



# Finance & Operations Committee

October 2024

October 10, 2024

2:30 p.m.

Boardroom, McNamara Alumni Center

## FIN - OCT 2024

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

**Finance & Operations**

**October 10, 2024**

**AGENDA ITEM:** President’s Recommended FY 2026–27 Biennial Budget Request

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

*This is a report required by Board policy.*

**PRESENTERS:** President Rebecca Cunningham  
Julie Tonneson, Interim Senior Vice President and Budget Director

### **PURPOSE & KEY POINTS**

The purpose of this item is to act on the University’s Biennial Budget Request to the State of Minnesota (State) for FY 2026 and FY 2027. No substantive changes have been made to the request since the committee reviewed it at the September 2024 meeting. The resolution has been updated to reflect that the requested general fund appropriation is for the biennium as a whole and is not for a specific amount by fiscal year.

The University’s mission is threefold: research and discovery, teaching and learning, and outreach and public service. As the State’s only land grant and research institution, the University has a unique responsibility to better the lives of Minnesotans. As one of the nation’s top research institutions, the University is a venue where human talent, ideas and innovations, and discoveries and services converge to fuel Minnesota’s economy and improve quality of life. The value the University creates for all Minnesotans has never been higher: a strong University serves to strengthen the State and benefits its citizens. This imperative has guided the development of the University’s biennial budget request.

Strong financial support from the State is key to the University’s success. Of the University’s \$4.8 billion revenue budget for FY 2025 (excluding internal sales), the majority (63 percent) is restricted to use by the source of the funds or is directly related to sales and other miscellaneous revenue generating activity where the revenues pay for the direct costs of the associated goods and services. For that portion of the budget, the revenues must grow to cover the cost increases, or decisions must be made to reduce spending. Those funds cannot be moved around the institution to address emerging needs on a discretionary basis. It is the remaining 37 percent of University revenues from the unrestricted Operations and Maintenance (O&M) appropriation and tuition that must be directed to increasing costs and pressing investments in fundamental mission activities and the infrastructure necessary to support them. The only way these general operating revenues grow is through enrollment growth, increasing tuition rates, or a decision by the State to increase the University’s O&M appropriation.

The University will continue to do its part in this equation. The budget framework for the next biennium will include a continued plan to increase efficiencies, reorganize, and restructure organizations, and reduce scope in targeted areas. At a reasonable savings level, this process allows the University to “self-fund” a portion of the inflation, compensation costs, under-invested workforce and facility needs, and increases for backlogged or emerging needs, but on its own does not completely cover those costs. If revenues do not increase, the level of internal savings required to balance the budget will lead to a reduction in the breadth and depth of the University’s impact and/or a sacrifice in quality.

With the excitement and opportunities that come with the inauguration of the University’s new President this fall, the University is poised to expand activities and impact across the State. If the foundational, core budget of the University is strong, new targeted initiatives can move beyond stability to advancement.

The combination of prioritizing the University’s fundamental strengths and the opportunities to improve and expand on those strengths leads to a two-pronged approach for this proposal. The two components for a recurring increase in the University’s O&M appropriation break down is as follows:

	Incremental FY 2026	Incremental FY 2027
Core Mission:		
Workforce Investment	\$70,000,000	\$0
Facilities/Program/Service	<u>\$50,000,000</u>	\$0
	\$120,000,000	
Moving Priorities Forward	<u>\$115,000,000</u>	<u>\$0</u>
Total	\$235,000,000	\$0

For at least the last four biennia, the State has not provided a meaningful increase to the University’s O&M base appropriation in the second year of the biennium. Any increase provided has occurred in the first year of the biennium. For the 2026–2027 biennium, the request proposal is designed to communicate the University’s needs and initiatives for the biennium as a whole, rather than split between the two years. This will eliminate confusion about what the incremental, year-over-year need is when discussing the biennial request and the base appropriation. If the State chooses to provide a portion of the requested base increase in FY26 and a portion in FY27, the University’s budget planning can accommodate that outcome.

This biennial budget proposal is a request for the University to be a participant in the conversations about what is best for the state and to receive an increase in base funding to not only ensure the University continues its high-quality education, research, and outreach activities, but expands on them for the benefit of the University community, the state, and the world.

### **The Request Items**

In total, the University is proposing to request a continuation of the base health care access fund appropriation (\$2,157,000 annually for primary care education initiatives), the cigarette tax appropriation (\$22,250,000 annually for the academic health center), and the general fund

appropriations (\$740,732,000 annually as Operations & Maintenance and State Specials) with incremental increases as described in the following paragraphs of this section.

### *Core Mission Support*

Emphasizing the importance of the University's work, this biennial budget request is focused first on appropriately maintaining the University's strengths. Additional appropriations will contribute to holding down tuition increases, supporting student services, ensuring delivery of high-quality instruction, research, and public service, and providing safe, maintained spaces for students, employees, and the many thousands of citizens that share the University's campuses every year. The total for this item across the biennium is \$120,000,000 recurring, requested in FY 2026. Across the two years this increment represents a 1 percent increase in the University's total revenues. In the state process, the \$120,000,000 would be a 16 percent annual increase to the University's current base general fund appropriation.

Each year the University faces cost increases related to the broad array of work that is essential to maintaining quality service to constituents:

- Teaching, learning and student services – including costs for instructors, classroom management, library materials, registration and records systems, and services to support the direct needs of students (financial aid guidance, advising, tutoring, mental health, career development, etc.).
- Research and discovery – costs not fully covered by grant funds but that are essential to the success of the research enterprise including those related to grant application development and submission, compliance activities, expenditure tracking and reporting, lab maintenance, and data storage/technology needs.
- Service to Communities – including costs for the work of Extension, the mobile dental clinic, community health units, the University's museums, and costs related to travel, supplies, and events.

Across these functions, there are two primary categories of required investment that are linked and dependent on each other for the overall success of the University:

1. Most importantly, the University must invest in its workforce. It is the employees of the University who teach, conduct research, provide direct service to students and the community, and ensure compliance with government regulations. University employees maintain facilities, communicate on activities, provide safety services, analyze activities for results and improvements, and manage all of this activity. It is the people that make the University great.

Largely as a result of limited revenue growth, there has been a financial under-investment in the workforce for a number of years—recognized not only by the University's employees but also by University leadership. Therefore, beyond planning for a reasonable annual general compensation pool increase, the University must take steps to make up for lost ground in this area by prioritizing and then funding improvements such as increasing minimum pay levels for targeted groups of employees, defining and addressing problematic market and equity situations, and delivering potential benefit enhancements. This combined strategy of planning for a meaningful general salary pool, at least equal to the rate of inflation, covering the annual increase in fringe benefit costs, and targeting new

investment to address specific areas of pay and benefits will be the single largest planned spending increase at the University for the next biennium. The biennial request to the State for this portion of the core mission proposal is \$70,000,000, which would cover 45 percent of the planned cost increase; University actions (tuition changes and internal budget reallocations) would cover the remaining 55 percent or roughly \$85,000,000.

2. In addition to the priority focus on our existing workforce, there are non-personnel and workforce expansion costs that must be addressed to maintain the excellence of the University. As limited resources has led to an under-investment in employees, the same situation exists related to facilities. Every year there are cost increases in some combination for utilities, leases, debt service, and new building operations, but the allocation of resources to address basic repair and upkeep of existing facilities has not increased for many years. Beginning to address the enormity of deferred maintenance across the system requires a planned significant investment in the next biennium.

In addition, through the annual budget process, budgeting units bring many other issues to the attention of leadership. There will be needs over the next two years related to expanded student services, compliance activities, information security, administrative shortfalls, extraordinary inflation on some supplies and materials, safety enhancements, and technology licensing, among others. Specific costs in these categories (and potentially others) are brought forward through the annual budget process each year in a variety of ways and must be funded to address the most pressing needs of the University to ensure delivery on the mission.

The biennial request to the State for this portion of the core mission proposal is \$50,000,000, which would cover 45 percent of the planned cost increase; University actions (tuition changes and internal budget reallocations) would cover the remaining 55 percent or roughly \$60,000,000.

An increase in O&M support at this level (\$120,000,000 over the biennium) will allow the University to achieve goals consistent with its priorities. Specific allocation of the base appropriation plus any incremental increase across the institution will be implemented consistent with systemwide strategic priorities and determined through the internal annual budget development process as directed by the President and approved by the Board.

### *Moving Priorities Forward*

For the 2025 legislative session, the University proposes a series of high-priority funding opportunities spanning the University's three missions of teaching and learning, research and discovery, and outreach and public service. These three proposed investments were selected because they support the State and build on initiatives already underway at the University. Funding for these three requests will advance that work to a new level, better serving students, businesses, communities, and the state, more broadly.

### Enhancing the Student Experience

\$30 million recurring requested in FY 2026 for the biennium would provide additional programs, services, and learning experiences for students across the entire University system. Funding would be used for direct student support, staffing for increased service

levels, advanced technology tools and data infrastructure, and a consistent funding stream for classroom improvements.

This investment will expand the University's current capacity to:

- meet students' basic needs, addressing food and housing insecurity and expanding mental health services to reach more students at the time in which they need care;
- promote student success and retention by expanding successful programming to serve more students, improving coordination of existing programs, and further investing in analytics to better assist at-risk students with navigating challenges;
- provide individualized career preparation services and other learning experiences that directly support students' transition from learning into the workforce; and
- provide high quality in-person classroom experiences through additional active learning classrooms and replacement of outdated technologies required for in-person learning.

### Research to Drive Economic Growth

\$40 million recurring requested in FY 2026 for the biennium to capitalize on the University's strengths in four areas of research, development, and innovation: biomanufacturing, advanced agriculture, hypersonics, and green energy-green iron. These research priorities are aligned with projects already supported by the State and Minnesota-based companies, and aligned with federal priorities. State funding will be used to hire new faculty, researchers, data analysts, and other research personnel; support postdocs, students, and other trainees; and purchase required infrastructure, equipment, and supplies. The four research priorities include:

- Biomanufacturing – Phase 1 of Revitalizing the St. Paul campus: Growth in Minnesota's biomanufacturing sector is essential for Minnesota's economy. Over the next decade, biomanufacturing is anticipated to account for more than one third of global manufacturing, representing \$30 trillion in value. This investment will fund the new *Minnesota Engine for Biomanufacturing*, which will act as a hub for biomanufacturing growth across the State by catalyzing research and development and creating intellectual property for the next generation of bioproducts; partnering with business and industry in Minnesota to advance research and provide necessary bi-lateral training with their teams; creating and retaining a homegrown talent pool for Minnesota's bioeconomy; and contributing to the growth of quality jobs across the entire state. In addition, this funding will contribute to Phase 1 of the reinvestment and revitalization of the University's St. Paul campus.
- Advanced Agriculture: The Future of Advanced Agricultural Research in Minnesota (FAARM) is a complementary addition to the University's system of 10 Research and Outreach Centers and has focused on land acquisition to date. This initiative will provide the investment in people necessary to *Bring FAARM to Life*, enabling the alignment of data and computational sciences with agriculture and natural resource sciences, capitalizing on current investments in data analytics, and training current and new talent needed to drive innovation.

- Hypersonics: “Hypersonic” refers to any object that is traveling at speeds more than one mile per second or Mach 5. Over the next several years, Minnesota has the potential to become a leader in hypersonics given two key factors. First, North Wind (previously Calspan) is developing a new Minnesota aerospace center, in collaboration with its federal partners. This new facility will have a wind tunnel providing testing capability of wind speeds up to two miles per second (Mach 10) for full-scale planes and other objects. Second, the University has the world’s leading capability to simulate hypersonic systems under varying environmental conditions, which is critical for advancing reliability and functionality. The new facility, coupled with the University’s strengths, will provide a local platform for Minnesota-based companies to grow and develop their competitive advantage as they work to meet the increased demand to design and refine the parts, components, and systems used in high-speed vehicles. A state investment will create the *Center for Advanced Science and Engineering (CASE)* at the University. This new center will capitalize on the University’s current strengths, advance the digital technology required to allow Minnesota businesses to thrive in this field, and grow Minnesota’s hypersonics workforce.
- Green Energy - Green Iron: Heavy industry is the nation’s largest energy consumer and second-largest emission source, contributing 28 percent of U.S. carbon emissions, while generating \$2 trillion in economic output and employing more than three million Americans. Minnesota plays a critical role in the U.S. industrial ecosystem where over 80 percent of domestic iron ore comes from its geologically unique Iron Range. At the same time, the United States has ambitious decarbonization goals. An investment in the *Green Energy - Green Iron* initiative will establish Minnesota as a living laboratory to comprehensively demonstrate linkage of renewable energy to hard-to-decarbonize industries (iron/steel, fuels, concrete) and to model deployment across the nation. Throughout the process, extensive engagement with communities, tribes, governments, agencies, environmental groups, industry and other stakeholders will form the basis for this work, linking communities to benefit from new technologies, economic development, and a cleaner environment.

### Healthiest State for All Minnesotans

\$45 million recurring requested in FY 2026 for the biennium to begin implementation of the University of Minnesota Health Sciences Strategic Plan. Minnesota is known as the healthiest state in the nation, but the University needs to take action to continue to improve health outcomes for all Minnesotans and ensure everyone has access to top-quality healthcare. Across the four focus areas described below, state resources will be used to hire additional faculty and staff, purchase necessary supplies, equipment, and services, provide student assistance, and scale-up and improve required infrastructure. This investment will:

- Expand access to care by reducing workforce shortages: the University currently graduates approximately 70 percent of the health professional workforce in Minnesota. Funding for this request will facilitate collaboration with the Minnesota Department of Health to identify Minnesota’s unmet needs and then increase class sizes in workforce areas experiencing shortages.



- Reduce health inequalities by expanding partnerships to reach underserved communities: the University’s health sciences schools currently partner with organizations and health providers across the state. Funding for this request will expand on those efforts by integrating curriculum and experiential learning focused on underserved communities into current programs and addressing barriers such as preceptors, clinical sites, and housing to facilitate more health science student placements in underserved areas.
- Improve healthcare quality close to home: the University is uniquely positioned to improve the availability and quality of healthcare across the state, both through the University’s own health professionals and by supporting other systems through education, research, and partnerships. Funding will expand mobile health and telehealth services in partnership and consultation with local communities and pilot one health clinic that offers interprofessional prevention and care for people and their pets, including nutrition, environmental health, and other dimensions.
- Transform health outcomes through innovation in prevention, treatment, and care models: this request will launch new targeted, interprofessional, and multidisciplinary research into prevention, treatments, care models, and cures for one high-need condition, determined in collaboration with the state. In addition, funds will be used to translate research innovations into practice by expanding community connections.

## **BACKGROUND INFORMATION**

Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board the authority to approve all requests for appropriations from the State of Minnesota.

## **PRESIDENT’S RECOMMENDATION**

The President recommends approval of the resolution related to the State Biennial Budget Request for FY 2026–2027.



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

### **RESOLUTION RELATED TO**

### **State Biennial Budget Request for FY 2026–2027**

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

**WHEREAS**, the University is committed to a continuous process of reevaluating priorities and increasing the efficiency and effectiveness of both direct mission and support activities, reinvesting budget savings into mission-critical strategies; and

**WHEREAS**, the University, in partnership with the State of Minnesota, is committed to access and affordability to postsecondary education for Minnesota students and families; and

**WHEREAS**, the University’s annual budget process is designed to surface and act on the most pressing priorities each year in maintaining excellence, including competitive compensation, compliance with federal and state regulations, research and technology infrastructure, facility maintenance, and public safety; and

**WHEREAS**, the State Biennial Budget Request for FY 2026–2027 seeks to move beyond stability to advancing priorities that benefit students, the state, and the world; and

**WHEREAS**, the University recognizes the many competing priorities for state general fund support.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Regents (Board) approves the biennial budget request for the 2026-2027 biennium for presentation to the State of Minnesota. The request is for a general fund appropriation for the biennium of \$1,951,464,000 in the form of general operations and maintenance and state special appropriations. The Board further requests the continuation of the fiscal year 2025 base funding levels for the Primary Care Education Initiatives totaling \$2,157,000, and for the Academic Health Center funding under Minnesota Statutes §297F.10 totaling \$22,250,000.

# President's Recommended FY 2026-2027 Biennial Budget Request

President Rebecca Cunningham  
Julie Tonneson, Interim Sr. Vice President and Budget Director

Finance & Operations Committee

October 10, 2024

**SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS**

World Class Services for a World Class University



**UNIVERSITY BUDGET**

**UNIVERSITY OF MINNESOTA**

# Operating Budget Biennial Request Strategy

FY 2026-27 biennial budget proposal that:

- Reflects the values of the institution
- Is easily communicated and understood
- Is organized around two themes:
  1. Emphasizes a partnership with the State in supporting the core needs of the University to maintain excellence
    - *Let's work together to keep this state gem strong!*
  2. Provides exciting options for the State and the University to move forward in areas of key importance
    - *Together the state and the U can make a difference!*



# Requested General Fund Incremental Increase (\$235M Recurring to be spent over the biennium)

Incremental over prior year	2026	2027
Core Mission	\$120M	\$0
Enhancing the Student Experience	\$30M	
Research to Drive Economic Growth	\$40M	
Health Science Strategic Plan	\$45M	
<b>Total University Request:</b>	<b>\$235M</b>	<b>\$0</b>
<b>Percent Increase:</b>	<b>32%</b>	<b>0%</b>





UNIVERSITY OF MINNESOTA

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2024**

**AGENDA ITEM:** President’s Recommended 2024 Six-Year Capital Plan and 2025 State Capital Request

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** President Rebecca Cunningham  
Alice Roberts-Davis, Vice President, University Services  
Michael Volna, Interim Vice President, Interim Chief Financial Officer, and  
Interim Treasurer

## **PURPOSE & KEY POINTS**

The purpose of this item is to act on the President’s recommended 2024 Six-Year Capital Plan and 2025 State Capital Request. No substantive changes have been made to either item since the committee reviewed them at the September 2024 meeting.

The President’s recommended 2024 Six-Year Capital Plan (Plan) includes major capital improvements planned for calendar years 2025 through 2030. The Plan includes projects to be funded with State of Minnesota capital bonding as well as major projects funded by the University through a combination of debt, local unit resources, fundraising, and public/private partnerships.

## **2025 State Capital Request**

The 2025 State Capital Request outlines the submission that the University will make to the State of Minnesota for consideration during the 2025 legislative session. The submission includes funding for two initiatives:

- Higher Education Asset Preservation & Replacement (HEAPR): \$200 million. This request emphasizes reinvestment into the University’s existing infrastructure. The age and condition of University buildings affects the University’s mission on a daily basis. Growing deferred renewal backlog has widespread impacts on the student experience, academic programs, research initiatives, and general competitiveness. Asset preservation continues to be the smartest, most cost-effective investment that 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 support the University’s vision.
- Agricultural Research and Education Complex (FAARM): \$30 million. This request is for predesign, design, preconstruction, additional land acquisition, and potentially preliminary site preparation to support the 'Future of Advanced Agricultural Research in Minnesota'

(FAARM) which will develop a new Agricultural Research and Education Complex in Udolpho Township in Mower County, Minnesota.

## 2024 Six-Year Capital Plan

The report included in the docket materials indicates three years of state capital requests (2025–2027), several ‘projects in development’ without specific years indicated, and a third section that lists emerging projects, most still in early stages of planning, called ‘under consideration.’

The Plan is based on a set of enduring institutional priorities aimed at realizing measurable, tangible benefits for students, for the State, for recruiting and retaining Minnesota talent, and for creating compelling reasons for students, staff, and faculty to choose the University as their academic and employment home. These desired outcomes direct many smaller decisions about prioritization for capital investment. Each priority is discussed below, with specific examples provided related to the projects listed in the project report.

### 1. Renew high-priority buildings and right-size the overall amount of campus space

The Plan puts the highest emphasis on fixing or replacing some of the University’s worst buildings. High-priority projects reinforce the commitments made in the MPact 2025 Systemwide Strategic Plan by complementing institutional values and optimizing how resources are used across the campus system. HEAPR funding remains at the core of this strategy with investments in projects like renewal of the heating plant equipment and critical utility infrastructure at the Crookston campus.

