

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Facilities Committee

November 11, 2004

A meeting of the Facilities Committee of the Board of Regents was held on Thursday, November 11, 2004, at 8:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Dallas Bohnsack, presiding; Clyde Allen, Frank Berman, John Frobenius, David Metzen, and Lakeesha Ransom.

Staff present: Chancellor Samuel Schuman; Senior Vice Presidents Frank Cerra and Robert Jones; Vice Presidents Kathleen O'Brien and Richard Pfitzenreuter; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Associate Vice Presidents Michael Perkins and Steven Spehn.

Student Representatives present: Richard Laager and Andrew Sorsoleil.

BOARD OF REGENTS POLICY: *EMINENT DOMAIN*

General Counsel Rotenberg presented proposed amendments to Board of Regents Policy: *Eminent Domain*. Rotenberg explained that the amendments eliminate several procedures from the policy, as they are administrative in nature. The new language clarifies that the role of the Board of Regents is to establish the public purpose and necessity for acquiring the land the University wishes to obtain. Settlements and appeals regarding payment will be handled consistent with Board of Regents Policy: *Legal Claims and Settlements*.

Rotenberg briefly explained the process undertaken by the Office of the General Counsel when determination has been made to exercise the power of eminent domain. He clarified the point at which the Board of Regents becomes involved in the condemnation proceedings and when the institution may cancel its action during the process.

A motion was made and seconded to recommend adoption of amendments to Board of Regents Policy: *Eminent Domain*.

REAL ESTATE TRANSACTION

Purchase of Block 12, Baker's Addition to St. Anthony, Hennepin County, Twin Cities Campus

Vice President Pfitzenreuter and Director of Real Estate Susan Carlson Weinberg presented the proposed Real Estate Transaction to Purchase Block 12, Baker's Addition to St. Anthony, Hennepin County, Twin Cities campus, as detailed in the docket materials. The land is adjacent to existing University facilities and provides an opportunity for future expansion of the campus, though no short- or long-term use has been identified. Pfitzenreuter noted that it is unusual for a piece of property of this

size and location to become available, and acquisition of the land is consistent with Board of Regents guidelines regarding campus boundaries. Weinberg summarized the location and description of the property and the business terms of the transaction.

A motion was made and seconded to recommend approval of the Purchase of Block 12, Baker's Addition to St. Anthony, Hennepin County, Twin Cities campus.

CAPITAL BUDGET AMENDMENT

Purchase of Block 12, Baker's Addition to St. Anthony, Hennepin County, Twin Cities Campus

Vice Presidents O'Brien and Pfitzenreuter presented the proposal to amend the FY2005 capital budget for \$3,536,000 to incorporate funding for the purchase of Block 12, Baker's Addition to St. Anthony, Hennepin County, Twin Cities campus.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Capital Budget Amendment to Purchase Block 12, Baker's Addition to St. Anthony, Hennepin County, Twin Cities campus.

ISSUES RELATED TO: RE-SUBMITTAL OF 2004 CAPITAL REQUEST

Vice President O'Brien noted that the re-submittal of the 2004 capital request is scheduled for Board consideration. She provided background on the request. Because the 2004 legislative session concluded without the adoption of a bonding bill, the administration recommends re-submitting the 2004 capital request to the State of Minnesota legislature and Governor for consideration during the 2005 legislative session. The \$187.8 million capital request is built on a combination of \$155.2 million in state appropriations and \$32.6 million in resources committed by the University. The capital request places an increased emphasis on the renewal of existing facilities and infrastructure, strengthening existing priorities, improving the institution's public mission and engagement, and protecting the life and safety of faculty, staff and students. O'Brien summarized the principles and goals of the request as included in the docket and associated materials distributed at the meeting.

O'Brien described the impact the lack of funding has had on the institution's facilities and academic programs: the cost of building materials has increased, particularly in the metropolitan area; project costs have increased approximately \$7.2 million due to inflation; buildings and critical infrastructure have deteriorated further as necessary improvements remain undone; and a number of academic opportunities have been lost or are stagnant. She reviewed major building renewal and new construction projects included in the request and how the Higher Education Asset Preservation and Replacement funds would be utilized for extending the life of the institution's existing facilities.

FACILITIES CONDITION ASSESSMENT: INFRASTRUCTURE RENEWAL CYCLE

Vice President O'Brien introduced Associate Vice President Spehn and University Services Finance Officer Michael Berthelsen to present the Facilities Condition Assessment, a comprehensive evaluation of the University's campus facilities and infrastructure portfolio. The purpose of the assessment was to:

- provide a visual inspection of facilities to gather financial and risk assessment information for priority setting;
- identify facilities needs over a ten-year window;

- demonstrate capital needs in relation to replacement value; and
- provide an index for the institution's progress and benchmarking with other institutions.

Spehn noted how the facilities condition assessment can be used as a capital planning and financial investment tool for strategic decision making. He reported on the progress of inspections on the coordinate campuses and summarized how data collected on the Twin Cities facilities has assisted staff with anticipating future facilities needs. Spehn and Berthelsen also presented how data on facility replacement values can determine the right level of investment needed to maintain facilities and infrastructure, and reviewed strategies to address maximizing financial resources.

Committee members commended staff on the usefulness of the presentation for identifying capital priorities and developing future six-year capital plans.

BOARD OF REGENTS APPROVAL PROCESS FOR CAPITAL PROJECTS

Vice President O'Brien and Associate Vice President Perkins led the discussion of a revised approval process for capital projects as described in the docket materials. The approval process is intended to demonstrate that major capital projects are aligned and consistent with Board of Regents policies; are consistent with academic plans and meet the needs of the institution; are completed on schedule and within budget; and demonstrate a commitment by the institution to the principles of accountability and stewardship. O'Brien noted that the proposed changes have been incorporated into policy language in Board of Regents Policy: *Reservation and Delegation of Authority* and Board of Regents Policy: *Board Operations and Agenda Guidelines*, which will be acted on at a future meeting of the Board.

Perkins summarized the elements of the proposed changes, noting that changes will allow the administration to present more developed and accurate scope, quality, cost, and schedule information to the Board to enhance its oversight of capital projects.

CONSENT REPORT

Vice President O'Brien presented the Consent Report, as detailed in the docket materials and including:

- A Nine-Year Lease to TCF National Bank for a Bank Services Center in Kirby Plaza, Duluth campus.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

Vice President O'Brien distributed an outline of facilities-related presentations for the November and December meetings of the Board of Regents. She also introduced Leslie Krueger, University Services Chief of Staff.

The meeting adjourned at 10:02 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary