



# Board of Regents

October 2015

October 9, 2015

8:30 a.m. - 12:00 p.m

Boardroom, McNamara Alumni Center

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Year 2015-16

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Audit & Compliance Committee  
September 10, 2015**

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, September 10, 2015, at 8:00 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Laura Brod, presiding; Richard Beeson, Michael Hsu, Peggy Lucas, Abdul Omari, and Patricia Simmons.

Staff present: Chancellor Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Brian Herman, Brooks Jackson, and Richard Pfitzenreuter; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, and Michael Volna.

Student Representatives present: Max Hall and Laura Smith.

**DISCUSSION ON COMMITTEE NAME CHANGE**

Regent Brod discussed the genesis of the name change from the 'Audit Committee' to the 'Audit & Compliance Committee' and the outcomes expected from the change, as detailed in the docket.

Brod shared that the name change was the result of conversations over the past several months to advance the Board's oversight of compliance. She noted increased emphasis was placed on compliance in development of the committee's draft work plan for the coming year.

Regent Simmons commented that she supported the theme in the work plan and emphasized that University leadership must set the expectation that responsibility for monitoring occurs at all levels of the institution.

**UPDATE ON IMPLEMENTATION OF THE  
HUMAN RESEARCH PROTECTION PROGRAM WORK PLAN**

Regent Brod invited Vice President Herman to update the Board on progress made since June 2015 related to Human Research Protection Program work plan implementation, as detailed in the docket.

Herman shared that since implementation began in July, the University has updated two Institutional Review Board (IRB) policies. The policies now prohibit the recruitment of people temporarily confined under an involuntary medical hold, commonly known as the 72-hour hold, into a psychiatric drug, device, or biologic trial. The Fairview University Research Oversight Committee has been charged and membership formed. Human Research Protection Program staff have begun visiting other institutions to learn best practices. Herman noted that new software, IRB Renew, has also been procured.

Herman updated the committee on the studies under review by Quorum IRB. He reported that 10 studies have been reviewed and of those, nine reopened enrollment. One study was not approved. Two new studies had also been submitted. Of those, one has been approved and the other is still under review.

In response to a question from Regent Brod, Herman indicated that the implementation schedule used three-, six-, 12- and 18-month timeframes. The work is on schedule, with most three-month goals implemented or close to implementation.

Regent Simmons stated support for the policy change eliminating recruitment during the 72-hour hold period, but acknowledged that the change reduces the University's opportunity to help those patients.

In response to a question from Regent Omari, Herman indicated that the legislature has not provided any direct feedback on the monthly reports.

### **EXTERNAL ASSESSMENT OF UMN DATA SECURITY PROGRAM AND MATURITY**

Regent Brod invited Interim Vice President Gulachek and Brian Dahlin, Chief Information Security Officer, to lead a discussion around strategic goals of the University's data security program and the trade-offs inherent in further growing program-level maturity, as detailed in the docket.

Gulachek briefly reviewed the University's Information Security Framework Model, noting significant progress over the past four years to plug security gaps. He shared that BerryDunn, an independent audit and consulting firm, was retained to assess the University using the Higher Education Information Security Council (HEISC) model. He invited Clinton Davies, principal with BerryDunn LLC, to review the results of the assessment.

Davies reported that the assessment placed the University at a 2.4 on the five-point HEISC maturity scale, ahead of the higher education range of 1.6 to 2.1. A 2.0 rating on the scale indicates that base requirements for the control area are planned, implemented, and repeatable. A 3.0 rating indicates that processes are more mature and are documented, approved and implemented organization-wide. Davies recommended that the University increase consistent deployment of policies and standards, and work to grow participation and compliance organization-wide.

Dahlin explained that BerryDunn provided detailed recommendations within each of the 12 areas covered in the HEISC evaluation. He shared example projects that would address the recommendations within several areas, and identified the projected financial costs and cultural impact associated with each. He noted that these were just a few of hundreds of potential projects that are under evaluation.