The Facility Condition Assessment (FCA) identifies the physical condition and needs of buildings across the enterprise. This process identifies deferred, non-recurring, and projected renewal needs to determine a facility condition needs index (FCNI). The FCNI (the ten-year projected needs, divided by the estimated facility replacement value) determines where a building is rated on a scale that starts at 0.0 (excellent) and extends to 1.0 (critical). The below table is updated annually to monitor progress toward reducing poor and critical space.

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	25,183,826	\$13,066,424,466	\$4,995,271,164	0.38	7,605,765
Duluth	3,388,417	\$1,449,171,780	\$532,028,099	0.37	588,330
Morris	1,000,464	\$524,089,731	\$218,499,881	0.42	481,564
Crookston	726,565	\$425,823,548	\$117,845,574	0.28	106,981
ROCs	1,718,286	\$382,516,509	\$132,013,217	0.35	130,992
<b>TOTALS</b>	<b>32,017,558</b>	<b>\$15,848,026,034</b>	<b>\$5,995,657,935</b>	<b>0.38</b>	<b>8,913,632</b>

<sup>1</sup> Total Gross Square Feet from UM Analytics. Excludes Rochester Campus and 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 approximately 1% from previous reporting year.

The Plan places a strong emphasis on strategic projects that will enable the University to right-size the overall amount of campus space, through geographic or building consolidations for



colleges and academic units to improve programmatic alignment, space assignment changes in response to increased hybrid officing, and strategic redesign of poor/critical space when space moves are made possible through a domino-effect of projects.

## *2. Invest in high-demand academic programs and mission-support facilities*

This priority emphasizes renewal in facilities that support research, teaching and learning, and scholarship across disciplines. High-demand academic programs have an established record of consistent enrollment and academic success. Proposed investments include the Duluth campus science building renewal, as well as HEAPR investments in projects such as Duluth's Library Annex, the Crookston campus utility infrastructure, the Multi-Ethnic Resource Center on the Morris campus, and the Food Science and Nutrition Building on the Twin Cities campus. All of these examples will optimize existing facilities and infrastructure to support teaching, research, and outreach.

Strategic placeholders included in the Plan target capital renewal based on high-demand academic programs. Future research improvements will result in investments in research infrastructure that support the University as an important contributor to Minnesota's economy, knowledge base, and workforce development.

## *3. Advance innovation in health sciences, agriculture, biotechnology, and MNtersections*

This priority promotes a long-term investment strategy into core areas of research and scholarship specifically dedicated to improving human potential and the natural, physical, and social world. Representative projects include FAARM, the Large Lakes Observatory, strategic research facility investments, and key lab renovation projects to support systemwide research. Clinical research and care across multiple health sciences disciplines are also part of this group of project targets.

## *4. Enhance student-facing facilities and services*

To enhance the student experience, wellness, and success, aging facilities require medium to large-scale renewal to respond to a range of pressing needs, including libraries, student unions, recreation, wellness, student counseling, and academic support. Project examples include a new Saint Paul campus center and improving retail dining in Coffman Memorial Union, both on the Twin Cities campus.

## *5. Create spaces and places that make campuses more inclusive, accessible, and welcoming*

This priority focuses on how change to the physical campus can make University campuses more welcoming, foster a sense of belonging, and improve accessibility related to daily life. For example, projects might address Americans with Disabilities Act (ADA) accessibility on all campuses, the renewal of important public spaces and landscapes, the ability to provide identity space indoors or outdoors, and wayfinding systems, including how campus entry points are treated. This priority will also guide plans to balance the level of investment in specialized-use facilities while considering equity and diversity. HEAPR investments in projects such as the Multi-Ethnic Resource Center on the Morris campus will improve building accessibility for all.

## BACKGROUND INFORMATION

Board of Regents Policy: *Board Operations and Agenda Guidelines* require a Six-Year Capital Plan that sets priorities and direction for ongoing academic and capital planning efforts. This policy specifically 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.

### Developing the Six-Year Plan

The Plan is shaped by University leadership including the Executive Vice President and Provost, the Interim Senior Vice President for Finance and Operations, and the Vice Presidents for Health Sciences, Research and Innovation, Equity and Diversity, Government Relations, and University Services. Projects at all stages of planning are included, reflecting the stages below as part of the typical University capital improvement planning process. This effort results in a draft plan for the President’s consideration and ultimate recommendation to the Board.

Stage 1 <b>Proposal</b>	Stage 2 <b>Planning and Feasibility</b>	Stage 3 <b>Predesign</b>	Stage 4 <b>Resource Acquisition</b>	Stage 5 <b>Implementation</b>
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 6/Capital Strategy Group authorizes proposals for feasibility.</b>	<b>The Six-Year Plan authorizes projects eligible to begin to predesign.</b>	<b>Predesign completion authorizes resource acquisition to begin.</b>	<b>Board of Regents authorize projects &gt;\$5 million to commence.</b>

The projects that demonstrate both a programmatic urgency and implementation readiness are advanced for further analysis in the six-year timeframe, either as candidates for future state requests, or as projects in development intended to progress through the stages. Other factors considered 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 impacts* such as the ability to fund the incremental operating (facility and programmatic) and debt costs associated with proposed projects and assumed by the proposing unit, college, or campus.
- *Timing and sequencing of projects* to complete a sequence 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 MPact 2025 Systemwide Strategic Plan objectives.*

### **Project Costs**

Project costs in the Plan are represented by a range or cost magnitude (i.e. \$1 million to \$5 million). No cost magnitude is included for projects in the Plan designated as ‘proposals,’ as they are not specific enough to define a range. Projects in the assessment stage are supported by order-of-magnitude estimates if financial capacity has been recently evaluated. Predesign studies are prepared as funding strategies have been better defined and operating costs understood to determine more accurate cost ranges. The time horizon to advance a project will have a significant effect on project cost and could change significantly depending on conditions, location, and type of development. Total project costs and funding are confirmed for each project prior to inclusion in a state capital request and the Annual Capital Budget.

### **PRESIDENT’S RECOMMENDATION**

The President recommends approval of the resolution related to the 2024 Six-Year Capital Plan and 2025 State Capital Request.



**REGENTS OF THE UNIVERSITY OF MINNESOTA**

**RESOLUTION RELATED TO**

**2024 Six-Year Capital Plan  
and 2025 State Capital Request**

**WHEREAS**, the Board of Regents (Board) has directed the administration to annually submit a six-year capital plan and a capital improvement budget 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 approves the University's 2024 Six-Year Capital Plan to create and maintain facilities that serve as tools for accomplishing the University's threefold mission of education, research, and outreach.

**BE IT FURTHER RESOLVED** that the Board approves the 2025 State Capital Request in the amount of \$230,000,000, consisting of \$220,000,000 from the State of Minnesota and \$10,000,000 from the University.

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

### State Capital Request

State Capital Request projects are shown below (unranked) for the next three years.

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.

State Capital Request 2025		Total Funds	State Funds	University Funds	Project Description
Project	<b>Higher Education Asset Preservation and Replacement</b>				This project will maximize the effectiveness and life of the University's 30 million square feet of facilities and infrastructure. The University allocates HEAPR funding system wide for health, safety and accessibility; building systems; utility infrastructure; and energy efficiency.
Campus	Systemwide				
Unit	Systemwide	\$200,000	\$200,000	\$0	
Project	<b>Agricultural Research and Education Complex (FAARM) - Design</b>				The Agricultural Research and Education Complex project will create sites for the 'Future of Advanced Agricultural Research in Minnesota' (FAARM) for innovative solutions in food systems that will lead the evolution of regenerative, systems-based agriculture.
Campus	ROCs & Stations				
Unit	College of Food, Agricultural & Natural Resource Sciences	\$30,000	\$20,000	\$10,000	
Total:		\$230,000	\$220,000	\$10,000	
Running Total:		\$230,000	\$220,000	\$10,000	

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

State Capital Request		Total Funds	State Funds	University Funds	Project Description
<b>2026</b>					
Project	<b>Higher Education Asset Preservation and Replacement</b>				
Campus	Systemwide				
Unit	Systemwide	\$200,000	\$200,000	\$0	This project will maximize the effectiveness and life of the University's 30 million square feet of facilities and infrastructure. The University allocates HEAPR funding system wide for health, safety and accessibility; building systems; utility infrastructure; and energy efficiency.
Project	<b>Agricultural Research and Education Complex (FAARM) - Phase I</b>				
Campus	ROCs & Stations				
Unit	College of Food, Agricultural & Natural Resource Sciences	\$150,000	\$100,000	\$50,000	The Agricultural Research and Education Complex project will create sites for the 'Future of Advanced Agricultural Research in Minnesota' (FAARM) for innovative solutions in food systems that will lead the evolution of regenerative, systems-based agriculture.
Project	<b>Space Consolidation and Decommissioning</b>				
Campus	Twin Cities				
Unit	University Services	\$60,000	\$40,000	\$20,000	This project will consolidate space in response to increased hybrid officing and include improved programmatic alignment and overall space reductions. Primary objective is to vacate West Bank Office Building.
Project	<b>Bio Innovation Center</b>				
Campus	Twin Cities				
Unit	Research	\$60,000	\$40,000	\$20,000	This project will create a hub for biotechnology and biomanufacturing research and innovation on the St Paul Campus. The center will be located on the ground floor of the Microbial Cell Production Facility, co-located with the University's Biotechnology Resource Center.
Project	<b>Academic Health Project, Duluth - Design</b>				
Campus	Systemwide				
Unit	Health Sciences Administration	\$22,500	\$15,000	\$7,500	This project will design a new multi-disciplinary health sciences facility to be located in the Duluth Medical District. The facility's teaching, clinical practice, and research spaces will support Greater Minnesota workforce needs and serve rural and tribal communities with a focus on health equity.
	Total:	\$492,500	\$395,000	\$97,500	
	Running Total:	\$722,500	\$615,000	\$107,500	

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

State Capital Request		Total Funds	State Funds	University Funds	Project Description
<b>2027</b>					
Project	<b>Higher Education Asset Preservation and Replacement</b>				
Campus	Systemwide				
Unit	Systemwide	<b>\$200,000</b>	\$200,000	\$0	This project will maximize the effectiveness and life of the University's 30 million square feet of facilities and infrastructure. The University allocates HEAPR funding system wide for health, safety and accessibility; building systems; utility infrastructure; and energy efficiency.
Project	<b>Agricultural Research and Education Complex (FAARM) - Phase II</b>				
Campus	ROCs & Stations				
Unit	College of Food, Agricultural & Natural Resource Sciences	<b>\$150,000</b>	\$100,000	\$50,000	The Agricultural Research and Education Complex project will create sites for the 'Future of Advanced Agricultural Research in Minnesota' (FAARM) for innovative solutions in food systems that will lead the evolution of regenerative, systems-based agriculture.
Project	<b>UMD Large Lakes Observatory</b>				
Campus	Duluth				
Unit	UMN Duluth	<b>\$60,000</b>	\$40,000	\$20,000	This project will develop a research facility in the Duluth harbor area with City of Duluth and private sector partners.
	Total:	<b>\$410,000</b>	\$340,000	\$70,000	
	Running Total:	<b>\$1,132,500</b>	\$955,000	\$177,500	



# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

### Projects in Development

The Projects in Development list identifies potential projects which may proceed in the Six-Year Plan reporting period. Projects in development in future years are not prioritized. They are shown in order by project phase (from most to least definition) and then alphabetically by project name.

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

**\*Projects with asterisk indicate potential future State Capital Requests or projects with partial HEAPR funding.**

Projects in Development 2025 - 2030			
	Project Phase	Cost Magnitude	Project Description
Project Campus Unit	<b>3M Arena at Mariucci and Ridder Arena Centennial Improvements - Phase 2</b> Twin Cities Intercollegiate Athletics	Predesign \$5,000 - \$20,000	This project will update fan amenities including seating, concessions, and branding in both facilities, and Improve team spaces in Ridder to include locker room, training room and coaching area for the women's hockey program. Phase 1 was authorized in the FY23 capital budget to replace ice refrigerant systems in both arenas.
Project Campus Unit	<b>Arboretum Apple House</b> ROCs & Stations College of Food, Agricultural & Natural Resource Sciences	Predesign \$5,000 - \$20,000	This project will construct a new Apple House retail location at the Minnesota Landscape Arboretum.
Project Campus Unit	<b>Cereal Disease Lab Replacement</b> Twin Cities College of Food, Agricultural & Natural Resource Sciences	Predesign >\$20,000	This project will be developed by the U.S. Department of Agriculture (USDA) to support research on plant health. The new facility will be located on the St Paul campus.
Project Campus Unit	<b>Coffman Retail Dining Renovation</b> Twin Cities Auxiliary Services	Predesign \$5,000 - \$20,000	This project will renovate portions of Coffman Memorial Union to upgrade retail facilities.
Project Campus Unit	<b>CUHCC Clinic Replacement</b> Twin Cities Academic Clinical Affairs, Ofc	Predesign >\$20,000	This project will construct a replacement facility for the Community University Health Care Center.
Project Campus Unit	<b>Labovitz School of Business Sales Center Renovation*</b> Duluth UMN Duluth	Predesign >\$20,000	This project will renovate the second floor of the Library Annex into an adaptable, state of the art Labovitz School of Business and Economics (LSBE) sales center of excellence to be heavily utilized by students, staff, and community members.
Project Campus Unit	<b>Molecular Cellular Biology 3rd Floor Repurposing</b> Twin Cities Medical School	Predesign \$5,000 - \$20,000	This project will convert vacated teaching labs to research labs.

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

Projects in Development 2025 - 2030		Project Phase	Cost Magnitude	Project Description
Project Campus Unit	<b>Poultry Teaching and Research Facility Partial HVAC Renewal</b> Twin Cities College of Food, Agricultural & Natural Resource Sciences	Pre-design	\$5,000 - \$20,000	This project will replace all heating, ventilation, air conditioning, mechanical exhaust and lighting to support year-round research use in this building on the St Paul campus.
Project Campus Unit	<b>Solar Installations</b> Twin Cities University Services	Pre-design	\$5,000-\$20,000	This project will install solar technologies to achieve the University's Climate Action Plan goal to reach 6 megawatts of solar renewable energy on the Twin Cities campus by 2030.
Project Campus Unit	<b>St. Paul Campus Center</b> Twin Cities Student Affairs	Pre-design	>\$20,000	This project will create replacement space for the Student Center on the St Paul campus and include program space for student unions, libraries and dining.
Project Campus Unit	<b>Ted Mann Concert Hall Theatrical Lighting</b> Twin Cities College of Liberal Arts	Pre-design	\$1,000 - \$5,000	This project will replace 30-year old lighting infrastructure.
Project Campus Unit	<b>UMD Science Building Renewal*</b> Duluth UMN Duluth	Pre-design	>\$20,000	This project will renovate outdated space in the Science Building to provide students and faculty with modern active learning classrooms, laboratories, and research spaces.
Project Campus Unit	<b>Washington Avenue Bridge Pedestrian Enclosure and Railing Improvements*</b> Twin Cities University Services	Pre-design	\$5,000 - \$20,000	This project will make improvements to the pedestrian enclosure and railings that span the bridge for a safe and welcoming experience.

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

### Under Consideration List

Proposals included on the Under Consideration list have been identified as priorities by the responsible unit and are recommended to complete further assessment to support decision making. Under Consideration projects are not prioritized. They are shown alphabetically by project name.

**\*Projects with asterisk indicate potential future State Capital Requests or projects with partial HEAPR funding.**

Under Consideration List 2025 - 2030		Project Phase	Cost Magnitude	Project Description
Project	<b>Anderson Caverns Fire Protection</b>			
Campus	Twin Cities			
Unit	University Libraries	Design	\$1,000 - \$5,000	This project will implement an enhanced fire hazard remediation solution in the collections storage area once the under-construction Collections Facility is complete.
Project	<b>Animal Science Facility</b>			
Campus	Crookston			
Unit	UMN Crookston	Proposal	TBD	This project will construct a new pole barn facility to accommodate the needs of the UMC Campus by allowing consolidation of the animal facilities to UMC space. Providing adjacent academic and research lab space and classrooms will allow for more efficient education of our students and allow opportunities for student research to take place.
Project	<b>Athletic Facilities Targeted Improvement Projects</b>			
Campus	Systemwide			
Unit	Systemwide	Proposal	TBD	This project will implement targeted investments to improve gender equity in Athletics facilities across the University system.
Project	<b>Athletic Field and Facility</b>			
Campus	Crookston			
Unit	UMN Crookston	Proposal	TBD	This project will provide facilities that meet NCAA and Title IX requirements as well as providing adequate, safe and comfortable facilities for our spectators.
Project	<b>Athletics Leasehold Improvements at the DECC</b>			
Campus	Duluth			
Unit	UMN Duluth	Assessment	\$1,000 - \$5,000	This project will improve leased athletic conditioning areas in the Duluth Entertainment Convention Center (DECC).
Project	<b>Briggs Library Capital Renewal*</b>			
Campus	Morris			
Unit	UMN Morris	Predesign	>\$20,000	This project will renovate the existing library and construct a new east link/entry addition and west entry. Improvements will include full replacement of building systems, technology infrastructure, new elevator, and ADA/Code compliant restrooms.
Project	<b>Comstock Hall Dining Renovation</b>			
Campus	Twin Cities			
Unit	Auxiliary Services	Proposal	\$5,000 - \$20,000	This project will renovate all dining areas in Comstock Hall.

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

<b>Under Consideration List 2025 - 2030</b>		<b>Project Phase</b>	<b>Cost Magnitude</b>	<b>Project Description</b>
Project Campus Unit	<b>Dentistry Remodel*</b> Twin Cities School of Dentistry	Assessment	>\$20,000	This project will renovate the 4th floor to accommodate access to simulation teaching and learning spaces for all student groups, and redesign the 8th floor to improve clinical workflow and patient care.
Project Campus Unit	<b>Eddy Hall Capital Renewal*</b> Twin Cities College of Education and Human Development	Proposal	\$5,000 - \$20,000	This project will renovate space in historic Eddy Hall, the oldest building on UMTC campus, for student services and support programs.
Project Campus Unit	<b>Energy Efficiency Improvements</b> Twin Cities University Services	Assessment	\$5,000 - \$20,000	This project will implement significant mechanical system retrofits in a number of buildings to reduce energy consumption and demand.
Project Campus Unit	<b>Glensheen Welcome Center</b> Duluth UMN Duluth	Predesign	\$1,000 - \$5,000	This project will better define a clear arrival experience into the historic property and provide an enhanced visitor experience.
Project Campus Unit	<b>Large Animal Clinical Area Addition to Equine Center</b> Twin Cities College of Veterinary Medicine	Proposal	TBD	This project will consolidate all large animal care, related clinical teaching, and large animal isolation into a single facility on the St Paul campus and allow decommissioning of the large animal hospital in Vet Med Center South.
Project Campus Unit	<b>Minnesota BioImaging Center</b> Systemwide Research	Proposal	TBD	This project will advance development of the BioImaging Center at Hormel Institute.
Project Campus Unit	<b>Natural Resources Research Institute (NRRI) Building Improvements*</b> Duluth UMN Duluth	Assessment	>\$20,000	This project will replace outdated building systems and upgrade research areas to allow for the integration of new capabilities and keep pace with projected research growth.
Project Campus Unit	<b>New Student Health Services Facility*</b> Duluth UMN Duluth	Proposal	>\$20,000	This project will construct a new student health facility to replace current undersized and outdated space.
Project Campus Unit	<b>NRRI Coleraine Campus Expansion</b> Duluth UMN Duluth	Proposal	\$5,000 - \$20,000	This project will create an industrial decarbonization process development and demonstration facility.

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

<b>Under Consideration List 2025 - 2030</b>		<b>Project Phase</b>	<b>Cost Magnitude</b>	<b>Project Description</b>
Project Campus Unit	<b>Pomeroy Center Student Services and Active Learning Classroom Renovation</b> Twin Cities College of Veterinary Medicine	Proposal	TBD	This project will repurpose the 1st floor defunct cafe space and 2nd floor seminar rooms in this building on the St Paul campus for new student services and active learning spaces.
Project Campus Unit	<b>Public Health Consolidation*</b> Twin Cities School of Public Health	Proposal	>\$20,000	This project will consolidate the School of Public Health and its four divisions into a new building or into contiguous space to improve programmatic and administrative effectiveness.
Project Campus Unit	<b>Rarig Center Theatre Upgrades</b> Twin Cities College of Liberal Arts	Proposal	\$1,000 - \$5,000	This project will repair and update the Whiting Proscenium and Nolte Xperimental Theatres, which have become non-functional.
Project Campus Unit	<b>Research Data Facility*</b> Twin Cities Research	Proposal	TBD	This project will create a facility for secure computational space, as well as supportive IT infrastructure, to advance the work of multi-disciplinary research with other agency partners.
Project Campus Unit	<b>Research Support Infrastructure Program</b> Twin Cities Research	Assessment	TBD	This project will improve research support resources based on operational and research priorities to support growing and forward-looking areas of research.
Project Campus Unit	<b>Ruttan Space Refresh</b> Twin Cities College of Continuing & Professional Studies	Proposal	TBD	This project will refurbish space to accommodate flexible and hybrid work in Ruttan Hall on the St Paul campus.
Project Campus Unit	<b>Soil Science Building Space Consolidation</b> Twin Cities College of Food, Agricultural & Natural Resource Sciences	Proposal	TBD	This project will make strategic renewal investments in College of Food, Agriculture and Natural Resource Science (CFANS) buildings on the St Paul campus to consolidate labs out of the Soil Science building.
Project Campus Unit	<b>Specialized Research Support Facility</b> Twin Cities Research	Proposal	TBD	This project will develop specialized research support space to accommodate expanded capacity due to growth in research activity on the St Paul campus.
Project Campus Unit	<b>Strategic Land Acquisitions</b> Twin Cities Planning, Space, and Real Estate	Proposal	>\$20,000	This item is noted to reflect the routine opportunities for strategic land and asset acquisitions that support University mission.

# University of Minnesota

## 2025 - 2030 Six-Year Capital Plan

<b>Under Consideration List 2025 - 2030</b>		<b>Project Phase</b>	<b>Cost Magnitude</b>	<b>Project Description</b>
Project Campus Unit	<b>University Square Renovation</b> Rochester UMN Rochester	Proposal	>\$20,000	This project will renovate University Square to improve sustainability and accommodate enrollment growth.
Project Campus Unit	<b>Utility Infrastructure Upgrades</b> Systemwide University Services	Proposal	>\$20,000	This project will upgrade utility infrastructure with enterprise energy and utility planning defining major needs by campus.
Project Campus Unit	<b>Wilkins Hall HVAC Renovation</b> Twin Cities Auxiliary Services	Proposal	\$5,000 - \$20,000	This project will modernize building systems throughout Wilkins Hall for user comfort, safety, reliability and efficiency.
Project Campus Unit	<b>Wilson Library - Contemporary Learning*</b> Twin Cities University Libraries	Predesign	>\$20,000	This project will renovate Wilson Library to better support contemporary learning and scholarship with services focused on enabling new discovery, interaction with digital media and technology tools, community engagement, teaching, and study areas.
Project Campus Unit	<b>WMBB Diverse Microbial Exposures Facility Expansion</b> Twin Cities Medical School	Predesign	\$5,000 - \$20,000	This project will create a Diverse Microbial Exposures Facility in the Wallin Medical Biosciences Building.

# President's Recommended 2024 Six-Year Capital Plan and 2025 State Capital Request

President Rebecca Cunningham

Alice Roberts-Davis, Vice President, University Services

Michael Volna, Interim Vice President, CFO, and Treasurer

Finance & Operations Committee

October 10, 2024

**SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS**

World Class Services for a World Class University



**University Services**

We Make the University Work

# Two Items for Action

**2024 Six-Year  
Capital Plan**



**2025 State  
Capital Request**





# Six-Year Capital Plan

- Prescribed in Board Policy: *Board Operations and Agenda Guidelines*
- Primary long-range capital planning tool
- Aligned with MPact 2025 Systemwide Strategic Plan
- Reflects the University's highest priorities
- Foundation for state requests and annual capital budget
- Organized into three categories
  - Projects for state requests
  - University projects in development
  - University projects under consideration



# Plan Priorities

1. Renew high-priority buildings and right-size amount of campus space
2. Invest in high-demand academic programs and mission-support facilities
3. Advance innovation in health sciences, agriculture, biotechnology, and other research priorities (MNtersections)
4. Enhance student-facing facilities and services, including libraries, unions, recreation, wellness, academic support, and student counseling facilities
5. Create spaces and places that make campuses more inclusive, accessible, and welcoming



# Six-Year Plan – State Request

Year	Project	Amount <i>in millions</i>
<b>2025</b>	HEAPR Ag Research & Education Complex (FAARM) – Design	\$200 \$30
<b>2026</b>	HEAPR Ag Research & Education Complex (FAARM) – Ph 1 Space Consolidation & Decommissioning Bio Innovation Center Academic Health Project, Duluth - Design	\$200 \$150 \$60 \$60 \$22.5
<b>2027</b>	HEAPR Ag Research & Education Complex (FAARM) – Ph 2 UMD Large Lakes Observatory	\$200 \$150 \$60



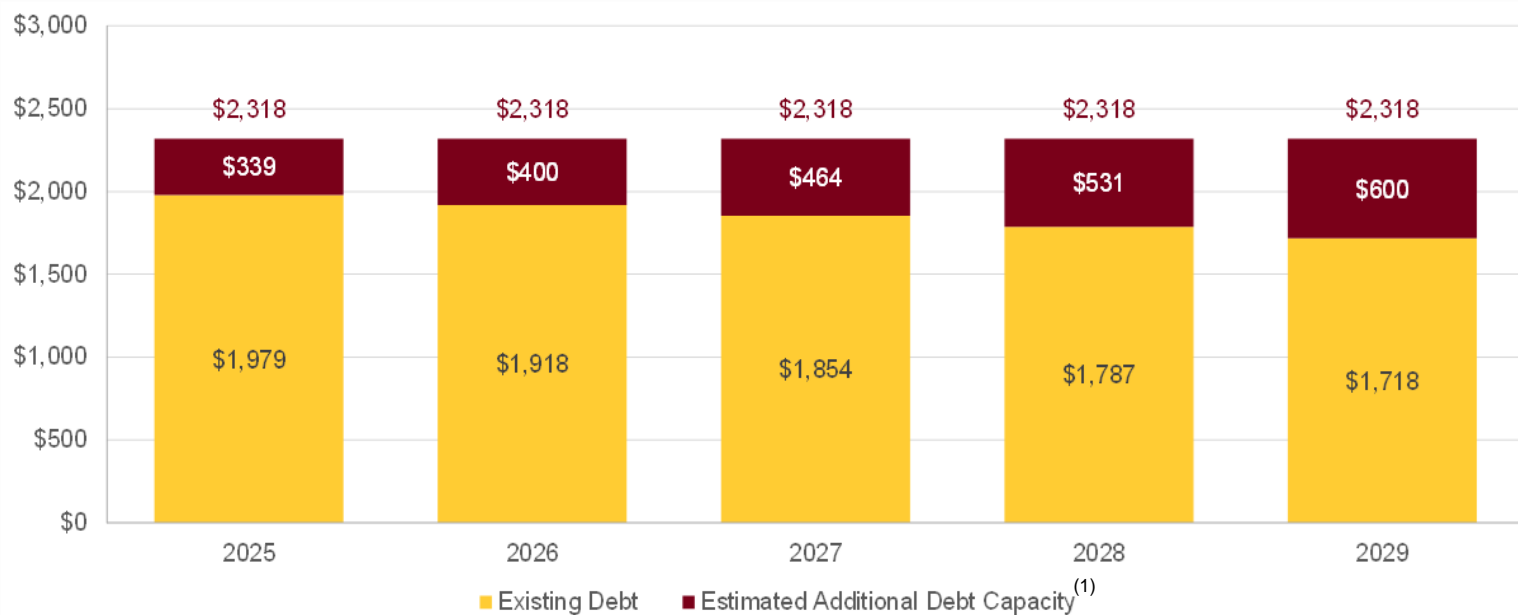
# Capital investment outcomes

- Improved student experience on all campuses
- Trained talent and workforce development to meet Minnesota business needs
- Economic growth through research and innovation
- Increased sustainability through energy-efficient, sustainable construction, and operating practices
- Extended building lifespans and reduced operating costs
- Preservation of historic campus architecture
- Cost avoidance on even more expensive future renovation or replacement work



# Theoretical Preliminary Debt Capacity

(Amounts in millions)



Note I: Data is based on Moody's "Aa1" Medians.

Note II: Assumes the University retains its current ratings ("Aa1/AA")

Note III: Six Year Plan and available capacity do not include future financing or debt related to UM Health.

<sup>(1)</sup> Represents debt that can be issued above current levels and is inclusive of planned debt issuance. Assumes new debt is issued incrementally over the next five years.





UNIVERSITY OF MINNESOTA

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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, 2024**

**AGENDA ITEM:** PEAK Implementation Update

**Review**

**Review + Action**

**Action**

**Discussion**

**PRESENTERS:**

Kenneth Horstman, Vice President, Human Resources  
Michael Volna, Interim Vice President, Interim Chief Financial Officer, and  
Interim Treasurer

## PURPOSE & KEY POINTS

The purpose of this item is to provide an update on the progress of the PEAK (Positioned for Excellence Alignment, and Knowledge) Initiative. The PEAK Initiative is preparing to implement Phase 2 for Human Resources and Finance in December 2024, with Marketing and Communications being implemented in early 2025. This discussion will focus on progress on the implementation plan, including:

- continued learnings from Phase 1 along with the specific actions being taken to address stakeholder feedback;
- summary of early Phase 1 metrics;
- update on Phase 2 implementation progress, including the workforce transition;
- progress on model shift from Huron-led effort to University-led effort; and
- preview of PEAK next steps for planning future phases.

## BACKGROUND INFORMATION

The PEAK Initiative is a systemwide effort to help fulfill the MPact 2025 Systemwide Strategic Plan (MPact 2025) commitment to fiscal stewardship by promoting access, efficiency, consistency, service, and collaboration with the state, students, faculty, staff, and partners. PEAK aims to advance the University’s teaching, research, and outreach mission by identifying opportunities to transform how the University administers critical services across non-academic functions (Finance, Human Resources, Information Technology and Marketing Communications). to reduce costs while retaining excellent service. PEAK is designed to support the agility to evolve and provide increased clarity of staff roles and responsibilities.

Through the implementation of Phase 1 in December 2023 and the continued progress made towards implementing Phase 2, PEAK is delivering on these multi-faceted objectives for the University:

- **People:** Provide opportunities for growth and specialization within newly created functional teams and scale service to support flexibility, work/life balance and remove bottlenecks.

- Partners: Create equitable coverage and consistent processes for Human Resources, Finance, and Marketing and Communications services. Build on past Information Technology process improvements to utilize campus, college, and administrative unit capacity for system-wide priorities.
- University: Reduce compliance risk and budgetary pressure by creating organizational flexibility that avoids distributed expertise and incremental staff hiring.

Guiding principles of the PEAK Initiative include:

- Equitable & Inclusive – consciously and intentionally includes and advocates for diverse populations.
- Integrated – seamless connections with other systems and processes.
- Agile – flexible to accommodate evolving needs and strategies through iterative improvements.
- Operating Efficiency – implement approaches that will drive value in support of the University’s mission.
- Digitally Enabled – simplify repetitive administrative tasks and enable focus on high-value strategic and consultative activities through technology enablement.
- Consistent – foster an experience of one University, supporting harmonization through simple and transparent processes.

The Board previously discussed this topic at the following meetings:

- June 2024: *PEAK Implementation Update*, Finance & Operations Committee
- December 2023: *PEAK Implementation Update*, Finance & Operations Committee
- June 2023: *PEAK Implementation Update*, Board of Regents
- February 2023: *PEAK Implementation Update*, Finance & Operations Committee
- December 2021: *PEAK Action Plan*, Board of Regents
- October 2021: *PEAK Implementation Plan*, Board of Regents
- September 2021: *Update on PEAK Initiative*, Board of Regents
- July 2021: *Report on PEAK Initiative*, Board of Regents



# PEAK Implementation Update: Positioned for Excellence, Alignment & Knowledge

Ken Horstman, Vice President, Human Resources  
Michael Volna, Interim Vice President and CFO, Finance

Finance & Operations Committee

October 10, 2024



# Agenda

- PEAK Overview
- Progress from Phase 1
- Phase 2 Implementation Update & Learnings
- Shift in Model with Huron
- Next Steps
- Questions



# PEAK Initiative

## Positioned for Excellence, Alignment & Knowledge

Transforming Finance, Human Resources, Information Technology and Marketing Communications service delivery to:

**Create a more consistent and equitable experience**

**Increase Efficiency**

**Enhance Career Opportunities**

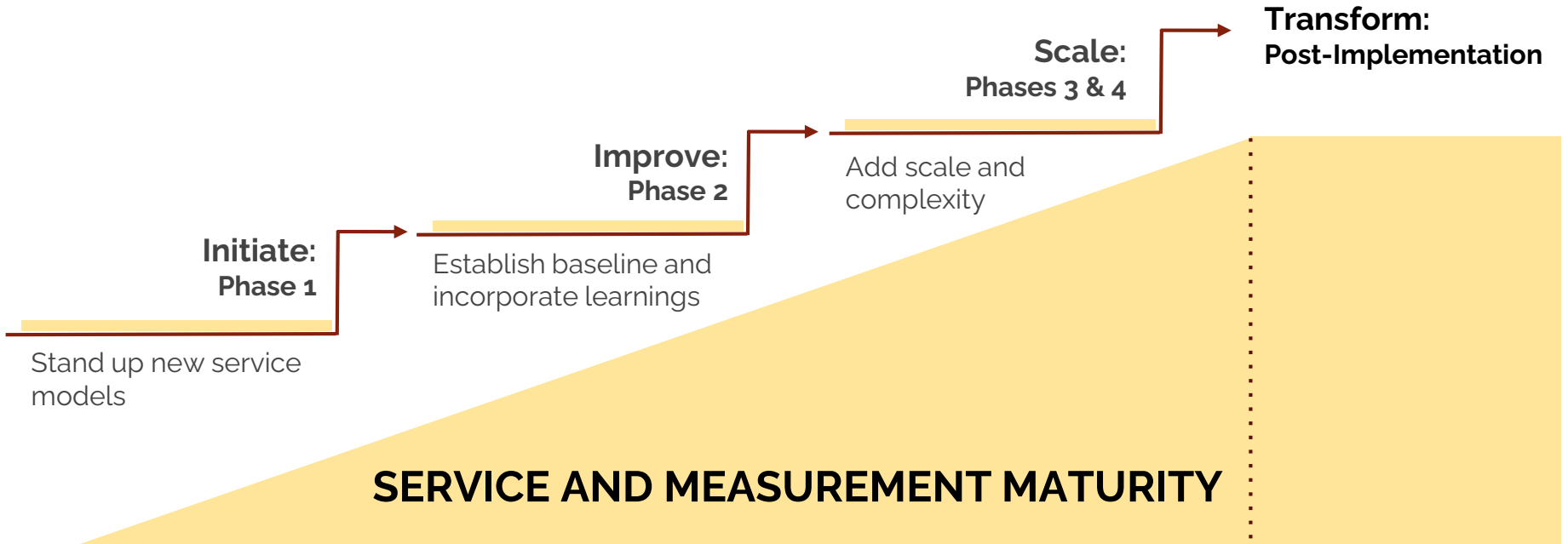
**Support Compliance**



Finance Operations Team 2024

# PEAK Operational Maturity Roadmap

Our services and measurement will mature over time as we standardize and add scale.



# Operational Progress: 10 months in

## Finance

**41,000** requests processed

**99.8%** of transactions resolved in agreed time frame

**25%** increase productivity since Go-Live

**4.4** avg. satisfaction rate\*

## Human Resources

**25,000** requests processed

**93%** of transactions resolved within agreed time frame

Decreased time to fill positions by **36%**

**4.2** avg satisfaction rate\*\*

## Marketing Communications

**400** web support requests processed

**6** comprehensive marketing + web projects completed, **11** underway

**60+** partner dashboards created

## Information Technology

**10** virtual teams launched giving

**81** IT employees from **28** units across the system development opportunities

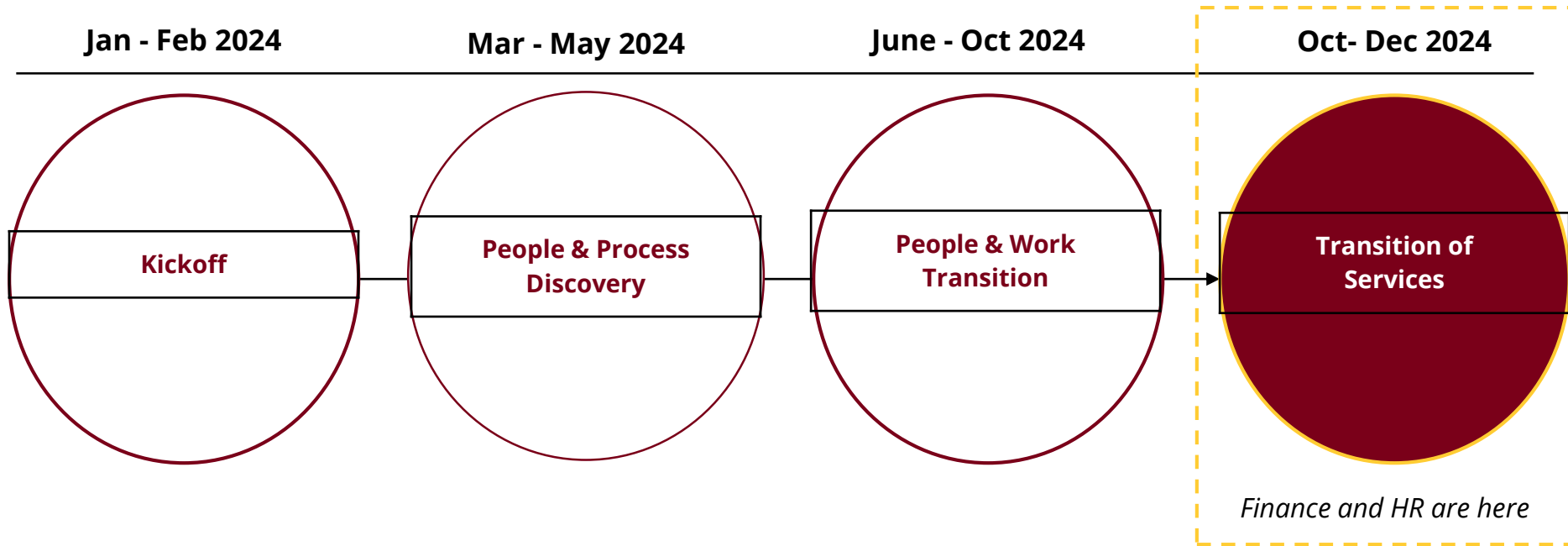
\* 5 point scale, 2% response rate

\*\*5 point scale, 11% response rate



# Phase 2 Implementation: Project Recap

Finance and HR Implementation completing workforce transition and beginning Go-Live preparations. Marketing and Communications work progressing on a different timeline.



# Phase 2 Workforce Transition

Supporting our people as they consider their **opportunities**.

## Highlights

- **49 positions** available to support Phase 2 work
- **50+ employees** learned more at Meet & Greet events
- **30+ 1:1 conversations** for Phase 2 employees and Ops Center team supervisors



HR and Finance teams hosted meet and greet opportunities for Phase 2 employees

# PEAK Program Continuous Improvement

<b>Key Learnings from Phase 2</b>	<b>Actions We Are Taking</b>
<ul style="list-style-type: none"><li>• Diverse Phase 2 unit make-up and needs</li><li>• Focused program engagement with Transition Teams improves responsiveness</li><li>• WF Transition process is complex</li><li>• Budget shift is complex</li><li>• Need for change management resources</li></ul>	<ul style="list-style-type: none"><li>→ More robust pre-planning for future phases</li><li>→ Establish communications working groups with units</li><li>→ Simplify WF transition process</li><li>→ Evaluate timing and approach for budget work</li><li>→ Investment in dedicated resources</li></ul>





# Purposeful Shift in Huron Partnership

The University continues to develop internal resources and decrease the level of external support.

Phase 1 - Huron Co-Led	Phase 2 - UMN-Driven	Phase 3 - UMN-Led
<ul style="list-style-type: none"><li>• Huron provided interim PEAK Project Office leadership</li><li>• Huron co-led Workforce Transition</li><li>• Huron co-led and facilitated engagement with all stakeholders</li></ul>	<ul style="list-style-type: none"><li>• UMN begins staffing PEAK Project Office</li><li>• UMN now leading Unit Transition work</li><li>• UMN leads and facilitates engagement with stakeholders</li></ul>	<ul style="list-style-type: none"><li>→ UMN continues staffing PEAK Project Office</li><li>→ Huron continues to move from support to advisory</li></ul>



# Next Steps

**1** Complete People Transition steps

**2** Prepare for Phase 2 December Go-Live

**3** Initiate Future Phase Planning



# Questions?



# Appendix



# Implementation Plan

Rolling out to all campuses, colleges, and units (RRCs) in four overlapping phases

Phase 1: Implementation FY23-FY24	Phase 2: Implementation FY24-FY25	Phase 3: Implementation FY25-FY26	Phase 4: Implementation FY26
Hubert H Humphrey School of Public Affairs	CFANS (including Ag Exp Station)	College of Continuing and Professional Studies	Carlson School of Management
Internal Audit	College of Liberal Arts	College of Education and Human Development	College of Biological Sciences
Law School	Office for Student Affairs	College of Pharmacy	College of Design
Office of the Board of Regents	EVPP - Office of the Exec VP & Provost	College of Science and Engineering	College of Veterinary Medicine
Office of Human Resources	EVPP - The Graduate School	Intercollegiate Athletics	EVPP - Global Programs and Strategy
UM Crookston	EVPP - Office of Undergraduate Education	School of Dentistry	EVPP - MN Extension
UM Duluth	EVPP - Office of Faculty Affairs	School of Public Health	EVPP - University Libraries
UM Morris	EVPP - Office for Public Engagement	SVPFO - Capital Project Management	Medical School
UM Rochester	Office for Equity and Diversity	SVPFO - Public Safety	Office of Academic Clinical Affairs
SVPFO - Finance/Controller	Office of the General Counsel	SVPFO - University Health & Safety	Office of the VP for Health Sciences
SVPFO - Information Technology	Office of the President	SVPFO - University Services	Office of VP for Research
	University Relations		School of Nursing





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, 2024**

**AGENDA ITEM:** Consent Report - **REVISED**

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Julie Tonneson, Interim Senior Vice President and Budget Director

## **PURPOSE & KEY POINTS**

### **Employment Agreement**

The purpose of this item is to seek approval for the following employment agreement:

- Gregg Goldman, Executive Vice President for Finance & Operations

### **Purchase of Goods and Services \$5,000,000 and Over**

The purpose of this item is to seek approval for purchases of goods and services of \$5,000,000 and over.

- To Minnesota Life Insurance Company for an additional \$9,500,000 for basic and supplemental Accidental Death and Dismemberment (AD&D) and life insurance coverage for all campuses for the Office of Human Resources for the period of January 1, 2026 through December 31, 2027. Funds for this purchase are provided through the fringe rate and employee premiums. Supporting materials contain information on supplier selection.
- To Oracle America Inc. for an estimated \$10,000,000 for licensing and maintenance for the full suite of the University's PeopleSoft application as well as Oracle Database Enterprise, for all campuses, through the Office of Information Technology (OIT) for the period of January 1, 2025 through December 31, 2027. This purchase is currently budgeted for by OIT and will be funded with Operations & Maintenance funds. Documentation on supplier selection are included in the docket materials.

### **Permanent University Fund Report**

The purpose of this item is to seek approval for the submission of a report on the Permanent University Fund to the Minnesota Legislature. Minnesota Statute 137.022, subdivision 4(d) requires the University of Minnesota to submit a report on the Permanent University Fund (PUF) to both the education and environment and natural resources committees of the Minnesota Legislature:

The Board of Regents must report to the education committees of the Legislature biennially at the time of the submission of its budget request on the disbursement of money from the endowed scholarship account and to the environment and natural resources committees on the use of the mineral research account.

The University is submitting to the appropriate legislative committee chairs the report that is included in the docket.

## **BACKGROUND INFORMATION**

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

- Employment Agreements: Reservation and Delegation of Authority, Article I, Section IV, Subd. 1.
- Purchase of Goods and Services \$5,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6.
- Permanent University Fund Report: *Reservation and Delegation of Authority*, Article I, Section I, Subd. 7.

## **PRESIDENT'S RECOMMENDATION**

The President recommends approval of the Consent Report.





# BOARD OF REGENTS DOCKET ITEM SUMMARY

---

**Finance & Operations**

**October 10, 2024**

**AGENDA ITEM:** Consent Report

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Julie Tonneson, Interim Senior Vice President and Budget Director

## **PURPOSE & KEY POINTS**

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- Purchase of Goods and Services \$5,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6.
- Permanent University Fund Report: *Reservation and Delegation of Authority*, Article I, Section I, Subd. 7.

### **PRESIDENT'S RECOMMENDATION**

The President recommends approval of the Consent Report.

**Finance & Operations Committee**  
**Consent Report**  
**October 10, 2024**

***Personnel Appointment***

Pending Board of Regents approval, Gregg Goldman will be appointed Executive Vice President for Finance and Operations, effective November 11, 2024.

Position Overview

Executive Vice President for Finance and Operations (EVP) serves as the University's chief financial officer, chief operations officer, and treasurer. The EVP is responsible for the University's \$4.5 billion operating budget, oversees a staff of over 2,700 FTE, effectively manages its fiscal and physical environment, and ensures overall fiscal and operational excellence. The EVP plays a critical role in providing strategic vision and tactical leadership for the University, advising the President and the senior leadership team on accomplishing strategies and initiatives, and ensuring that its financial and operational resources effectively support the university's mission and institutional priorities.

As a key member of the President's cabinet and leadership team, the EVP is also a trusted and reliable partner to the Board of Regents, all four campus Chancellors, and other senior leaders on all issues related to the University's finances and operations. The EVP also works closely with the Executive Vice President and Provost to ensure that the University's finance, information technology, and university services align with and support its strategic educational and research objectives and fully serve the needs of students, faculty, staff, and the communities served by the University.

Appointee's Background and Qualifications

Mr. Gregg Goldman is a seasoned finance and operations leader with more than 30 years of experience in higher education. Most recently, Mr. Goldman served as chief financial officer and senior vice president of finance for Hillspire, LLC, an integrated family office based in Menlo Park, California. Prior to that, he oversaw finance and operations at some of America's leading research universities with university medical centers, including related to hospital acquisitions and mergers. He served as vice chancellor and chief financial officer at the University of California, Los Angeles. In addition to his time at UCLA, he focused for 20 years on leading finance and operations within academic units at the University of California-Irvine, the University of Southern California, and the University of Arizona, also a land-grant institution.

### Recommended Salary and Appointment Type

Mr. Goldman's annual base salary will be \$750,000. His appointment as Executive Vice President for Finance and Operations is a 100%-time, A-term (12 month), L-type (limited) appointment, reporting to and serving at the pleasure of the President. The full employment agreement between the University and Mr. Goldman is attached as an exhibit.

### Individually Negotiated Terms of Employment or Separation Agreements

In addition to base salary, Mr. Goldman will receive deferred compensation annually, as follows:

- \$75,000 vesting on June 30, 2025;
- \$100,000 vesting on June 30, 2026;
- \$125,000 vesting on June 30, 2027;
- \$125,000 vesting on June 30, 2028; and
- \$125,000 vesting on June 30, 2029.

### Comparable Market Data

Salaries with similar positions at AAU peer institutions as well as CFOs with significant health care financial oversight were benchmarked and the recommended base salary is \$750,000. Based on the peer data, Mr. Goldman's salary will be just under the 75th percentile:

50th percentile - \$576,065  
75th percentile - \$759,719  
90th percentile - \$1,186,036

### Recommendation

The President recommends the appointment of Mr. Gregg Goldman as Executive Vice President for Finance and Operations at the University of Minnesota.

## EMPLOYMENT AGREEMENT

**THIS EMPLOYMENT AGREEMENT (“Agreement”)** is entered into as of this 23rd day of September, 2024, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the “University”), and Gregg Goldman (“Mr. Goldman” or “you”).

**WHEREAS**, the University wishes to employ Mr. Goldman as the Executive Vice President for Finance and Operations and Mr. Goldman wishes to accept employment as Executive Vice President for Finance and Operations;

**WHEREAS**, this Employment Agreement is subject to the approval of the Board of Regents of the University of Minnesota and the completion of a background check satisfactory to the University;

**THEREFORE**, the University and Mr. Goldman agree as follows:

### I. EMPLOYMENT TERM AND DUTIES

The University appoints Mr. Goldman as the Executive Vice President for Finance and Operations and he agrees to be so employed by the University for a term commencing on November 11, 2024, and continuing through June 30, 2029. The Executive Vice President for Finance and Operations is a 100 percent time, 12-month, L appointment in the professional and academic personnel classification who serves as an at will employee at the pleasure of the President. As such, you will report to and serve at the pleasure of the President and your appointment may be terminated at any time without advance notification. Your appointment is a professional appointment subject to the University’s Academic Professional and Administrative Policies and Procedures (“Policies and Procedures”), as they may be amended from time to time. In the event of a conflict between the terms of this Agreement and terms of the Policies and Procedures, the terms of this Agreement shall govern.

### II. DUTIES

During the term of your employment as Executive Vice President for Finance and Operations you will diligently and conscientiously devote your full-time attention and best efforts in performing and discharging the duties of Executive Vice President for Finance and Operations as they are set forth in the job description for this position (attached) including, but not limited to, the following duties:

**A.** Lead the financial and administrative operations at the University’s flagship campus in Minneapolis and St. Paul and provide oversight of financial and administrative operations of the University of Minnesota campuses in Duluth, Crookston, Morris, and Rochester, and the University of Minnesota Medical Center;

**B.** Serve as the University's chief financial officer, chief operations officer, and treasurer, including leadership and responsibility for the University's operating budget and effective management of the University's fiscal and physical environment;

**C.** Advance the excellence of the University by ensuring that the University's finance, information technology, and university services align with and support its strategic educational and research objectives and fully serve the needs of students, faculty, staff, and the communities served by the University;

**D.** Provide a strategic vision and tactical leadership for the University, advising the President and the senior leadership team on accomplishing strategies and initiatives, and ensuring that its financial and operational resources effectively support the university's mission and institutional priorities;

**E.** Serve as a strong and vocal advocate for the University's strategic goals and initiatives, reinforcing the University's land grant mission and unique value and economic impact to the state;

**F.** Oversee the responsible planning, stewardship, management and accountability of fiscal, capital, and human resources of the units that report to you; and

**G.** Perform such other duties as related to your employment position and assigned to you by your appointing authority.

### **III. PERFORMANCE**

In accordance with the Policies and Procedures, you will receive regular annual performance evaluations and a broader systemic review of your performance no later than the end of your third year in the position.

### **IV. COMPENSATION**

**A.** Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall pay you an annual salary of Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000).

**B.** In addition to standard retirement contributions made to the Faculty Retirement Plan as part of the regular University benefits program, the following amounts shall be contributed to the University of Minnesota Optional Retirement Plan or, to the extent such contributions exceed contribution limits for that plan, to the University of Minnesota 415(m) Retirement Plan, when such amounts vest:

- \$75,000 vesting on June 30, 2025;
- \$100,000 vesting on June 30, 2026;

- \$125,000 vesting on June 30, 2027;
- \$125,000 vesting on June 30, 2028; and
- \$125,000 vesting on June 30, 2029.

The University will deposit these funds each year on the vesting date (or such business day immediately following the vesting date), so long as you have remained continuously employed as the Executive Vice President for Finance and Operations position through the date of each payment. In the event of death, permanent disability, or termination without Cause or resignation with Good Reason, the University shall contribute a pro rata share of the unvested funds for the year of the event consistent with the date of death, permanent disability, termination without cause or resignation with good reason.

“Cause” shall mean:

1. The conviction of a felony (or a plea of nolo contendere) under the laws of the United States or any state thereof or conviction of a crime outside of the United States that would be classified as a felony in the United States or the state of Minnesota;
2. The conviction of any other crime involving fraud, intentional dishonesty and the personal enrichment of Mr. Goldman at the expense of the University;
3. Willful failure or refusal to perform the lawful and ethical directives or instructions of the President, which continues more than thirty (30) days after written notice thereof has been given by the President;
4. A material breach of this Agreement by Mr. Goldman, including gross neglect of duties or willful violation of the covenants contained in this Agreement, that is not cured to the President’s reasonable satisfaction within thirty (30) days after the President delivers written notice of such breach to the Mr. Goldman, setting forth the details of the breach in reasonable detail; or
5. Engagement in fraud or willful misconduct against the University that is materially injurious to the University and breaches the Mr. Goldman’s fiduciary duties to the University.

“Good Reason” shall mean a material breach by the University of this Agreement. In order for a resignation to qualify as a resignation with Good Reason, the following conditions must be satisfied:

- (i) Mr. Goldman must provide the University with written notice of the reason or reasons for Good Reason not more than ninety (90) days after the initial existence of the condition or conditions giving rise to Good Reason;
- (ii) the grounds for Good Reason are not corrected by the University within thirty (30) days after its receipt of the written notice from Mr. Goldman; and
- (iii) Mr. Goldman resigns with Good Reason within thirty (30) days after the end of the University's correction period.

C. All base salary shall be paid in accordance with the University's regular payroll procedures for Professional and Administrative employees and shall be subject to withholding for applicable federal and state income taxes, federal social security taxes, and other applicable taxes and deductions.

D. In accordance with University Policies and Procedures, you shall receive salary increases on an annual basis in alignment with the University's compensation plan and based upon the evaluation of the appointing authority or his/her designee.

E. The base salary is subject to furloughs, pay freezes, salary reductions or other adjustments to the same extent they are required of other employees of the University.

## V. BENEFITS

Unless otherwise stated in this Agreement, the University shall provide you with a benefits program as provided for its Professional and Administrative employees as described in its Policies and Procedures (<http://www.umn.edu/ohr/benefits/summary/>). These programs shall be subject to amendments and modifications by the University.

## VI. RELOCATION

The University will pay for actual and reasonable costs associated with your move, in accordance with the University's relocation policy (<https://policy.umn.edu/finance/employeerelocation>).

## VII. SEPARATION

A. Your appointment as Executive Vice President for Finance and Operations is an L appointment which means you serve at the pleasure of your appointing authority. Your appointment may be terminated without any required notice period.



**B.** In the event you are separated from your administrative position, you may be eligible for certain benefits provided by the University, in accordance with University policy. Any exception from or waiver of University policy related to your separation must be approved by the Board of Regents.

## VIII. MISCELLANEOUS

**A. Amendment.** Any amendment to this Agreement shall be in a writing executed and delivered by the parties.

**B. Parties In Interest/Assignment.** This Agreement shall be binding upon and the benefits and obligations provided for herein shall inure to the parties hereto and their respective heirs, legal representatives, successors, assigns, transferees or donees, as the case may be. No portion of this Agreement shall be assignable without the prior written consent of the other party.

**C. Effect of Prior Agreements.** This Agreement is intended by the parties as the final and binding expression of their contract and agreement and as the complete and exclusive statement of the terms thereof. This Agreement supersedes and revokes all prior negotiations, representations, and agreements, whether oral or written, relating to the subject matter hereof.

**D. Enforceability.** If any provision contained herein shall be deemed or declared unenforceable, invalid, or void, the same shall not impair any of the other provisions contained herein, which shall be enforced in accordance with their respective terms.

**E. Construction.** The headings preceding and labeling the sections of this Agreement are for the purpose of identification only and shall not in any event be employed or used for the purpose of construction or interpretation of any portion of this Agreement. No waiver by any party of any default or nonperformance hereunder shall be deemed a waiver of any subsequent default or nonperformance. As used herein and where necessary, the singular shall include the plural and vice versa, and masculine, feminine and neuter expressions shall be interchangeable.

**F. Applicable Law.** The laws of the state of Minnesota shall govern and be applicable to this Agreement and any construction or interpretation thereof.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first shown above.

By: Gregg Goldman  
Gregg Goldman

**REGENTS OF THE UNIVERSITY OF MINNESOTA**

By: Cunningham  
Rebecca Cunningham  
President

Approved as to Form and Execution

By: Douglas Peterson  
Douglas Peterson  
General Counsel

**Board of Regents  
Finance & Operations Committee  
Consent Report  
October 10, 2024**

***Purchase of Goods and Services \$5,000,000 and over***

To Minnesota Life Insurance Company for an additional \$9,500,000 for basic and supplemental Accidental Death and Dismemberment (AD&D) and life insurance coverage for all campuses for the Office of Human Resources for the period of January 1, 2026 through December 31, 2027.

*The University offers basic and supplemental AD&D and life insurance coverage for employees and their dependents.*

*Funds for this purchase are provided through the fringe rate and employee premiums.*

Submitted by: Katie Kolodge, Health & Wellbeing Consultant

Approval for this item requested by:

Ken Horstman

Vice President, Office of Human Resources

September 9, 2024

(Signature on file in Purchasing Services)

**Rationale for Exception to Competitive Bidding**

This purchase has not been competitively bid because the University opted to request a contract extension. The original six-year contract was the result of a competitive Request for Proposal (RFP). The market has not changed materially in the past five years, and the vendor was willing to extend the contract under the previously negotiated terms and conditions, with price concessions as noted below. In addition, this extension would allow time to develop a new Request for Proposal, resulting in less employee disruption with respect to their benefits.

The price was determined to be reasonable based on a market analysis conducted by a consultant with expertise in the market that was hired by the Office of Human Resources. Minnesota Life Insurance Company has agreed to a two-year contract extension with a 10% basic life and 12% supplement life insurance rate reduction, saving over \$1.1 million during the life of the extension.

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

**Board of Regents  
Finance & Operations Committee  
Consent Report  
October 10, 2024**

***Purchase of Goods and Services \$5,000,000 and over***

To Oracle America Inc. for an estimated \$10,000,000 for licensing and maintenance for the full suite of the University's PeopleSoft application as well as Oracle Database Enterprise for all campuses for the Office of Information Technology (OIT) for the period of January 1, 2025 through December 31, 2027.

*This purchase renews vendor support from Oracle, Inc. for the Oracle Database Management System (DBMS) software and the collection of PeopleSoft Enterprise applications. The Oracle DBMS is the underlying database platform for hundreds of University systems and applications managed by IT units both within OIT and outside OIT. The PeopleSoft Enterprise applications run on the Oracle DBMS and provide key business functions such as: student records management (applicant processing, registration, transcripts, tuition and fee assessment, financial aid processing, etc.); financial management (budgeting, accounting, accounts receivable/payable, grants management, etc.); human capital management (employee recruitment, position/appointment tracking, payroll/benefits processing, etc.); and enterprise portal (directed content management, etc.).*

*Retaining direct support from Oracle ensures the University can maintain a stable and secure Oracle database platform and a stable, secure, and regulatory-compliant PeopleSoft Enterprise application environment.*

*The cost of this purchase is currently budgeted and will be funded by OIT utilizing Operations & Maintenance funds.*

Submitted by: Michelle Rakos, Contracts Manager, Office of Information Technology

Approval for this item requested by:

Bernard Gulachek  
Vice President and Chief Information Officer  
(Signature on file in Purchasing Services)

September 6, 2024

### Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because Oracle provides a level of support and expertise not available from third-party vendors. The products/services provided by Oracle are core to the University's operation, and failure to renew the Oracle contract would result in a loss of support for the University's PeopleSoft System. Any service disruption could severely impact our ability to maintain our standard operating procedures and meet our business objectives. A competitive bid for support would involve a significant investment of time and resources. If another vendor were selected, transitioning to an alternative supplier would require significant modifications to our infrastructure, leading to operational disruptions and potential risks to the stability of our system.

