RESIDENCE FLOOR

# UMD DINING



IMAGE FROM SOUTH



MAIN FLOOR DINING

**Capital Budget Amendment: UMMC Resident Fellow Health and Rest Suite  
Twin Cities Campus  
Project No. 01-144-19-1485**

**1. Basis for Project**

This project renovates a portion of the first floor of the Phillips Wangensteen Building (PWB) into an on-call suite serving University of Minnesota Medical Center (UMMC) residents and fellows at Unit J on the East Bank of the Twin Cities campus. The on-call suite will provide private sleeping rooms along with shower, hygiene, nutrition, and fitness amenities for residents and fellows, and will have direct access to the tunnel system linking PWB and other buildings with the hospital for short response times.

The current resident/fellow on-call rooms have been located on the 4th floor of the Mayo Building for over 25 years. That space in general is substandard and outdated, and the renovation into a modern call room suite is not feasible. The spaces lack modern, efficient temperature control; they are located along a very public corridor making personal security a significant concern. A single common space serves as a break area, security monitor station and exercise space. The current space is also not ADA compliant.

The new location on PWB 1, will be inter-professional, collaborative space with quick access to the hospital, and is designed as a secure suite with card reader access and security cameras. Additional on-call rooms will be provided as well as ADA-compliant showers and restrooms, including gender neutral options. The on-call rooms will have updated temperature controls and be more suitable for rest and sleep. The suite will include a lounge area for gathering, plus dedicated exercise space.

**2. Scope of Project**

This renovated space will consist of 8,200 GSF of new on-call rooms and support space, including 36 private on-call rooms with new furnishings, toilet and locker room facilities, exercise space, a lounge with breakroom that allows for storage and reheating of food, and a small conference room.

**3. Master Plan**

The project is in compliance with the 2009 Twin Cities Campus Master Plan.

**4. Environmental Issues**

Abatement of asbestos is required for this project, and anticipated costs are included in the project budget.

**5. Cost Estimate**

Construction Cost	\$ 3,431,000
Non-Construction Cost	\$ 541,000
<hr/> Total Project Cost	<hr/> \$ 3,972,000

**6. Capital Funding**

Fairview Funds	\$1,719,367
University Funds	<u>\$2,252,633</u>
Total Capital Funding	\$ 3,972,000

The funding mechanism for the Fairview portion will either be direct funding from Fairview or will be University debt recovered through Fairview lease payments to the University. Fairview leadership is reviewing this project on October 9, 2019; the project will not proceed without Fairview approval. The funding mechanism will be determined after the project is approved. Delay to required approvals puts the project's ability to start June 2020 at risk and may delay the completion date by two months.

**7. Capital Budget Approvals**

A Capital Budget Amendment for this project is requested so that construction can proceed in June 2020. The UMMC Resident/Fellow Health and Rest Suite was identified as a potential project in the FY2020 Capital Budget while efforts continued to identify funding.

**8. Annual Operating and Maintenance Cost**

The anticipated operating cost for the renovated space will be determined once the Fairview lease negotiation becomes finalized.

**9. Schedule**

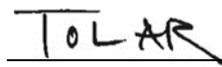
Proposed Design Completion:	May 2020
Proposed Construction Completion:	February 2021

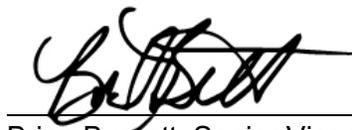
**10. Project Team**

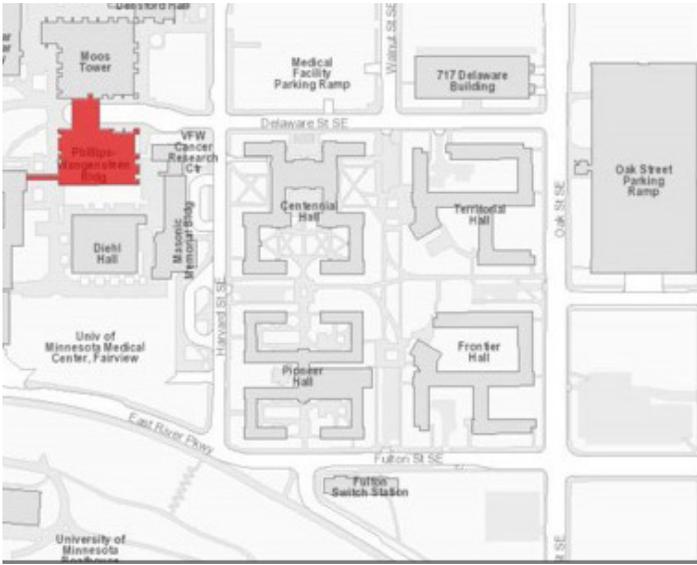
Design-Build Architect:	TBD
Design-Build Contractor:	TBD