In response to a question from Regent Hsu, Dahlin noted 22 breaches affecting 4,500 records in FY 2015. He indicated that most were related to health care or Social Security information and that none involved credit card information.

In response to a question from Regent Beeson, Davies indicated that health care records are becoming more valuable to hackers.

In response to a question from Regent Simmons, Dahlin stated that units across the institution are evaluated on their compliance with the 25 published data security standards. While it is unlikely that any unit would meet all 25 standards, they provide a benchmark and a way to evaluate security gaps.

Regent Brod expressed interest in continuing the conversation at a future meeting to discuss and provide input on the monetary, cultural, and opportunity costs to move the University to a higher level on the HEISC maturity scale.

### **INTERNAL AUDIT UPDATE**

Associate Vice President Klatt presented the Internal Audit Update, as detailed in the docket.

Klatt reported that since the last update in June 2015, University departments implemented 16 percent of outstanding recommendations rated as “essential,” below the expected implementation rate of 40 percent. Klatt attributed the low rate to several audits being at the first follow-up stage, and that many of the findings were related to compliance with the new data security standards, which take longer to address. Four units fully implemented all their remaining “essential” recommendations.

Klatt noted that the Office of Internal Audit was engaged in several activities outside the audit plan for the year and consequently issued only one audit report during the previous period. That report contained one recommendation rated as “essential.”

In response to questions and comments from Regents, Klatt clarified that the past two reports have had very low implementation rates but noted that this was unusual. Regents emphasized that obstacles to compliance must be addressed.

In response to a question from Regent Beeson, Klatt indicated that about half the audits planned for the coming year were process audits, mostly around financial systems affected by the upgrade.

### **2015-16 COMMITTEE WORK PLAN**

Regent Brod and Associate Vice President Klatt reviewed the 2015-16 work plan for the Audit & Compliance Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

### **CONSENT REPORT**

Regent Brod presented the Consent Report, as detailed in the docket:

Emergency Approval:

- To retain external legal counsel on behalf of the Board and establish an oversight committee.

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

### **INFORMATION ITEMS**

Associate Vice President Klatt presented the information item, as detailed in the docket.

Klatt referred Regents to the biography of Katie Knutson, the University’s new audit partner with Deloitte.

The meeting adjourned at 9:29 a.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive style with a large initial 'B' and 'S'.

**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Litigation Review Committee  
September 10, 2015**

A meeting of the Litigation Review Committee of the Board of Regents was held on Thursday, September 10, 2015 at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Thomas Devine, presiding; Thomas Anderson, Linda Cohen, Dean Johnson, David McMillan, and Darrin Rosha.

Staff present: President Eric Kaler, General Counsel William Donohue, and Executive Director Brian Steeves.

Others present: Brent Benrud, Greg Brown, Amy Phenix, Brian Slovut, and Tracy Smith.

Student Representatives present: Samantha Jensen.

The meeting convened in public session at 8:00 a.m.

**ANNUAL REPORT ON LEGAL MATTERS**

General Counsel Donohue presented highlights from the Annual Report on Legal Matters.

In response to a question from Regent McMillan, Donohue explained that the Office of the General Counsel (OGC) serves all University campuses, specifying that system campuses do not have designated counsel. Donohue added that the OGC is the hiring authority for retention of external legal services.

Regent Rosha asked if there is enough volume on any system campus to warrant designated counsel, citing the Duluth campus as an example. Donohue stated that there is significant interaction between system campus staff and the OGC, adding that he feels the current system works well and provides a high level of service. Rosha replied that he would like to evaluate the current structure to ensure that system campuses are receiving an appropriate level of support.

Rosha asked if there is tension for the OGC around matters of compliance and its ability to provide objective advice to the Board. Donohue stated that the current system seems to work well and that there has been no tension. He emphasized that while the OGC provides legal counsel across the University, its ultimate client is the Board.

In response to several questions from Regent Johnson, Donohue stated that the OGC would provide legal representation to a faculty member in the course of his or her official University duties but not if the faculty member was operating in a consultant role. He commented that all lawsuits must be given the same level of attention even if they seem to be frivolous, noting that only a judge can determine the frivolity of a case. Donohue clarified that once a plaintiff files in court, only a state or federal judge is able to dismiss a case.

Regent McMillan asked whether the OGC collaborates with faculty in the Law School. Donohue stated that it does occasionally collaborate, but not often.

Regent Rosha commented that he would be interested in better understanding the process of defending intellectual property. Donohue stated that there is a Board policy addressing patents and property rights, which clarifies the distribution of profits.

**RESOLUTION TO CONDUCT NON-PUBLIC MEETING  
OF THE LITIGATION REVIEW COMMITTEE**

At 8:40 a.m. a motion was made and seconded that the following resolution be approved:

WHEREAS, based on advice of the General Counsel, the Board of Regents Litigation Review Committee has balanced the purposes served by the Open Meeting Law and by the attorney-client privilege, and determined that there is a need for absolute confidentiality to discuss litigation strategy in particular matters involving the University of Minnesota;

NOW, THEREFORE, BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.01, Subd. 3 and 13D.05 Subd. 3(b), a non-public meeting of Litigation Review Committee be held on Thursday, September 10, 2015 at 8:40 a.m. in the East Committee Room, 600 McNamara Alumni Center, for the purpose of discussing attorney-client privileged matters including the following:

- I. *Minnesota Police and Peace Officers Association and Police Officers Federation of Minneapolis (MPPOA) v. National Football League, Minnesota Vikings Football, LLC, and Regents of the University of Minnesota*
- II. *Environmental contamination claims*
- III. *OCR Matter Re: Harassment claim*

The committee voted unanimously to approve the resolution. The public portion of the meeting concluded at 8:41 a.m. and the meeting was closed.

The meeting adjourned at 9:35 a.m.



**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Academic & Student Affairs Committee  
September 10, 2015**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, September 10, 2015 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Thomas Anderson, Dean Johnson, Peggy Lucas, Darrin Rosha, and Patricia Simmons.

Staff present: Chancellors Jacqueline Johnson and Stephen Lehmkuhle; Senior Vice President and Provost Karen Hanson; and Executive Director Brian Steeves.

Student Representatives present: Callie Livengood and Cory Schroeder.

**ANNUAL REPORT ON UNDERGRADUATE, GRADUATE &  
PROFESSIONAL ACADEMIC PROGRAM CHANGES**

Provost Hanson invited Joseph Schultz, Deputy Chief of Staff, Office of the Senior Vice President and Provost; Michael White, Associate Dean for Academic Programs and Faculty Affairs, College of Food, Agricultural, and Natural Resource Sciences (CFANS); and Stephen Parente, Associate Dean, Carlson School of Management (CSOM), to provide a summary of 2014-15 academic program changes and share examples of the process by which faculty and units develop proposals for new academic programs, as detailed in the docket.

Shultz briefly outlined the review process academic program changes undergo prior to recommendation to the Board. He emphasized that the process is highly consultative and engages participants at all levels. Shultz reported that over the last year, eight baccalaureate degrees, 10 undergraduate-level minors, and 11 graduate-level degrees were added. Four undergraduate degrees, three undergraduate minors, four graduate degrees and two graduate minors were discontinued.

White shared results of a five-year process within CFANS to evaluate current programs, test pilot projects, and launch new majors to respond to changing demographics in the college and prepare students for 21<sup>st</sup> century workforce needs. As a result of the work, CFANS restructured four majors into two new interdisciplinary majors and one department-based major. The college also increased the number of elective credits within each major and required experiential and interdisciplinary learning for all graduates. He shared positive enrollment trends for the two new interdisciplinary majors since their introduction in 2013.

Parente reported that traditional MBA markets are flat to declining nationally and locally. Prior to FY 2015 CSOM had not developed a new program in several years, resulting in a mature portfolio of offerings. To strategically grow in a mature market, CSOM added three new professional masters programs, increased its dual degree offerings, and is seeking approval for an Industry MBA program. Parente shared that the Industry MBA is an innovative one-year MBA program, with 90% of course instruction on-line, with a focus on complex, highly regulated industries.

In response to a question from Regent Simmons, Parente explained that joint degree programs must utilize existing courses and the time to completion must be 50 percent less than

pursuing each degree individually. White emphasized that the potential for reducing the integrity of both disciplines must be weighed carefully when considering joint degree programs.

In response to a question from Regent Rosha, White explained that students are active in developing new curriculum through input from student boards and elected student groups, and listening sessions held two times per year.

In response to questions and comments by Regents, Parente shared some history and statistics regarding CSOM's national ranking. He stated that it would be unlikely for CSOM to achieve a top-10 ranking but that the school could potentially advance into the top 20. Parente explained that the new M.S. degree in Finance will increase the candidate pool in that field, which could entice recruiters from the East Coast to visit the campus. The Industry MBA program would also provide an opportunity to renew relationships with companies in several industries. Parente noted the relevance of those examples given that salary and placement are key drivers of the rankings.

Student Representative Livengood commented on the importance of elective credits, particularly in the physical sciences where there are very few, to offer students the flexibility to pursue or change a minor midway through their undergraduate tenure.

#### **PREPARATIONS FOR TWIN CITIES AND ROCHESTER ACCREDITATION & ASSESSMENT OF STUDENT LEARNING EFFORTS**

Provost Hanson introduced Joseph Schultz, Deputy Chief of Staff, Office of the Senior Vice President and Provost and Robert McMaster, Vice Provost and Dean of Undergraduate Education, to provide an overview of the accreditation process and preparation for the accreditation visit in October, as detailed in the docket.

Schultz explained that accreditation is a quality assurance exercise. It is voluntary and self-regulated, though with some government oversight; institutional accreditation such as the University's is additionally tied to federal financial aid eligibility. Schultz outlined the components of the accreditation process: self-study, peer review and site visit, action by accrediting organization, and monitoring and oversight. Preparations for the October accreditation visit have been underway for more than three years.

McMaster presented three tools used to assess student learning: an annual progress report developed by each college; pre- and post-assessment of students participating in the Writing-Enriched Curriculum; and a student survey titled "Student Experience in the Research University." The results are collected centrally but are also shared and discussed within colleges. Colleges and individual programs are working to utilize the assessment results to make program changes and improvements.

Hanson invited Jane Glazebrook, Associate Dean for Faculty and Academic Affairs, College of Biological Sciences (CBS), and Gary Oehlert, Associate Dean of Undergraduate Education, College of Liberal Arts (CLA), to provide examples of how student learning is assessed within each college.

Glazebrook explained that since all majors are closely related, assessments in the biological sciences are conducted on a college-wide basis. She shared an example of how the University's Student Learning Outcomes (SLOs) are mapped onto CBS-specific SLOs, providing greater specificity. CBS utilizes student surveys and objective evaluation of student performance as its assessments.

Oehlert shared that CLA assesses all freshmen students enrolled in CLA 1001-2, the First Year Experience course, and again as students complete fourth-semester language courses. He

explained that given the wide variety of majors within the college, three classes within each major are selected for assessment, with three SLOs evaluated in each.

In response to a question from Regent Simmons, McMaster explained that most institutions would pass an accreditation visit easily, but the exercise and results are beneficial for the University. For example, an area of focus for the University that developed out of the 2005 accreditation results was graduation and retention rates.

### **2015-16 COMMITTEE WORK PLAN**

Regent Cohen and Provost Hanson reviewed the 2015-16 work plan for the Academic & Student Affairs Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

### **CONSENT REPORT**

A motion was made and seconded, and the committee unanimously recommended approval of the following, as described in the Consent Report:

- **Request for Approval of New Academic Programs**
  - Humphrey School of Public Affairs and College of Liberal Arts (Twin Cities campus)—Create Master of Human Rights (M.H.R.) degree
  - College of Liberal Arts (Twin Cities campus)—Create B.A. degree in Statistical Practice and B.S. degree in Statistical Science
  - College of Liberal Arts (Twin Cities campus)—Create undergraduate minor in Health Psychology and provide for online delivery
  - Swenson College of Science and Engineering (Duluth campus)—Create undergraduate minor in Materials Science and Engineering
- **Request for Changes to Academic Programs**
  - Carlson School of Management (Twin Cities campus)—Create subplan for dual M.S./M.B.A. degree program in Business Analytics
  - Carlson School of Management (Twin Cities campus)—Create subplan for the Industry M.B.A. degree
  - School of Public Health (Twin Cities campus)—Create subplan for dual M.P.H./J.D. degree partnership with William Mitchell College of Law
  - School of Dentistry (Twin Cities campus)—Change the name of the TMJ and Orofacial Pain certificate to Orofacial Pain
- **Request for Approval of Discontinued Academic Programs**
  - College of Science and Engineering (Twin Cities campus)—Discontinue the graduate minor in Nanoparticle Science and Engineering

The meeting adjourned at 11:44 a.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive, flowing style.

**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Finance Committee  
September 10, 2015**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, September 10, 2015 at 9:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Richard Beeson, presiding; Laura Brod, Thomas Devine, Michael Hsu, David McMillan, and Abdul Omari.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, and Fred Wood; Vice Presidents Kathryn Brown, Richard Pfutzenreuter, and Pamela Wheelock; Interim Vice President Bernard Gulachek; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason and Michael Volna.

Student Representatives present: Max Hall and Nikki Ripp.

**UNIVERSITY TAX COMPLIANCE ACTIVITIES & PROGRAMS**

Regent Beeson introduced Kelly Farmer, University Tax Management Director, to present an update on University tax compliance activities and programs, as detailed in the docket.

Farmer explained the role of the University Tax Management Office (TMO). He defined specific tax subject areas, delineating those areas where TMO has specific tasks and where it partners with other areas of the University.

In response to questions from Regent Devine, Farmer explained that TMO advises the more than 800 student organizations, but does not have direct responsibility for them since they are independent non-profit organizations. Farmer additionally noted that TMO has been working with the Office of Human Resources (OHR) on the tax implications of the Affordable Care Act. He offered that he is comfortable with the University's tax position based on the law and work with OHR.

In response to a question from Regent Brod, Farmer responded that differences in federal and state law regarding undocumented students do not impact University tax issues since undocumented students have a filing obligation to report the income in the same way that documented students do.

Regent McMillan asked about the impact of private business use in University facilities. Farmer observed that this is an area of risk for the University. If not managed well, it could affect the University's bond rating and bond holders. Farmer added that another tax risk area is fringe payments to employees.

**ANNUAL ASSET MANGEMENT REPORT**

Regent Beeson invited Associate Vice President Mason to provide an overview of the Annual Asset Management Report, as detailed in the docket.

Mason reported that the invested assets of the University totaled approximately \$2.4 billion on June 30, 2015. The Consolidated Endowment Fund (CEF) value as of June 30, 2015, was

\$1,293.6 million, an increase of \$21.1 million over last year after distributions of \$48.6 million. The total investment return for CEF was up 5.7 percent over the last 12 months, compared to a benchmark return of 2.1 percent.

Mason explained that the investment return for CEF exceeded the benchmark through outperformance in all underlying asset classes except for Return Generating Fixed Income. The primary contributor to outperformance was the Private Capital portfolio, which was up 16.1 percent vs. its benchmark of 7.6 percent. This alone added 2.5 percent of outperformance vs. the CEF benchmark.

Mason also discussed the Temporary Investment Pool, Group Income Pool, and Regents of the University of Minnesota Insurance Company (RUMINCO) fund performance.