The price was determined to be reasonable by the fact that Oracle's pricing included an 8% increase over last year, similar to previous years' increases.

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



# Permanent University Fund, Biennial Report

Fiscal Years 2023 and 2024

*Pursuant to Minnesota Statute 137.022, subdivision 4(d)*

*Per the requirements in Minnesota Statute 3.197, the cost to prepare this report was approximately \$500*

*Prepared by Koryn Zewers, University of Minnesota Budget Office, September 2024*

## Market Value & Distributions

The total value of the Permanent University Fund (PUF) as of June 30, 2024, was \$883,839,091, up from \$881,046,300 on June 30, 2023. These market values include PUF funds held in departmental chair accounts supporting identified PUF endowed chairs; funds held centrally to support new allocations for PUF chairs; and funds within the Endowed Mineral Research, Endowed Scholarship, and Mesabi Range Accounts. Minnesota Statute 137.022, subdivision 4(d) requires the University of Minnesota to submit the following report:

*The Board of Regents must report to the education committees of the legislature biennially at the time of the submission of its budget request on the disbursement of money from the endowed scholarship account and to the environment and natural resources committees on the use of the mineral research account.*

The table below provides specific information on the Endowed Scholarship and Mineral Research Accounts for Fiscal Years (FY) 2023 and 2024.

	FY 2023	FY 2024
<b>Total Market Value</b>		
Endowed Mineral Research Account	\$103,892,385	\$104,082,294
Endowed Scholarship Account	\$161,769,208	\$162,626,964
<b>Income Distribution</b>		
Endowed Mineral Research Account	\$3,920,308	\$4,203,090
Endowed Scholarship Account	\$6,104,251	\$6,561,731
<i>UM Crookston Scholarships</i>	\$213,649	\$216,537
<i>UM Duluth Scholarships</i>	\$1,361,248	\$1,423,896
<i>UM Morris Scholarships</i>	\$183,128	\$170,605
<i>UM Rochester Scholarships</i>	\$103,772	\$104,988
<i>UM Twin Cities Scholarships</i>	\$4,242,454	\$4,645,706

Per State Statute, distributions from the Scholarship account are made to each campus based on the enrollment of Minnesota residents on each campus. Each campus utilizes this funding to provide scholarships

to students who are Minnesota residents. Students from any part of the state are eligible. Initially one-year awards, many are now four-year commitments. Each campus has discretion in determining the award amount and structure.

#### Mineral Research Account Use

Per M.S. 137.022, subdivision 4(d), the University is also required to report on the use of the Mineral Research Account funds. These funds are allocated to the Natural Resources Research Institute (NRRI) for mineral and mineral-related research at the Duluth and Coleraine facilities and totaled \$3,920,308 in FY 2023 and \$4,203,090 in FY 2024. For FY 2023, NRRI's spending of the Mineral Research Account funds can be classified as follows: 55 percent on research personnel, 5 percent on equipment, and 40 percent on other operating costs. In fiscal year 2024, NRRI's spending included 51 percent on research personnel, 7 percent on equipment, and 42 percent on other operating costs.



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Finance & Operations**

**October 10, 2024**

**AGENDA ITEM:** Information Items

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Julie Tonneson, Interim Senior Vice President and Budget Director

## **PURPOSE & KEY POINTS**

- A. Central Reserves General Contingency Allocations
- B. Annual Asset Management Report
- C. Strategic Facilities & Real Estate Report
- D. Use of Long-Term Capital Financing Program Proceeds

### **A. Central Reserves General Contingency Allocations**

Allocations from the Central Reserves General Contingency greater than \$250,000 require Board approval. There are no items requiring approval during this period. A current summary of General Contingency allocations for this fiscal year is included in the docket.

### **B. Annual Asset Management Report**

The purpose of this item is to report on the annual performance results for assets managed by the Office of Investments & Banking (OIB) for the quarter and the fiscal year ending June 30, 2024. The OIB prepares this report, as required by Board policy, for review by the Board.

### **C. Strategic Facilities & Real Estate Report**

The purpose of this item is to provide a comprehensive summary of the University's physical assets. It includes updates on the University's facilities condition assessment and space utilization, real estate transactions from the past fiscal year, and capital project management updates for projects in process that have been approved in the annual capital improvement budget or through a capital budget amendment.

This report covers fiscal year 2024 and summarizes University physical asset information from July 1, 2023 through June 30, 2024. The content of this report has been prepared by the University Services leaders responsible for each of the four respective areas and reflects the information available at the time of publication. This annual report is required by Board of Regents Policy: *Board Operations and Agenda Guidelines*.



**D. Use of Long-Term Capital Financing Program Proceeds**

The purpose of this item is to report on the use of \$4,000,000 of proceeds from the Long-Term Capital Financing Program proceeds to complete the financing for the Dining Hall Improvements project on the Rochester campus.

## Central Reserves General Contingency Allocations Finance & Operations Committee October 2024

Recipient	Amount	Running Balance	Purpose
1 <b>Fiscal Year 2025</b> (7/1/2024-6/30/2025)			
2 <b>Carryforward from FY24 to FY25</b>		<b>\$1,791,621</b>	
3     FY25 General Contingency Allocation	\$1,000,000	\$2,791,621	
4 <b>New FY25 items this reporting period:</b>			
5     n/a		\$2,791,621	
6 <b>Current Balance</b>		<b>\$2,791,621</b>	
7 <b>Commitments (to be transferred in future periods)</b>			
8     Capital Project Management	(\$100,000)	\$2,691,621	Dentistry amalgam waste project: install onsite mercury amalgam separator in the Dental Simulation Lab.
9     Board of Regents	(\$67,000)	\$2,624,621	FY25 portion of the contract with Cambridge Hill Partners for consulting services for the Board of Regents.
10    Board of Regents	(\$404,330)	\$2,220,291	Presidential Search: expenses incurred in FY23 and FY24 related to the search for a new University President. This includes direct expenses such as search firm fees, travel and meeting costs, costs for multiple candidate interviews, and transition costs, and indirect expenses related to University employee time to staff the search. Approved by Board of Regents, September 2024.
11 <b>Projected Balance with Commitments</b>		<b>\$2,624,621</b>	

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

# ANNUAL ASSET MANAGEMENT REPORT

For the period ending June 30, 2024

Andrew Parks, Associate Vice President, Chief Investment Officer

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Investments & Banking

UNIVERSITY OF MINNESOTA  
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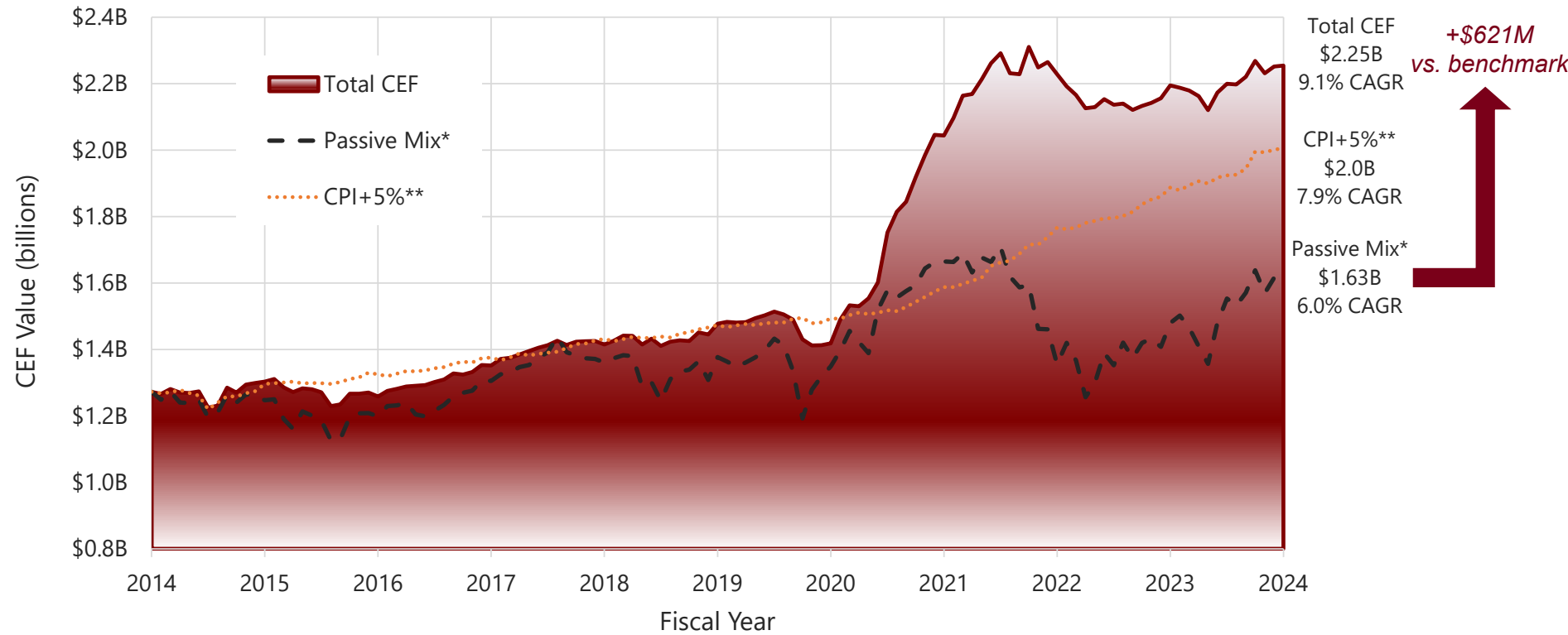
# UNIVERSITY INVESTMENT FUNDS

OIB Managed Funds (\$M)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Consolidated Endowment Fund (CEF)	\$ 1,477	\$ 1,418	\$ 2,043	\$ 2,228	\$ 2,194	\$ 2,254
Short-Term Reserves (TIP)	1,183	1,086	1,468	1,599	1,585	1,621
Long-Term Reserves (GIP)	81	85	104	101	89	86
RUMINCO Ltd.	52	51	69	62	71	83
Invested Assets Related to Indebtedness	63	15	24	28	28	29
30-Year Bullet Bond Proceeds	-	-	-	489	511	395
SSBCI Venture Capital Program	-	-	-	-	10	12
<b>Total Managed Assets</b>	<b>2,855</b>	<b>2,656</b>	<b>3,708</b>	<b>4,508</b>	<b>4,489</b>	<b>4,481</b>



Our long-term goal is to preserve  
the inflation adjusted value of the  
endowment (CPI+5%)

# OUTPERFORMANCE VS. LONG-TERM OBJECTIVE



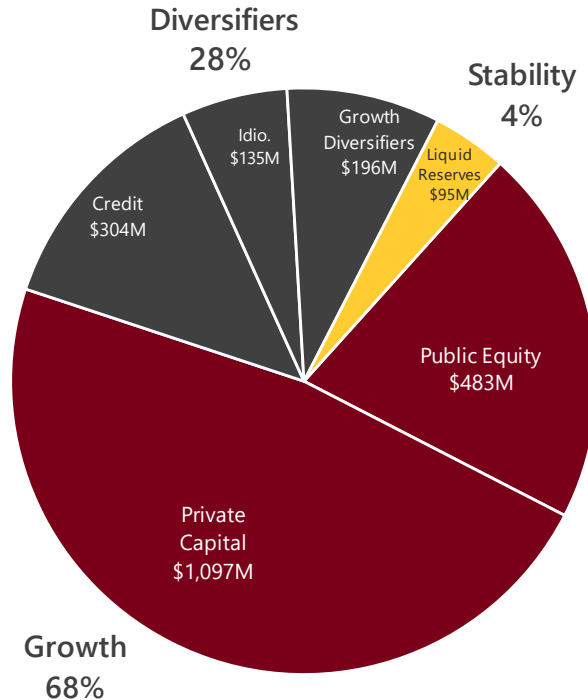
\* Measures efficacy of long-term strategy vs. passive mix of stocks and bonds. 7/2015-current: 70% MSCI ACWI, 30% Barclays Global Aggregate; 1/1990-6/2015: 70% MSCI ACWI, 30% Barclays US Aggregate. Source: State Street  
 \*\* Measures ability to preserve inflation-adjusted corpus of endowment. Index Return: US CPI Urban Consumers MoM SA. Source: Bloomberg



# CEF ASSET ALLOCATION

Value as of 6/30/24: \$2.25B

The fund's asset allocation positioning is within approved ranges, with a slight overweight to equity-oriented Growth assets attributable to the outperformance of illiquid private equity and venture capital strategies over the past 5 years.



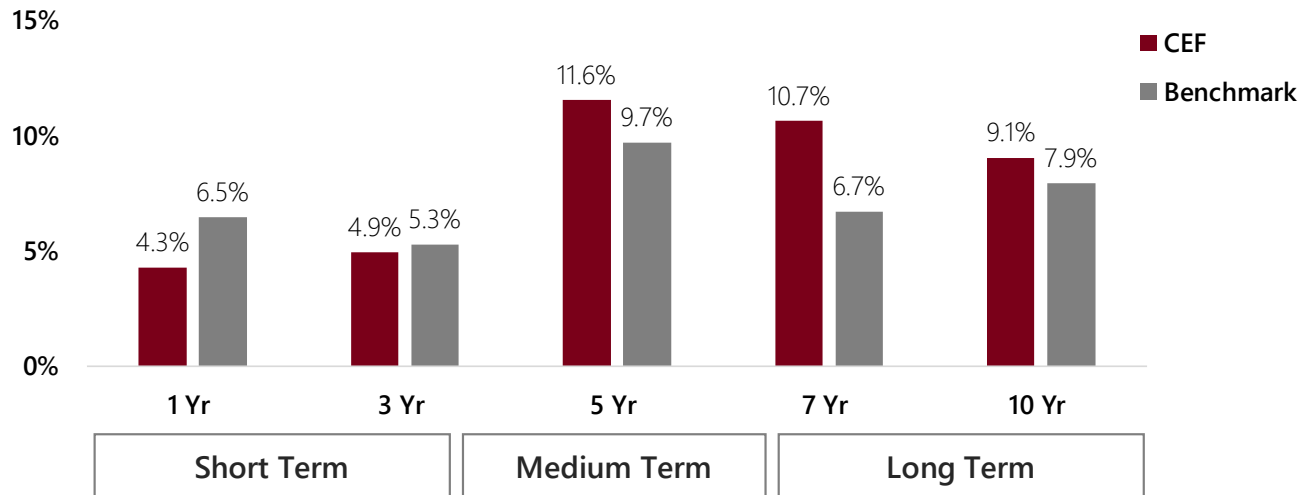
	Target (Range)	Over/Under vs. Target
Growth	65% (55% - 75%)	+3%
Diversifiers	30% (20% - 40%)	-2%
Stability	5% (2% - 12%)	-1%



# CEF PERFORMANCE SUMMARY

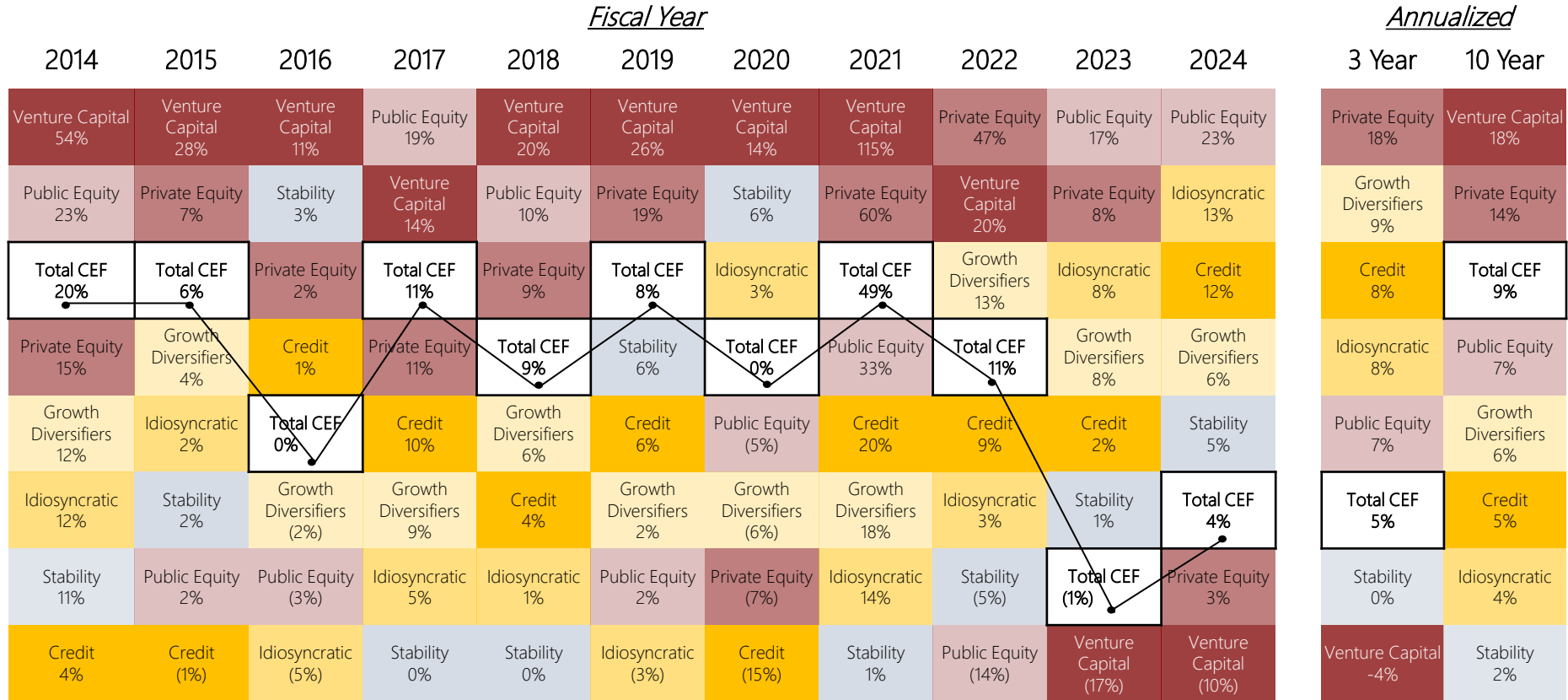
Value as of 6/30/24: \$2.25B

For fiscal year ending June 30th, 2024, the Endowment returned +4.3% (vs. +6.5% for the benchmark). Underperformance relative to the benchmark was entirely due to the 10.0% decline in the VC portfolio, partially offset by the 22.5% gain in public equity and 3.0% gain in private equity. The Diversifiers portfolio returned 10.2%, with strong contributions from Credit (+11.8%), Idiosyncratic (+13.3%) and Growth Diversifiers (+6.1%). Medium- and long-term absolute and relative returns remain strong primarily due to the overweight to, and strong outperformance of, the venture capital and private equity portfolios, though continued weakness in the former is beginning to erode this accumulated outperformance. The combined private capital portfolio has generated 18% returns over the past 5 years, outpacing the Burgiss Global PE/VC index by 5.3% and ACWI by 7.6%.