**11. Recommendation**

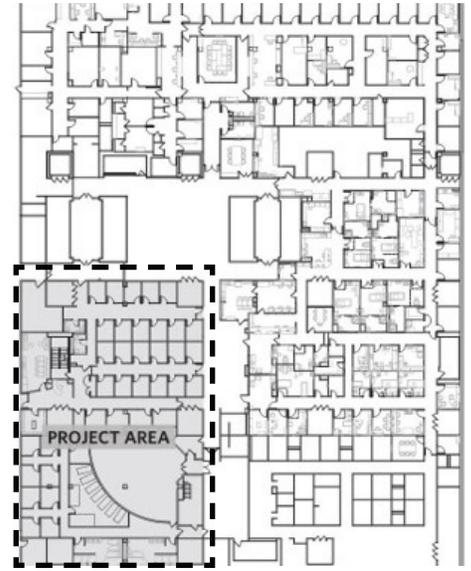
The above described project scope of work, cost, funding, and schedule is appropriate:

  
\_\_\_\_\_  
Jakub Tolar, Dean of Medical School

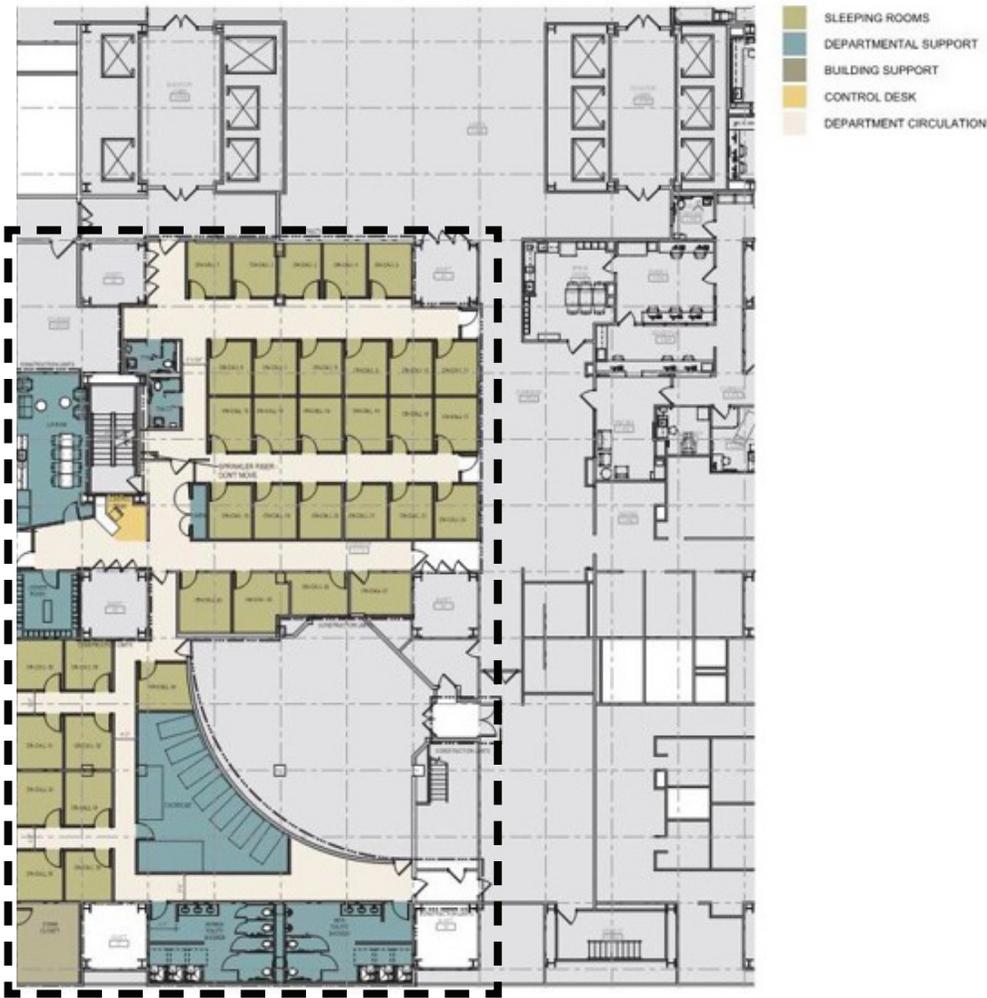
  
\_\_\_\_\_  
Brian Burnett, Senior Vice President for Finance and Operations



**LOCATION MAP**



**KEY PLAN**



**PROPOSED FLOOR PLAN**



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2019**

**AGENDA ITEM:** Information Items

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Brian D. Burnett, Senior Vice President

## **PURPOSE & KEY POINTS**

### **FY 2019 Real Property Transactions Meeting Board of Regents Thresholds Report**

The FY 2019 Real Property Transactions Meeting Board of Regents Thresholds Report lists those real estate transactions that were approved by the Board of Regents in FY 2019.

Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board authority to approve the purchase or sale of real property (a) with a value greater than \$1,000,000; (b) located on or within 2 miles of a University campus; or (c) larger than 10 acres.

The Board reserves to itself authority to approve leases of real property, easements, and other interests in real property if the initial term amount to be paid by or to the University exceeds \$1,000,000.

PLANNING, SPACE,  
AND REAL ESTATE

UNIVERSITY OF MINNESOTA

**FY2019 Real Property Transactions Meeting Board of Regents Thresholds  
(Over \$1,000,000 and/or over 10 acres and/or within 2 miles of a University campus)**

Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board authority to approve the purchase or sale of real property (a) with a value greater than \$1,000,000; (b) located on or within 2 miles of a University campus; or (c) larger than 10 acres. Subd. 2. The Board reserves to itself authority to approve leases of real property, easements, and other interests in real property if the initial term amount to be paid by or to the University exceeds \$1,000,000.

The following real estate transactions were approved by the Board of Regents in FY2018.

<b>Real Estate Transaction</b>	<b>Amount received or to be received</b>	<b>Amount paid or to be paid</b>	<b>Regents Approval Date</b>
Purchase of 312 16th Ave SE, Minneapolis (Twin Cities Campus)		\$717,500	July 2018
Relocation of Sand Plain Research Farm and New 30 year Lease (Becker, Minnesota)		Total value of rental payments: \$300,000  Plus leasehold improvements by landlord not to exceed \$2,500,000	September 2018
Sale of 24.17 acres, Aurora Oregon Research Station (University of Minnesota Landscape Arboretum)	\$515,000		October 2018
Purchase of 2515 University Avenue SE, Minneapolis (Twin Cities Campus)  <i>Note: The University established the 2515 University Avenue SE LLC to complete this purchase</i>		\$43,000,000	March 2019
Purchase of 601, 605, 607, 613, 617, 619, 621, 625, 629, 631, 635, 637, and 641 Erie Street SE, Minneapolis, (Twin Cities Campus)		\$11,870,330	May 2019
Exchange of Land at 511 W. St. Marie Street, 515 W. St. Marie Street, 407 W. St. Marie Street, and 419 Gold Street, Duluth (Duluth Campus)		\$307,600 <i>(difference between appraised values, plus demolition)</i>	June 2019



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2019**

**AGENDA ITEM:** Resolution to Conduct Non-Public Meeting of the Finance & Operations Committee Pursuant to Minnesota Statutes Section 13D.05, subdivision 3(c)(3)

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Brian D. Burnett, Senior Vice President  
Douglas Peterson, General Counsel  
Michael Berthelsen, Vice President, University Services  
Leslie Krueger, Assistant Vice President, Planning, Space, and Real Estate

## **PURPOSE & KEY POINTS**

To consider a resolution to conduct a non-public meeting of the Finance & Operations Committee to develop or consider offers or counteroffers for the sale of 250 to 300 acres of real property at UMore Park for Light Industrial/Commercial Development bounded by Audrey Avenue to the west, Blaine Avenue to the east, and County Road 42 to the north.



## REGENTS OF THE UNIVERSITY OF MINNESOTA

### RESOLUTION TO

#### **Conduct Non-Public Meeting of the Finance & Operations Committee to Develop or Consider Offers for the Purchase or Sale of Real Property**

**WHEREAS**, based on advice of the General Counsel, the Board of Regents has balanced the purposes served by the Open Meeting Law and determined that there is a need to review confidential or protected nonpublic real estate data involving the University of Minnesota.

**NOW, THEREFORE, BE IT RESOLVED**, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(c), a non-public meeting of the Finance & Operations Committee be held on Thursday, October 10, 2019, in the Boardroom, 600 McNamara Alumni Center, for the purpose of developing or considering offers or counteroffers for the sale of the following real property:

- *250-300 acres at UMore Park for Light Industrial/Commercial Development bounded by Audrey Avenue to the west, Blaine Avenue to the east, and County Rd 42 to the north.*