In response to a question from Regent Hsu, Mason explained that the Office of Investments and Banking (OIB) monitors the 85 managers and 130 funds in CEF. OIB reviews each manager on a case-by-case basis, developing criteria for termination. Mason asserted that OIB performs extensive due diligence before investing and outlines clear expectations in a memorandum or contract with the managers. He noted that it takes time to assess and understand why managers may be underperforming, and indicated that public securities are easier to assess than private securities. Mason also emphasized that some funds are long term and difficult to leave, highlighting the need for full due diligence. Beeson added that the Investment Advisory Committee (IAC) maintains a watch list and is currently reducing an investment with a manager by half due to underperformance.

In response to questions from Regent Brod, Mason noted that the asset allocation targets in Board policy are changed slowly and infrequently, and typically only after a strategic analysis. The last strategic analysis of policy targets was performed in 2008, and IAC has asked OIB to perform a new study. Mason indicated that IAC would review the study and make recommendations to the Board if changes to the targets are needed. He additionally noted that next year will be the best time to evaluate the impact on return given the change to Board of Regents Policy: *Endowment Fund* to invest in socially responsible funds. He added that the manager that was targeted this year has performed well so far.

### **FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED 2015 SIX-YEAR CAPITAL PLAN AND 2016 CAPITAL REQUEST**

Vice President Pfutzenreuter presented for review the financial components of the President's Recommended 2015 Six-Year Capital Plan (Plan) and 2016 capital request, as detailed in the docket.

Pfutzenreuter explained that the Plan includes major capital improvements planned for fiscal years 2016-2021. He noted that Year 1 of the Plan (2016) outlines the projects that the University will be submitting to the State of Minnesota for consideration during the 2016 legislative session. The 2016 state capital request totals \$303.3 million in project costs, with the State of Minnesota contributing \$235.6 million and the University responsible for \$67.8 million.

In response to a question from Regent Brod, Pfutzenreuter observed that other projects beyond the request to the State of Minnesota are unable to be incorporated into the Plan since there is no final list of additional projects with preliminary cost estimates. He added that additional projects would be added as they are defined, and noted that the debt capacity conversation in October would help show the University's capacity to add projects.

In response to a question from Regent Hsu, Pfutzenreuter stated that the current Plan focuses solely on those projects included in the state capital request. Additional University capital projects anticipated beyond the state request will be added to the debt capacity report in

October. Vice President Wheelock added that the Athletics Village project would be added once approved as a capital budget amendment.

### **RESOLUTION RELATED TO ISSUANCE OF DEBT**

Regent Beeson invited Vice President Pfutzenreuter and Carole Fleck, Director of Debt Management, to present for review and action a resolution related to issuance of debt for the new James Ford Bell Natural History Museum and Planetarium (Bell Museum) on the Twin Cities campus, as detailed in the docket.

Pfutzenreuter explained that a capital budget amendment reflecting the increase in the cost of the Bell Museum project is being presented for review and approval in the Facilities, Planning & Operations Committee, concurrent with review and approval of the schematic design of the project.

Fleck reminded the committee that the Board approved the Bell Museum project in June 2014 as part of the 2015 Annual Capital Budget. She explained that the original total project cost was \$57.5 million, with \$51.5 million funded with University debt and \$6 million of non-debt funding. For fiscal years 2016 to 2041, \$3.5 million was added to the base operations and maintenance (O&M) apportionment from the State of Minnesota to the University to cover debt service. Fleck stated that the estimated cost of the project has now increased by \$6.725 million to \$64.225 million due to changes in building design. She reported that the resolution would replace the previous debt and issue new debt that would result in additional proceeds to cover a portion of the increased cost of the project. The resolution authorizes the issuance of up to \$56.9 million of University debt. Fleck commented that the amount of debt required would depend on the mix of taxable and tax-exempt debt that is issued.