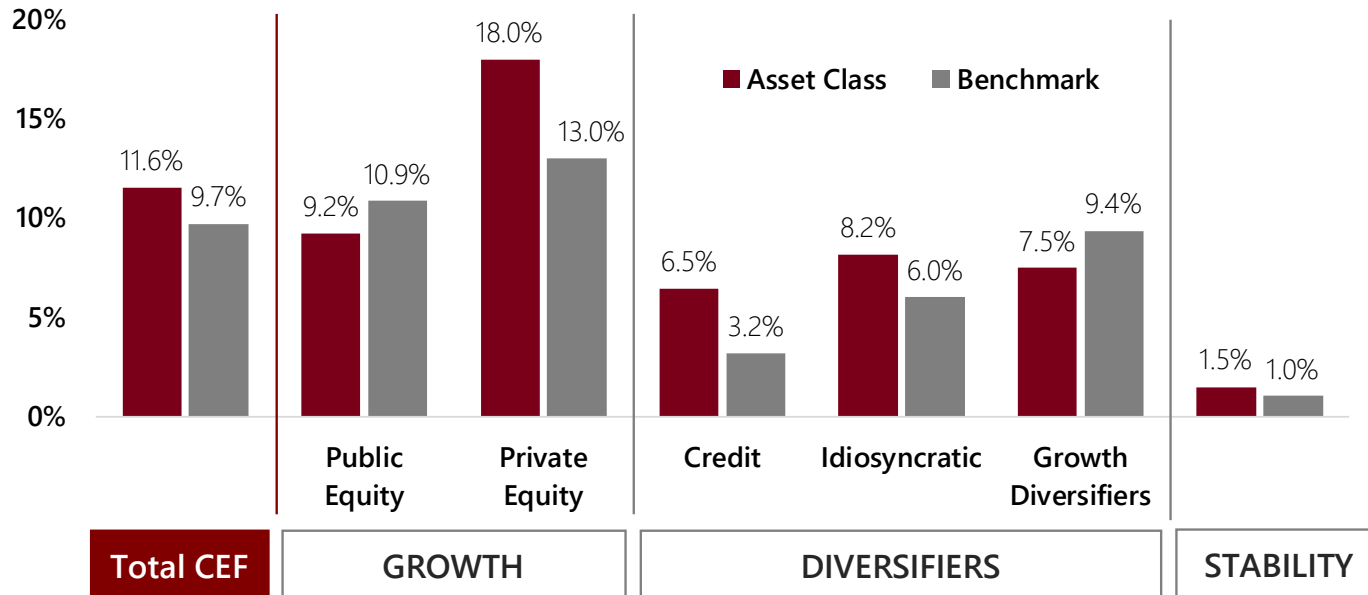


# ANNUAL ASSET CLASS RETURN QUILT CHART



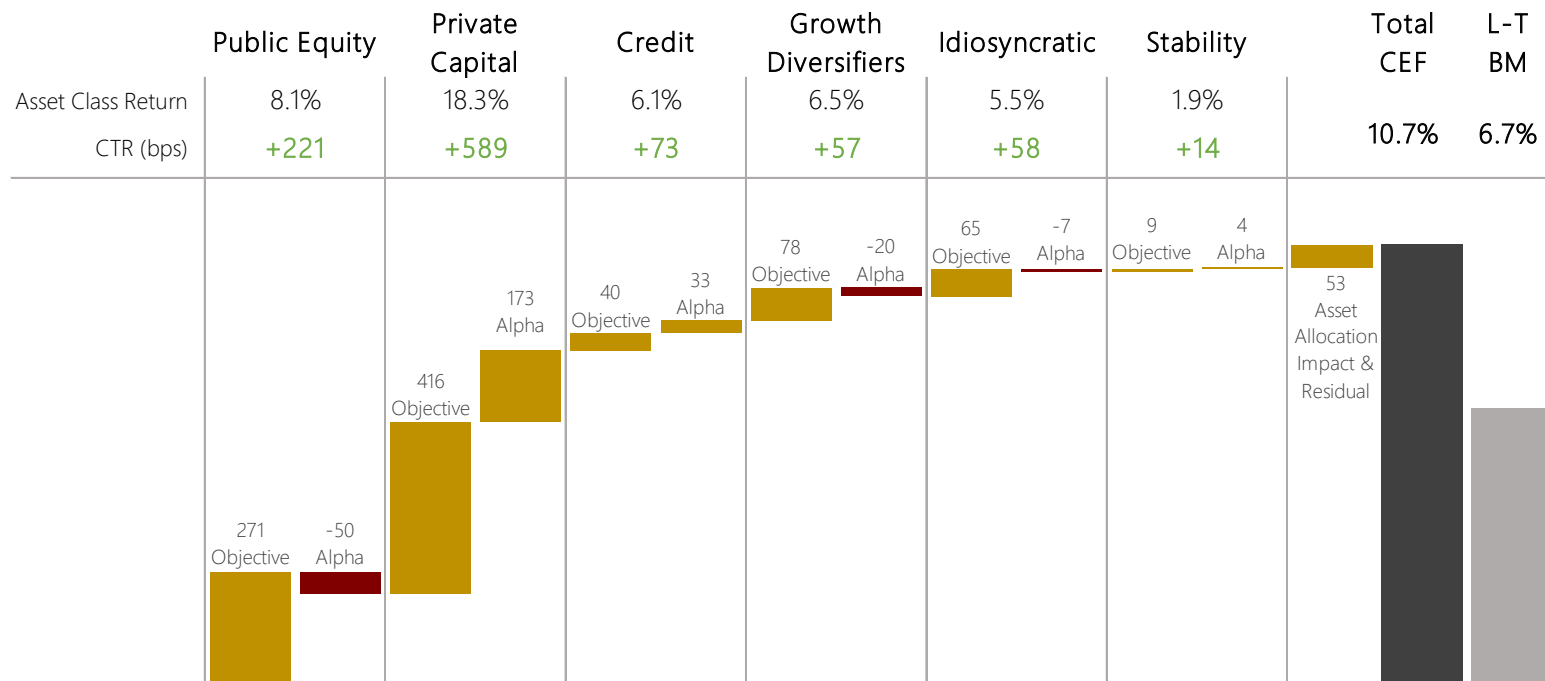
# 5-YEAR CEF ASSET CLASS RETURNS

CEF's +11.6% 5-year annualized return exceeds the benchmark return of +9.7% largely due to an overweight to illiquid private equity and venture capital strategies, which collectively outperformed public markets by 7%. The public equity portfolio has lagged its benchmark due largely to defensive positioning. Credit-oriented strategies and idiosyncratic hedge funds have delivered strong returns relative to their benchmarks. The Growth Diversifiers return, while upward trending, fell behind a high CPI+5% hurdle.



# 7-YEAR CONTRIBUTION TO RETURN

Outperformance vs. the 70/30 passive blend of ACWI and the Barclays Aggregate continues to be driven mainly by strategy selection, as illiquid growth sleeves (VC +18.7%, PE +18.1%) outperformed ACWI (+9.6%) and the Diversifiers return of +5.8% outperformed the duration sensitive Bloomberg Global Aggregate (-0.5%).

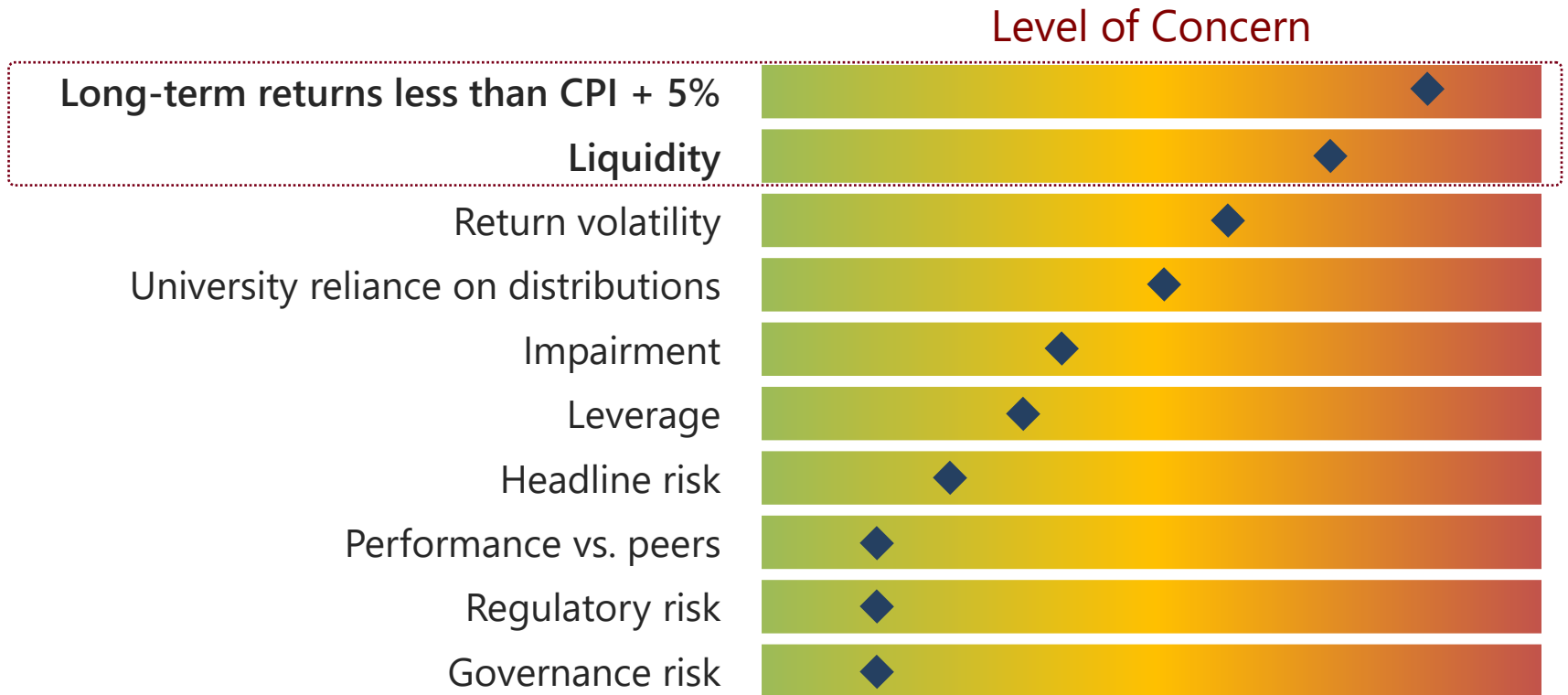


Objective: Weighted Average Contribution to Return based on respective asset class Long-Term Benchmark return.

Alpha: Variance of Actual Contribution to Return vs. Objective



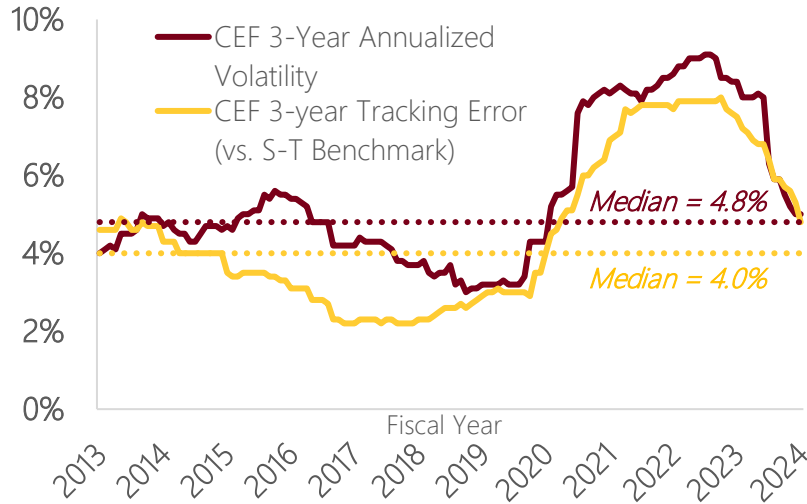
# CEF KEY RISK FACTORS



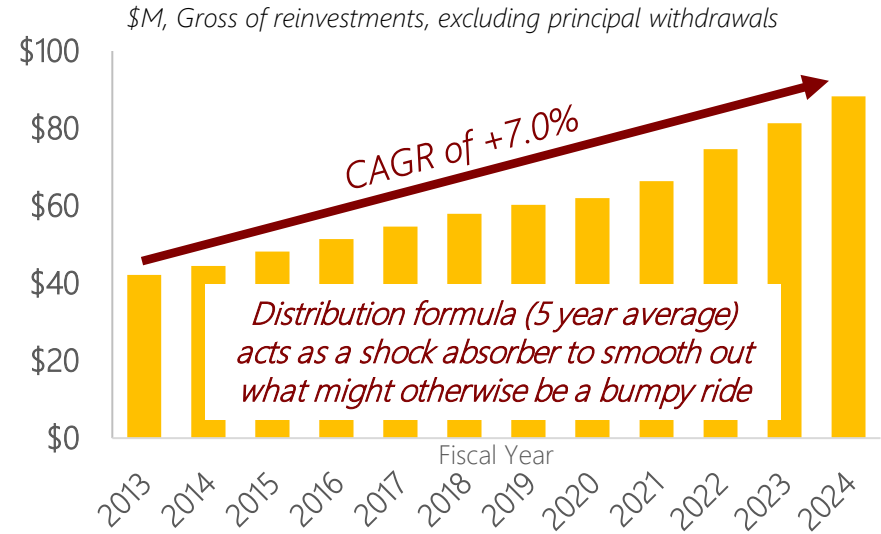
# ROLLING ANNUALIZED RISK SUMMARY

- While volatility recently spiked vs. prior levels, it remained sub 10% (vs. public equities at ~20%), which is admittedly understated vs. economic risk and somewhat of a mirage due to the illiquid-heavy nature of the portfolio.
- Importantly, the smoothed payout rate formula largely suppresses the impact of volatility. Instead, the predominant concerns in the portfolio involve the risk of failing to deliver CPI+5% returns and failing to effectively navigate a heavily illiquid portfolio.

## Rolling Volatility & Tracking Error



## Endowment Distributions



# PERFORMANCE HIGHLIGHTS OF THE LAST DECADE

**90**

*% of time rolling 1-year returns were positive*

**100**

*% of time rolling 5-year returns were positive*

**82**

*% of time rolling 7-year returns were in excess of 70/30*

**59**

*% of time rolling 10-year returns were in excess of CPI+5%*

**6.6**

*Max peak-to-trough % decline*

**1.1**

*% Annual Volatility of Distributions to the University*



# ENDOWMENT FUND POLICY COMPLIANCE SUMMARY

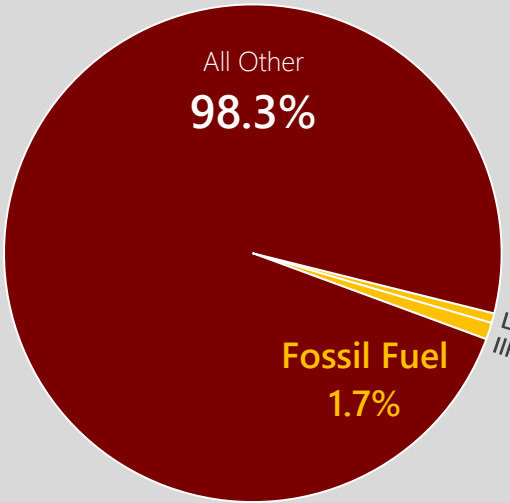
CATEGORY	METRIC	STATUS AS OF FYE'24
ILLIQUIDITY	50-75%	✓ 67%
LEVERAGE	<110%	✓ 103%
SINGLE FUND CONCENTRATION	<10%	✓ 5.4%
MANAGER CONCENTRATION	<20%	✓ 13%
CO-INVESTMENTS	<6%	✓ 3.7% ( <i>cost basis</i> )
EMERGING-, MINORITY- AND WOMAN-OWNED FIRMS	20%	OIB committed \$38M (20% of FY24 commitments) to 3 qualifying firms. Investments in woman-, diversity-owned/managed, or emerging managers constitute 20% of all CEF managers.
NEW MANAGERS IN FY24	4	Khrom Capital, Kedaara Capital, Vy Capital, RenWave Kore
TERMINATED MANAGERS IN FY24	2	Theorem, TCW



# ENDOWMENT FUND FY24 ESG DASHBOARD

The Office of Investments & Banking (OIB) is charged with *integrating Environmental, Social and Governance (ESG) principles* in its investment decisions, consistent with the University's mission and values.

## FOSSIL FUEL EXPOSURE



Only ~1.7% of the endowment is invested in fossil fuel-related exposures (vs. ~2.5% in FY'23). Most of the illiquid funds with exposure are in liquidation mode while the majority of public exposure is obtained via index funds.

## HIGHLIGHTS – BY THE NUMBERS

171M	<ul style="list-style-type: none"> <li>\$ exposure to <b>ESG Aware and low carbon funds</b>, representing ~40% of public equity</li> </ul>
43	<ul style="list-style-type: none"> <li>% of managers that are UNPRI signatories</li> <li><b>UMN became a signatory in April 2022</b></li> </ul>
20	<ul style="list-style-type: none"> <li>% of FY24 commitments made to <b>“emerging, minority- or woman-owned”</b> managers</li> </ul>
23,940	<ul style="list-style-type: none"> <li># of proxy proposals voted by ESG aware index fund manager BlackRock.</li> </ul>
13	<ul style="list-style-type: none"> <li><b>LP Advisory Committee seats</b> OIB staff occupy in effort to promote strong governance principles</li> </ul>
700,000	<ul style="list-style-type: none"> <li>Metric tonnes of held carbon credits, <b>removing the equivalent of roughly 2 years of UMN Twin Cities campus emissions</b></li> </ul>
53M	<ul style="list-style-type: none"> <li>\$ committed to funds focusing on energy transition</li> </ul>

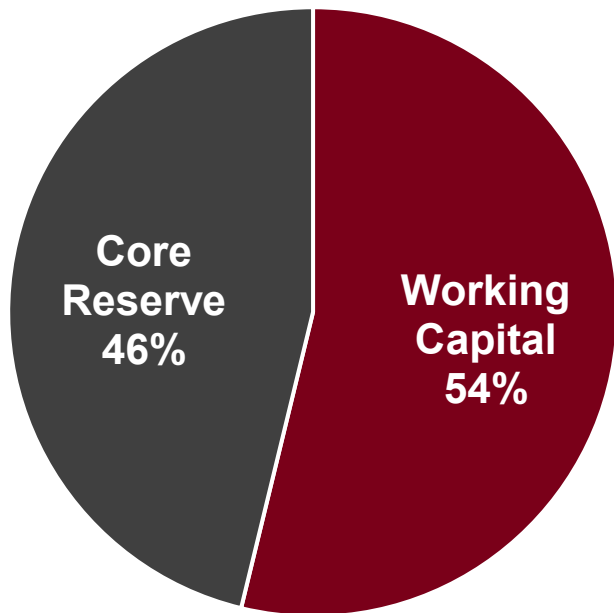




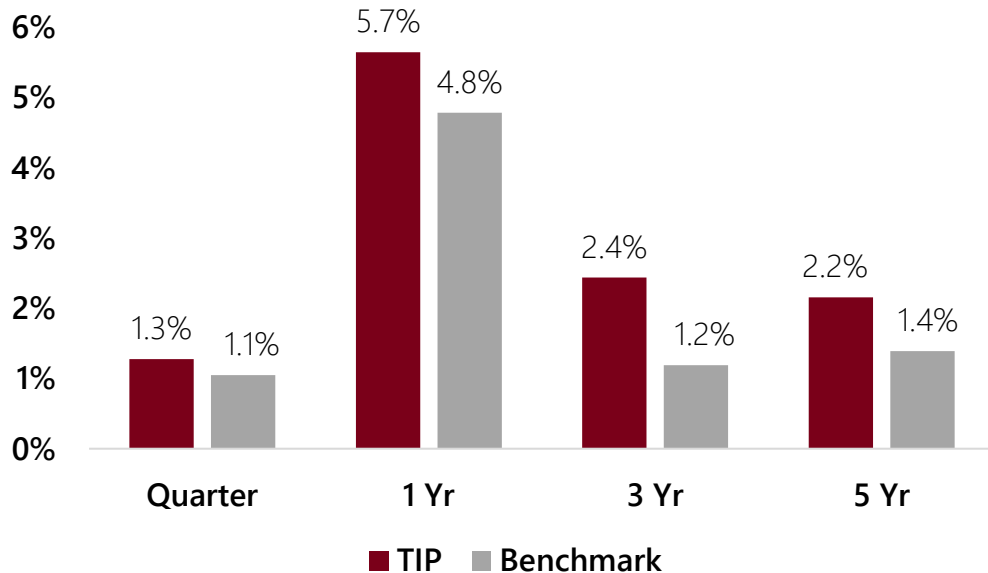
# SHORT-TERM RESERVES (TIP)