In response to questions from Regent Hsu, Pfutzenreuter explained that if the \$3.5 million from the State of Minnesota was not fully used for debt service, the remaining O&M appropriation could be used for operating expenses. President Kaler added that any additional funding would be put to the highest and best use. Adding items to the Bell Museum construction or using funds for operating expenses are both options that could be considered. Hsu expressed a desire to use any additional funds on additions to the project and not for operating costs. Beeson asked the administration to bring back a recommendation for use of any additional funds.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution to issuance of debt.

### **2015-16 COMMITTEE WORK PLAN**

Regent Beeson and Vice President Pfutzenreuter reviewed the 2015-16 work plan for the Finance Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

### **CONSENT REPORT**

Vice President Pfutzenreuter presented the Consent Report, as detailed in the docket:

General Contingency:

- There are no items requiring approval this period.

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

- To Dentsply/Astra-Zeneca, BioHorizons, Straumann, Zimmer for an estimated \$3,000,000 for dental implants and related supplies for the School of Dentistry for the period of October 1, 2015 through September 30, 2018. This purchase of dental implants has been budgeted by the School of Dentistry. Vendor was selected through a competitive process.
- To OptumHealth for the estimated amount of \$2,206,200 for nurse-line and treatment decision support for the Office of Human Resources Employee Benefits for the period of January 1, 2016 through December 31, 2016, with contract extensions through December 31, 2021. Vendor was selected as a provider for nurse-line and treatment decision support as a result of a request for proposal conducted May-June 2015. This contract will be funded out of the Fringe Benefits Recovery.
- To Siemens, Simplex, Life Safety Systems and Summit Companies for an estimated \$1,186,056 for providing Fire Alarm Systems Testing and Inspection Services as needed for the Facilities Management Department for the period of October 1, 2015 through September 30, 2018, with contract extensions through September 30, 2020. These vendors were selected through a competitive RFP process. Testing and inspection of fire alarm systems is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget.

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

#### **INFORMATION ITEMS**

Vice President Pfutzenreuter referred the committee to the Information Items contained in the docket:

- Quarterly Purchasing Report
- Issuance of Debt – Series 2015A and 2015B

The meeting adjourned at 11:36 a.m.



**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee  
September 10, 2015**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, September 10, 2015 at 1:00 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; Richard Beeson, Laura Brod, Linda Cohen, Michael Hsu, and Abdul Omari.

Staff present: Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; Interim Vice President Bernard Gulachek; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

Student Representatives present: Morrine Omolo and Cory Schroeder.

**UNIVERSITY LEADERSHIP DEVELOPMENT MODEL  
AND PRACTICE**

Regent Simmons invited Vice President Brown, Senior Vice President and Provost Hanson, Allen Levine, Vice Provost for Faculty and Academic Affairs, Brandon Sullivan, Leadership and Talent Development Director, and Brian Buhr, Dean, College of Food, Agricultural and Natural Resource Sciences (CFANS) to lead a discussion on the University's leadership development model and practice, as detailed in the docket.

Brown described the University's leadership development model. Hanson linked leadership development to the Twin Cities campus strategic plan, noting the critical role that department chairs and heads play in the culture of the University.

Levine outlined leadership development programs lead by the Provost's Office, detailing the Provost's department heads and chairs leadership program, the "Talking Heads" program, new faculty orientation, and other collaborative programs outside of the University.

Sullivan gave an overview of the Office of Human Resources' (OHR) assessment of leadership department needs. He explained that four needs appear consistently across the institution:

1. Consistent performance feedback and development coaching.
2. Effective goal setting and alignment.
3. Strong sense of ownership and accountability for managers and individual employees.
4. Leaders navigating change: roles, communication, decision-making, and shared goals.

Sullivan stated that leadership effectiveness is a key driver of employee engagement. He noted that strategic goals are defined at the University, college, and department levels, which requires that leadership development be customized to support achievement of goals at all levels. He detailed the strong partnership between the Provost's Office, OHR, and campus, college, and unit leaders as key to leadership development.