Value as of 6/30/24: \$1.62B

## Asset Allocation



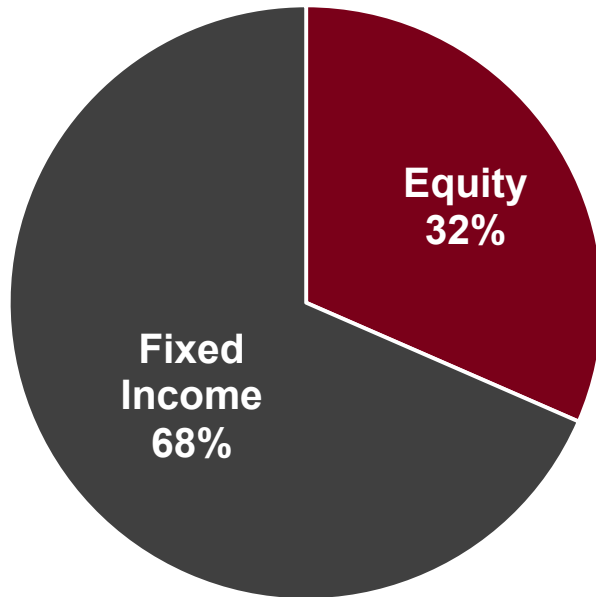
## Performance Summary



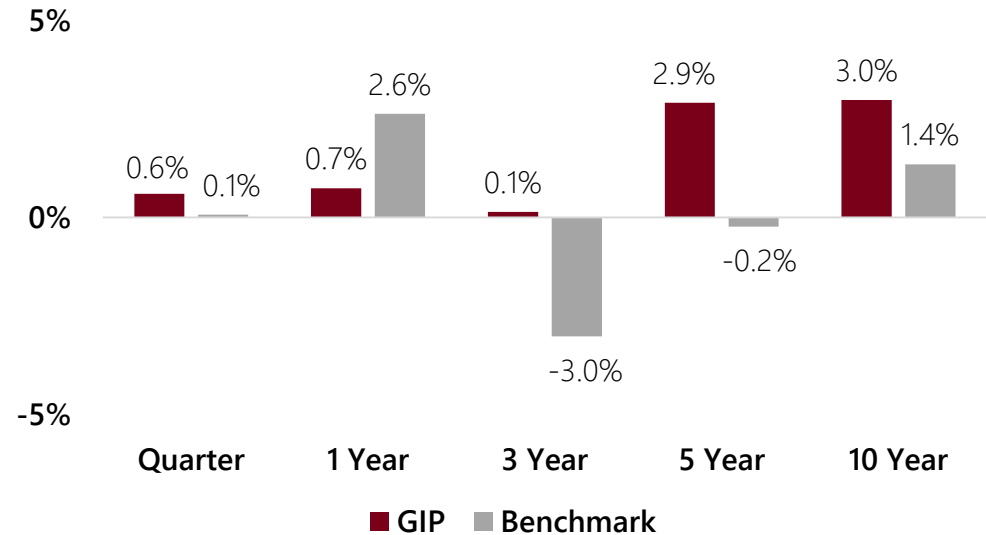
# LONG-TERM RESERVES (GIP)

Value as of 6/30/24: \$86M

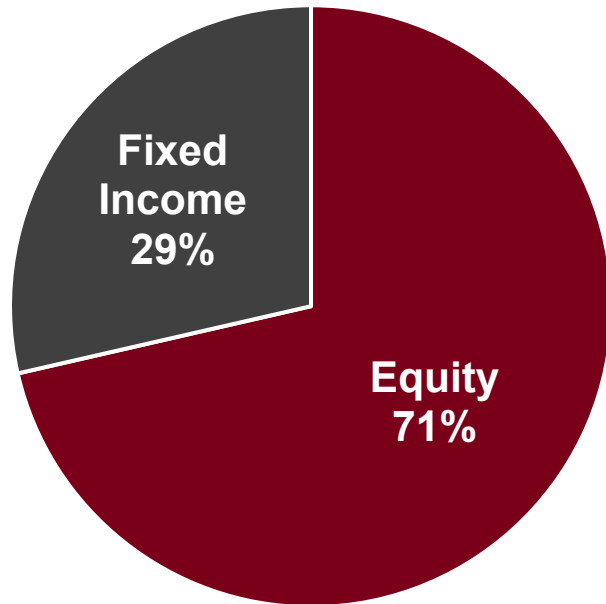
## Asset Allocation



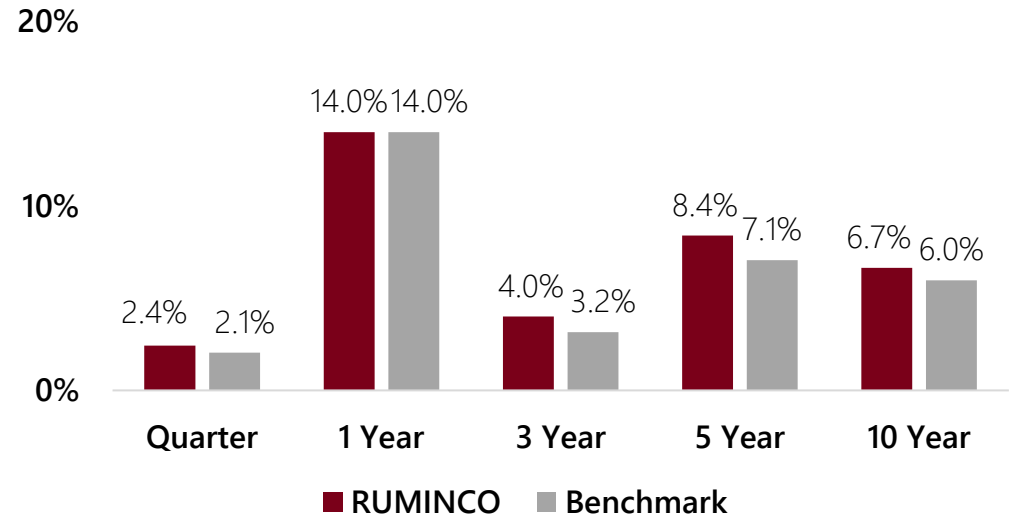
## Performance Summary



## Asset Allocation



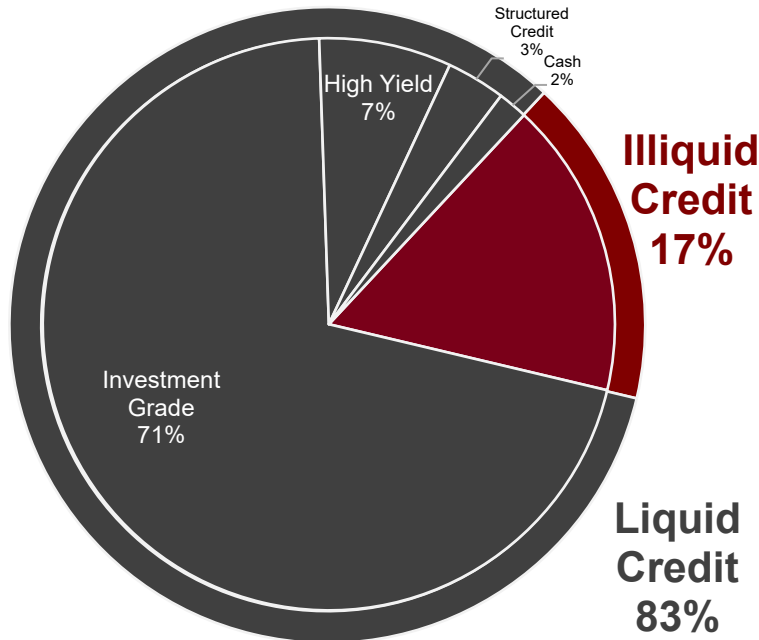
## Performance Summary



# 30-YEAR BULLET BOND PROCEEDS

Value as of 6/30/24: \$395M

## Asset Allocation



## Performance & Statistics

Inception Date	5/19/22
Realized Yield ( <i>since inception</i> )*	+5.00%
Performance ( <i>since inception</i> )	+4.34%
Weighted Average Credit Quality*	BBB+
Weighted Average Duration*	0.86 years
Weighted Average Yield to Maturity*	5.74%
Excess Yield vs. UMN's 2022 30-Year 4.048% Bullet Bonds	+1.69%

\* Excludes illiquid strategies

Note: The market value of the principal reserve was \$8.46M as of June 30, 2024 (vs. the initial deposit of \$8.00M).





UNIVERSITY OF MINNESOTA

**Driven to Discover®**

Crookston Duluth Morris Rochester Twin Cities

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



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INVESTMENT

### *Leading the way towards sustainable growth*

The Office of Investments & Banking (OIB) closely aligns the investment portfolios it oversees with the University’s mission-based objectives and priorities. The Board of Regents has provided a policy directive that requires the investment process to “integrate environmental, social, and governance (ESG) responsibilities in its investment decisions” and to provide transparency to the process in the form of regular reporting to the Board.

#### **Environmental**

The University’s Endowment investment strategy has adopted a phased reduction plan regarding its investments in funds - or direct investments in companies - whose primary business is the extraction or processing of fossil fuels. More than half of the existing investments in such assets are coming to the end of their life cycle with the expectation that they will be liquidated as the investment managers deem appropriate within the next 5-7 years. Similarly, the University has also committed to making no new direct investments in the Carbon Underground 200 companies that hold fossil fuel assets.

The University’s Endowment has prioritized allocating capital into innovative technologies that are transforming industry sectors which are addressing greenhouse gas emissions and clean energy production, responsible water utilization and recovery, clean transportation and industrial efficiencies that reduce power usage.

#### **Social**

The University’s investment team members are recognized leaders in the effort to identify new and emerging managers, many of them owned and led by women or minority professionals. The ongoing monitoring and diligence process regarding all of external investment managers requires those managers to disclose information

regarding firm ownership, key individual compensation criteria, and the inclusiveness of the decision-making processes within the firm. Other social factors that enter into the selection and retention processes for inclusion in the Endowment include: social benefits, human capital management approaches, and consumer health and safety records of the underlying companies into which the investment managers deploy capital.

#### **Governance**

Factors of good governance play an important role in evaluating the likely success of a potential new investment. Our selection criteria for investment firms includes success around diversity in composition and tenure of their Board of Directors or Advisors, the composition of the workforce and especially the diversity among the leadership group, policies regarding human resources, auditing and investment reporting, and the criteria for selecting specific new investments.

#### **Reporting and Disclosure**

The University is a reporting member of the United Nations Principles for Responsible Investing (UNPRI) organization, a United Nations sponsored entity that promotes the concept of fiduciaries across the globe, integrating ESG priorities into their investment processes.

# **FY 2024**

# **Strategic Facilities and Real Estate Report**

*Prepared for the Board of Regents,  
as required by Board policy.*

October 2024

UNIVERSITY OF MINNESOTA

## **ORIGIN AND SCOPE OF THIS REPORT**

Board of Regents Policy: *Board Operations and Agenda Guidelines* requires an annual report titled “Strategic Facilities and Real Estate Report.” This consolidated report provides a comprehensive summary of the University’s physical assets. It includes updates on the University’s facilities condition assessment and space utilization, real estate transactions from the past fiscal year, and capital project management updates for projects in process that have been approved in the annual capital improvement budget or through a capital budget amendment.

This report covers fiscal year 2024 and summarizes University physical asset information from July 1, 2023 through June 30, 2024. The content of this report has been prepared by the University Services leaders responsible for each of the four respective areas and reflects the information available at the time of publication.

Respectfully submitted,

Bruce Gritters, Assistant Vice President for Capital Project Management  
Leslie Krueger, Assistant Vice President for Planning, Space, and Real Estate  
Brian Swanson, Assistant Vice President for Finance and Systems, University Services

## **LAND ACKNOWLEDGMENT**

We acknowledge that the University of Minnesota system has campuses that are located on the homelands of the Dakota and Anishinaabe peoples, and acknowledge the eleven Tribal Nations of Minnesota. It is important to acknowledge the peoples on whose land we live, learn, and work as we seek to improve and strengthen our relations with our tribal nations. We also acknowledge that words are not enough. We must ensure that our institution provides support, resources, and programs that increase access to all aspects of higher education for our American Indian students, staff, faculty, and community members.



## REAL ESTATE

Board of Regents Policy *Reservation and Delegation of Authority*, Section VIII includes the following provisions related to real estate:

Subd.1. The Board reserves to itself, or to one of its committees, authority to approve the purchase or sale of real property (a) with a value of \$3,000,000 or more; (b) located on or within 2 miles of a University campus; or (c) larger than 10 acres.

Subd. 2. The Board reserves to itself, or to one of its committees, 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 is (a) \$1,000,000 or more in rent in any year; (b) if the lease term exceeds 10 years; or (c) if the value is \$5,000,000 or more.

Subd.3. The Board reserves to itself, or to one of its committees, authority to exercise the power of eminent domain to acquire land for University purposes.

In May 2022, the Board of Regents approved an amended Real Estate and Facilities Policy, which includes a set of four guiding principles that seek to inform and direct the University of Minnesota's real estate strategy. These principles address a multitude of factors that drive acquisitions and dispositions of real estate across the University system and clarify the University of Minnesota's strategic position as one of mission critical stewardship, fiscal discernment, and geographic alignment with our campus plans.

In practice, these principles will guide the University's long-term vision for its system campuses and other properties, while balancing the day-to-day operational liabilities of its large real estate portfolio. As the University disposes or acquires real estate, the following principles are considered:

1. Support the University's teaching, research, and service mission and align with the Systemwide Strategic Plan, MPact 2025
2. Align with campus plans
3. Provide strategic value when balanced against scarce resources and minimize financial liability
4. Positively impact areas adjacent to the University or limit negative impact

This section of the report provides a summary of real estate transactions and leases in FY 2024 that met Board thresholds for approval.

Real Estate Transaction	Amount received or to be received	Amount paid or to be paid	Regents Approval
Sale of Approximately 280 Acres in Rosemount (UMore Park)	\$39,720,323		September 2023
Land Exchange For Properties on 350th Avenue And State Highway 14, Waseca University Of Minnesota Southern Research and Outreach Center (SROC)	26 acres	12 acres	September 2023
FAARM related purchases in Mower County: <ul style="list-style-type: none"> <li>● 160 acres</li> <li>● 156 acres</li> </ul>		\$2,000,000 \$1,950,000	September 2023 December 2023
Nine-year Lease of office space for the Learning Abroad Center's program in Montpellier, France		\$1,006,800	September 2023
Three-year Lease for office, laboratory, and storage space for the Minnesota Genomics Center (Twin Cities campus)		\$1,806,585	October 2023
Acquisition of 78 acres, County Road 4, Twin Lakes Township, Carlton County (CFANS, Twin Cities campus)		\$1.00	February 2024
Ground leases for University Grove residential land in Falcon Heights (Twin Cities campus)	\$500/year for new ground leases		May 2024

## CAPITAL PROJECTS

Capital Project Management (CPM) has systemwide responsibility for the design and construction of all new and renovated buildings, as well as major campus infrastructure. Project costs and schedules continue to be adversely impacted by materials shortages, supply chain disruptions, labor shortages, extreme escalation/inflation, and market volatility, although conditions are moderating.

This section of the report provides a summary of capital projects underway in FY 2024 that met Board thresholds for approval with a value greater than \$5,000,000.

### PROJECTS IN DESIGN

#### Advanced Operations Center

Formerly titled Network Operations Center Relocation, the project will construct a new facility for network operations and data center services, ultimately relocating the existing Network Operations Center at 2218 University Avenue and the West Bank Office Building Data Center to a new, combined facility located on the East Bank.



Location: Twin Cities - East Bank

Estimated Project Cost: \$72,750,000

Substantial Completion: February 2026

#### Carlson School of Management (CSOM) Building Revitalization

The CSOM Building Revitalization Project proposes to align the functionality of teaching and scholarship user space with new pedagogical and technological trends. The project seeks to right-size spaces to support Carlson School programs and enable the creation and sharing of knowledge through spaces that are adaptable over time. Utilization of existing space will be improved through more flexible and diverse learning environments, facilitating student, staff, and faculty collaboration. The project will also address building infrastructure systems, accessibility, and other deficiencies.



Location: Twin Cities - West Bank

Estimated Project Cost: \$40,000,000

Substantial Completion: October 2026

### **Future of Advanced Agricultural Research in Minnesota (FAARM)**

The Future of Advanced Agricultural Research in Minnesota (FAARM) project will design and construct an integrated agricultural research complex to collectively improve the health of plants and animals, soil, climate, economy, and people. A targeted “one health” approach will study every aspect of cattle, swine, and poultry—from the crops used to feed them, to the intersection of human and animal health, to the interactions of animals on soil health, water quality, and climate.



Location: Mower County, Minnesota

Estimated Project Cost: TBD

Substantial Completion: TBD

### **PROJECTS UNDER CONSTRUCTION**

#### **Chemistry Undergraduate Teaching Laboratories**

The Chemistry Undergraduate Teaching Laboratories project will augment a renovated Fraser Hall to provide general chemistry, life sciences, and organic chemistry teaching labs with associated student collaboration and updated general purpose classrooms.



Location: Twin Cities - East Bank

Estimated Project Cost: \$143,829,000

Substantial Completion: July 2025

#### **Offsite Collections Facility**

The Offsite Collections Facility (OCF) will provide initial shelving capacity for 2.5 million library volumes with the ability to provide a total capacity of 3.3 million volumes in the future. Support spaces within the OCF will accommodate processing and timely delivery of collections, including accessioning space.



Location: Twin Cities - Como District

Estimated Project Cost: \$56,700,000

Substantial Completion: February 2025

### **Women's Gymnastics Practice Facility**

This project will provide a new practice facility and support space for Women's Gymnastics to align University of Minnesota gymnastic facilities with Big Ten and national programs for recruiting, training, and development of student-athletes.

Location: Twin Cities - East Bank

Estimated Project Cost: \$15,675,000

Substantial Completion: January 2025



### **Shepherd Laboratories Renovation, Floors 3-5**

This project will renovate 3rd, 4th, and 5th floor spaces, finishing a complete building renovation started in 2017. The renovated areas will accommodate flexible and collaborative research spaces for robotics, virtual reality, graphics and visualization, human computer interaction, and natural language processing. Project scope includes infrastructure system upgrades and compliance with B3/SB2030 sustainability goals.

Location: Twin Cities - East Bank

Estimated Project Cost: \$29,900,000

Substantial Completion:

- Main 3rd Floor: April 2025
- Building Electrical Replacement: March 2026



### **Territorial Hall HVAC System Replacement**

This project will replace existing heating and cooling systems in resident rooms with modern components to improve indoor air quality, provide additional humidity control, and meet current codes and standards. Additional scope includes full roof replacement and new building electrical service.

Location: Twin Cities - East Bank

Estimated Project Cost: \$32,000,000

Substantial Completion: September 2025



### **Veterinary Diagnostics Lab Equipment Replacement**

This project will replace existing process equipment at the end of its lifecycle and upgrade related building and infrastructure components to better support future operations.

Location: Twin Cities - Saint Paul  
 Estimated Project Cost: \$7,561,000  
 Substantial Completion: December 2025



### **Griggs Hall HVAC Upgrades**

This project will consist of abatement, roof replacement, code upgrades, and new interior finishes in Griggs Hall.

Location: Duluth  
 Estimated Project Cost: \$6,000,000  
 Substantial Completion:  
 · Griggs units C/D: substantially complete and occupied  
 · Griggs units M/N: anticipated substantial completion in June 2025



### **UMD Main Production Kitchen Renovation**

This project will renovate the basement level production kitchen in the Residence Dining Center. Project scope includes abatement, temporary kitchen, infrastructure upgrades, and a small mechanical penthouse for new equipment.

Location: Duluth  
 Estimated Project Cost: \$25,000,000  
 Substantial Completion: April 2025



### **Middlebrook Hall Dining Renovation**

This project will renovate all areas of Middlebrook dining in two phases, including kitchen servery, dining room, offices, and storage areas.

Location: Twin Cities - West Bank  
 Estimated Project Cost: \$15,071,000  
 Substantial Completion: August 2025



### **Middlebrook HVAC Piping Phase Three**

This project is the final phase in Middlebrook Hall to replace failing HVAC distribution piping, add outdoor air distribution, and replace heating and cooling delivery equipment that has reached the end of its useful life.

Location: Twin Cities - West Bank

Estimated Project Cost: \$7,000,000

Substantial Completion: August 2024



### **3M Arena at Mariucci and Ridder Arena – Centennial Improvements (Phase 1)**

The existing ice sheets at 3MAM and Ridder utilize an R-22 refrigerant system which has been banned federally for production. The new ice design will utilize an ammonia based refrigerant system serving both arenas. The combined system will lower the maintenance and energy costs versus a standalone system for each arena. Phase 1 scope will replace the ice refrigerant systems in 3MAM and Ridder Arenas along with reducing the ice size and upgraded ice lighting in 3MAM.



Location: Twin Cities - East Bank

Estimated Project Cost: \$14,000,000

Substantial Completion:

- 3MAM November 2023
- Ridder September 2024

## **PROJECTS COMPLETED IN FY 2024**

### **Northrop Auditorium Parapet Wall Repair**

This project repaired damage caused by excessive ice and snow buildup on the upper east roof of Northrop Auditorium.

Location: Twin Cities - East Bank

Estimated Project Cost: \$10,100,000

Substantial Completion: January 2024



### **AB Anderson Hall (Phase 2)**

The existing facility was renovated to include a revised mechanical system, new life safety systems (including fire protection), and architectural finishes.

Location: Duluth

Estimated Project Cost: \$6,500,000

Substantial Completion: August 2024



### **Microbial Cell Production Facility**

The Microbial Cell Production Facility expands the Biotechnical Resource Center (BRC) for the College of Biological Sciences and provides shelled tenant space for future programs that complement the BRC program on the second floor.

Location: Twin Cities - Saint Paul

Estimated Project Cost: \$92,300,000

Substantial Completion: May 2024



### **Dwan Variety Club Cardiovascular Research Center/Masonic Cancer Research Building Level 2 Wet Bench Lab Renovation**

The renovation co-locates research laboratories for the faculty of Pulmonary, Allergy, Critical Care, and Sleep Division of Cardiology (Resuscitation Medicine) and Division of Transplantation in the Department of Surgery.

Location: Twin Cities - East Bank

Estimated Project Cost: \$9,100,000

Substantial Completion: November 2023





**Dwan Variety Club Cardiovascular Research  
Center/Masonic Cancer Research Building Third Floor  
Lab Renovation**

The renovation supports research that is developing new perspectives on how metabolism adapts to obesity, diabetes, non-alcoholic fatty liver (NAFLD/NASH), and cardiomyopathy; how these adaptations prove harmful, and how innovative and personalized nutritional and pharmacological therapies may mitigate these adverse responses.



Location: Twin Cities - East Bank

Estimated Project Cost: \$12,125,000

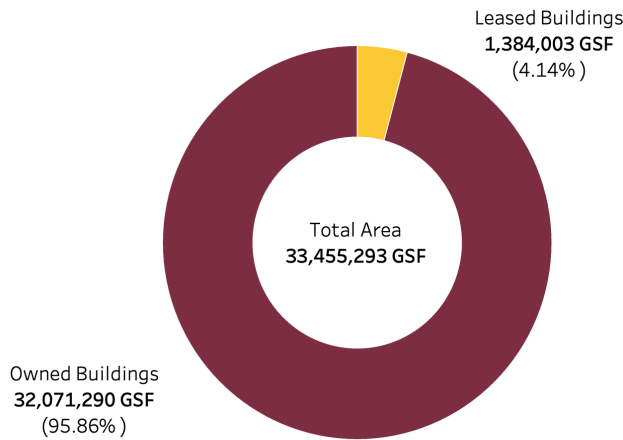
Substantial Completion: February 2024

**SPACE PORTFOLIO**

The University’s portfolio of space totals 33.4 million gross square feet throughout the state of Minnesota. The cost to operate, maintain, and improve space is commonly recognized as the largest non-personnel expense to the University.

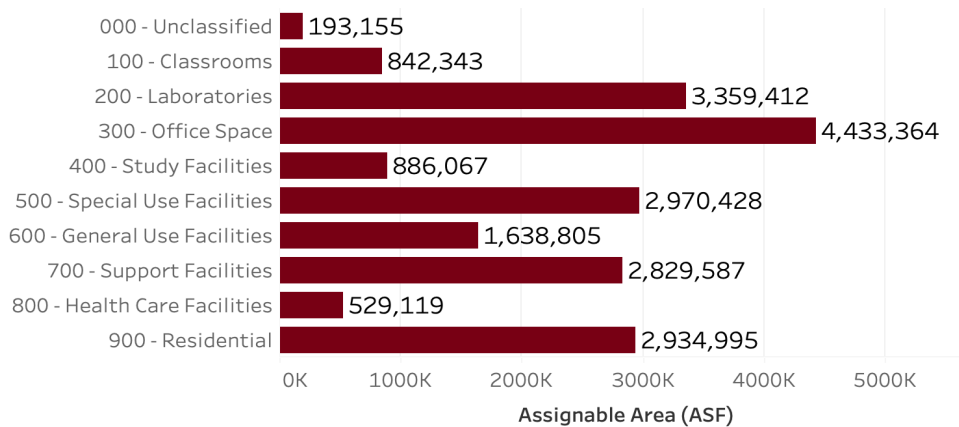
The University owns the majority of its facilities across the system. The Rochester campus is unique in this regard, with all facilities currently being leased. Systemwide, leased buildings represent only 4% of the space portfolio.

*Gross Area by Building Tenure, 2024*



While Gross Area represents the total extent of the University's built environment, Assignable Area captures only the space that is usable for University programs (excluding walls, mechanical spaces, circulation, and building service). At the end of FY 2024, the total assignable space measures 20.6 million ASF or roughly 62% of the total gross area. The University categorizes assignable space following rubrics defined by the National Center for Education Statistics, as shown in the table below.

*Assignable Area by Space Classification,*



Coupled with facility condition data (see next section), the classification data are a key component to managing the quality and quantity of space. Among these categories, office space is the largest use by quantity but the most underutilized by activity. Conversely, classroom space represents just 4% of the portfolio, and yet it is the most intensely utilized space we have. This is largely due to the intentional and structured management of this space use. A similar approach is possible in other categories but requires a larger cultural shift.

The COVID-19 pandemic changed how people think about work: where they work, how they work, and what they need to get their work done. While many faculty and other instructors already worked in a type of hybrid model, it was not as common for staff. 2020's pivot to remote work accelerated the conversation about how to think differently about workspace at the institutional level. Historically, work rules and environments required employees to come to campus five days a week for forty or more hours. That historic paradigm has changed dramatically for many staff post COVID.

Human Resources and University Services are leading a systemwide effort to advance the University's Hybrid Workplace Strategy and strategic space initiative. The staff team has developed a strategic planning framework to enhance employee workplace productivity and satisfaction through developing a comprehensive set of work rules and practices, IT support, and creative new space designs. The anticipated outcomes of their work are improved recruitment/retention and employee engagement, work productivity, optimized utilization of existing space, and possibly a reduction in the overall space footprint of facilities across the University system. Initial demonstration projects, known as campus hubs, are in the conceptual phase and will be brought to the Board for approval through the capital budget process.

Changes in this area will take time. Historically, cultural changes were viewed as the largest hurdle in this arena. In a post-pandemic work environment, that hurdle is now a financial one, as refitting large amounts of space will take millions of dollars upfront to reduce space and the associated carrying cost over the longer term.

The past 12 months have resulted in a real increase of over 100,000 SF across the system. This includes the addition of leased space for the Student Life Center in Rochester and the completion of the Microbial Cell Production Facility in St. Paul. A portion of growth in St. Paul was offset by the partial demolition of the Sheep Research building. Decreased space on the Twin Cities Campus in Minneapolis is largely attributed to corrections in the data to align with the University's leased premises in McNamara.

*Gross Area by Campus, 2023 - 2024*

<b>Campus</b>	<b>2023</b>	<b>2024</b>	<b>Net Change</b>
Crookston Campus	729,384	735,720	6,336 ↑
Duluth Campus	3,418,465	3,415,596	-2,869 ↓
Morris Campus	1,001,394	1,001,394	0 ■
Rochester Campus	241,638	368,423	126,785 ↑
Twin Cities Campus - Minneapolis	21,684,672	21,575,606	-109,066 ↓
Twin Cities Campus - St. Paul	4,271,108	4,341,291	70,183 ↑
Twin Cities Campus - Remote Locations	2,016,881	2,017,262	381 ↑
<b>Systemwide</b>	<b>33,363,542</b>	<b>33,455,293</b>	<b>91,751 ↑</b>

At the college or RRC level, as at the campus level, major changes over the past year reflect new leased space and new construction. UMR as an organizational unit accounts for an additional 90,000 SF leased space in Rochester. The College of Biological Sciences has moved into almost 26,000 SF on the second floor of the Microbial Cell Production Facility. Other changes to RRCs show progress in returning previously vacant space to active use. This includes reassigning almost 20,000 SF in Patee Hall for the CLA American Indian Studies program. Reductions in space for Auxiliary Services resulted from the reassignment of building support space to FM in Residence Halls and changes to Chartwells space assignments. The partial demolition of Sheep Research removed almost 20,000 SF from the CFANS portfolio.

*Assignable Area by RRC, Largest Increases and Decreases 2023 - 2024*

<b>RRC</b>	<b>2023</b>	<b>2024</b>	<b>Net Change</b>
UM Rochester	207,427	293,132	85,705 ↑
College of Biological Sciences	401,375	422,844	21,469 ↑
Academic Clinical Affairs	262,216	252,817	-9,399 ↓
College of Food, Agricultural, and Natural Resources Sciences	1,867,681	1,848,360	-19,321 ↓
Auxiliary Services	3,417,752	3,385,887	-31,865 ↓

## **FACILITY CONDITION ASSESSMENT**

Facilities Condition Assessment (FCA) is the central repository of building and utility infrastructure conditions and needs that are systematically codified, prioritized, and cost estimated. FCA information produces a high-level description of overall campus needs, supports prioritization and budgeting of annual renewal programs, and provides an order of magnitude scoping for capital projects.

FCA meets the requirements of Minnesota Statute 135A.046 “Asset Preservation and Replacement.” The statute compels the University to establish priorities for Higher Education Asset Preservation and Replacement (HEAPR) funding. HEAPR funds are used throughout the University of Minnesota system and are allocated to campuses and research stations based on facility needs and overall space. The FCA also supports statute 16A.633, subd. 3, which states, “The Board of Regents of the University of Minnesota is requested to establish and maintain data on the location, description, and condition of university-owned facilities that is comparable with the database established by the Department of Administration. The university is requested to update the data annually and maintain both current inventory data and historical data. The Board of Regents is not eligible to receive capital funding unless the board has established and maintains the data required.”

FCA data informs the six-year planning process to align facility needs with academic priorities. The plan strongly emphasizes fixing or replacing some of the University’s worst buildings. High-priority projects reinforce the commitments made in MPact 2025, our systemwide strategic plan, by complementing institutional values and optimizing how resources are used across the campus system. HEAPR funding remains at the core of this strategy.

The FCA process identifies deferred, non-recurring, and projected renewal needs - collectively referred to as “Projected Ten-Year Needs” - to determine a facility condition needs index (FCNI). The FCNI (the projected ten-year needs divided by the estimated replacement value) determines where a building is rated on a scale of 0.0 (excellent) to 1.0+ (critical). The table below summarizes the overall condition for each campus as well as the Research and Outreach Centers (ROCs); Rochester campus is not included as those spaces are predominantly leased.

*FY24 Enterprise Facility Condition*

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	25,183,826	\$13,066,424,466	\$4,995,271,164	0.38	7,605,765
Duluth	3,388,417	\$1,449,171,780	\$532,028,099	0.37	588,330
Morris	1,000,464	\$524,089,731	\$218,499,881	0.42	481,564
Crookston	726,565	\$425,823,548	\$117,845,574	0.28	106,981
ROCs	1,718,286	\$382,516,509	\$132,013,217	0.35	130,992
<b>TOTALS</b>	<b>32,017,558</b>	<b>\$15,848,026,034</b>	<b>\$5,995,657,935</b>	<b>0.38</b>	<b>8,913,632</b>

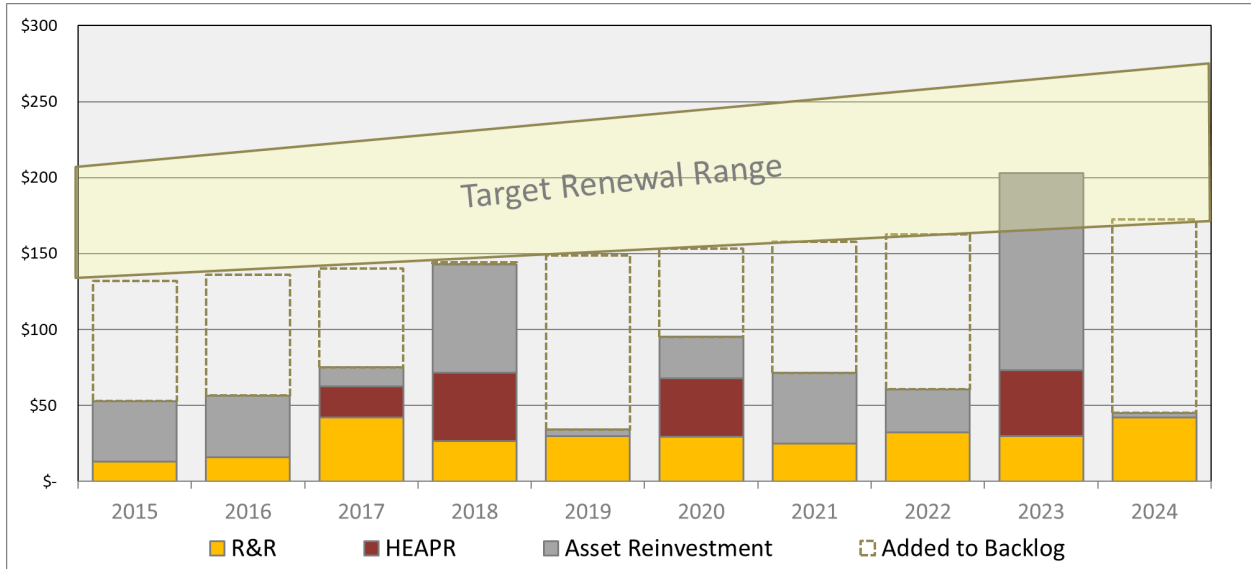
<sup>1</sup> Total Gross Square Feet from UM Analytics. Excludes Rochester Campus and parking ramp decks.

<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 approximately 1% from previous reporting year.

In 2022, University leadership funded a systemwide update to the FCA as a part of the broader coordinated planning process, which includes campus plans, climate action plans, facility condition assessments, and utility assessments. Updated assessments will incorporate new buildings that have been constructed in the last 5-10 years, update and re-prioritize information about renewal needs in previously assessed buildings, and assess major utility infrastructure assets for the first time to round out the comprehensive picture of the University's physical asset condition and needs. This effort is expected to be complete by 2026. To date, assessments at Duluth, Crookston and Morris campuses have been completed, and teams are now focusing on the Twin Cities campus.

FCA inspections, studies, and models tell us how much and where we should be investing to be good stewards of our public assets. The chart that follows compares what the University, in partnership with the State, has been able to invest each year against what the FCA data says we should be investing. The bottom of the yellow range shows the minimum annual investment needed just to sustain the status quo. The top of the yellow range shows the amount needed to address all of the building issues that have added to the deferred renewal backlog. The University asks for at least \$200 million per year, because that is our need. Notably, reinvestment in calendar 2023 (FY 2024) marks only the second time in a decade where reinvestment has reached target levels. In stark contrast, the legislature failed to pass a bonding bill in 2024 for the 5th time in a decade. We estimate that a net balance of more than \$750 million has been added to our backlog of needs over the time period charted.



Facility renewal, replacement, and decommissioning will need to remain the University’s primary focus for its capital program if progress is to be made on addressing the deferred renewal challenge. However, renewal and decommissioning will need to be balanced with targeted investments in new and replacement facilities if the University is to meet other strategic and programmatic goals. Strategic right-sizing and space consolidation will help reduce overall square footage and operating expenses, while recognizing the need for limited growth in mission focused areas. Less space and emissions are also critical to meet greenhouse gas reduction goals.

**Board of Regents  
Finance & Operations Committee  
Information Item  
October 10, 2024**

***Use of Long-Term Capital Financing Program Proceeds***

The purpose of this item is to report on the use of Long-Term Capital Financing (LTCFP) proceeds for financing a capital project.

Request for Additional Authorization

The administration is requesting Board authorization to use LTCFP proceeds to complete the financing for the following project:

<b>University of Minnesota Rochester Dining Hall Improvements</b>	<b>\$4,000,000</b>
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Background: Long-Term Capital Financing

The LTCFP was created to finance University of Minnesota capital projects. The LTCFP was initially funded with the proceeds of the sale of \$500 million General Obligation Taxable Bonds, Series 2022, issued on April 19, 2022. Pursuant to Article III, Section 1, Subd. 1 of Board of Regents Policy: *Debt Transactions and Long-Term Capital Financing Program*, “The Board reserves unto itself authority to approve the use of proceeds to finance or refinance capital projects that require Board approval as defined by Board of Regents Policy: *Reservation and Delegation of Authority*”.

Board of Regents Policy: *Reservation and Delegation of Policy* was amended in March 2024, increasing the threshold for capital projects requiring Board of Regents approval to \$5,000,000. As a result of this change, Board approval is not required for the allocation of LTCFP proceeds to the University of Minnesota Rochester Dining Hall project due to the amount being less than \$5,000,000. However, since this allocation will be the first under the new threshold, it is being presented for information and awareness. Future allocations not requiring Board of Regents approval will be reported to the Board in the annual Debt Management and Capital Financing report.

Updated Summary of LTCFP Proceeds Authorized

As of June 30, 2024, the Board of Regents had authorized the use of \$209,832,000 of LTCFP proceeds for the projects presented in the table below.

**Long-Term Capital Financing Program  
Authorized Projects and Funds  
As of June 30, 2024**

<b>Projects</b>	<b>Authorized Amount</b>
Main Energy Plant Chilled Water	\$ 28,500,000
Masonic Institute for the Developing Brain	27,300,000
Lind Hall Renovation	27,250,000
Microbial Cell Production Facility	86,482,000



Offsite Library Collection Facility	3,700,000
Institute for Child Development	1,000,000
Mariucci/Ridder Arena Ice Refrigerant Replacement	14,000,000
Murphy Hall Media Lab	2,800,000
Future of Advance Agriculture Research in MN (FAARM) – Property Purchases	16,600,000
YMCA Parking Lot – Property Purchase	2,200,000
<b>Total as of June 30, 2024</b>	<b>\$209,832,000</b>

Summary of LTCFP Proceeds Authorized and Remaining with October 10, 2024 Request

The following table provides an updated summary of the LTCFP proceeds previously authorized and the amount of proceeds remaining after allocation of proceeds to the University of Minnesota Rochester project.

LTCFP proceeds authorized for use as of 6/30/2024	\$ 209,832,000
Plus: New allocation, University of Minnesota Rochester Dining Hall Improvements	4,000,000
Updated LTCFP proceeds allocation to University of Minnesota Rochester project	\$ 213,832,000
<b>LTCFP proceeds remaining to be authorized</b>	<b>\$ 283,984,428</b>