Buhr presented a case study based on his leadership of CFANS, highlighting concentric leadership development, the impact of implementing a 360-degree review of the Dean's Council, and the effect that leadership development has had on the CFANS leadership team. Buhr noted that the focus on intentional leadership development has resulted in open and direct communication within the team and a better framework for evaluating decisions given the group's varied decision making styles.

In response to a question from Regent Omari, Sullivan explained that a four-day training program was launched in spring 2015 to give new supervisors the opportunity to develop soft skills. He noted that a custom soft skills training will be offered at the college level in the future. Levine added that the Provost's Office works with new department heads to help develop those skills, but that soft skills are not yet a part of new faculty orientation. Hanson explained that the department head model takes individuals who have excelled as faculty members and puts them into positions of leadership. She noted that faculty are not trained for that in their graduate school course of study, and that the transition requires a structure that provides help and guidance.

In response to a question from Student Representative Schroeder, Hanson explained that department heads have funds that can help give new faculty members support until they secure outside funding for their research. Levine added that many start-up packages include research funding for two to three years, with the expectation that new faculty members will secure funding after that.

In response to questions from Regent Brod, Hanson agreed that it is difficult for faculty to adapt to the process of leading peers. New leaders must balance the needs of the department against their own research, teaching, and outreach. She noted that a healthy climate depends on an attentive department chair who honors the aspirations of fellow faculty members and creates a culture of shared excellence. Hanson observed that good governance models within departments help ensure a clear decision-making process and give faculty a sense of ownership, helping create a sense of collective will toward a shared mission. Levine emphasized that new faculty are encouraged to look for mentors outside of their assigned faculty member. Sullivan noted that OHR is working to build leadership into the culture of the University, creating an expectation that everyone is a leader and mutually accountable for the performance of the University.

Hanson observed that the direction of higher education and research is moving toward more interdisciplinary collaboration and noted a new focus on interdisciplinary leadership based on the Twin Cities campus strategic plan. She noted a number of faculty committees charged with developing interdisciplinary collaboration and ways to help faculty understand and adapt to working with faculty from different research styles. Brown added that in addition to different academic cultures, faculty members bring their own cultures to their work. OHR is working with the Office of Equity and Diversity to ensure that the University is building inclusive leaders.

Regent Cohen asked whether department head training is required. Levine stated that it is and that new deans are assigned a mentor. There is an assumption that by the time someone reaches the dean position, he or she has had leadership development training and experience. Levine commented that there has been discussion about additional leadership training for deans.

In response to a question from Regent Beeson, Levine noted the length of term for department heads and chairs varies by college – from as few as three years to 10 years or more. The deans are charged with monitoring those positions to ensure the best leadership for departments. Levine offered that there has been recent discussion on how long leadership terms should be.

**COLLECTIVE BARGAINING AGREEMENT WITH  
MINNESOTA STATE BUILDING AND CONSTRUCTION TRADES COUNCIL**

Regent Simmons invited Vice President Brown and Patti Dion, Director of Employee Relations, to present for review and action a collective bargaining agreement between the Regents of the University of Minnesota and the Minnesota State Building and Construction Trades Council, as detailed in the docket.

Dion stated that the Minnesota State Building and Construction Trades Council is composed of crafts and trades employees represented by 19 different locals on the Twin Cities campus. This unit has approximately 250 employees and includes pipefitters, electricians, carpenters, painters, plumbers, and others. Dion outlined the terms and conditions of the agreement.

In response to questions from Regent Brod, Dion stated that the work is primarily maintenance and construction within University Services. The construction work fluctuates, allowing the University to send surplus workers back to the union hall. She specified that there is no commitment on the length of time those workers will be utilized by the University. Brown added that a minimum of hours is not required, allowing the University to control the amount of work. Dion noted that the University has the ability to select which workers to use and that the decision is not based on seniority.

In response to a question from Regent Hsu, Dion offered that increases over the past 10 to 15 years have been 2 percent to 2.5 percent. She added that increases to both wages and fringe were included.

A motion was made and seconded and the committee voted unanimously to recommend approval of the collective bargaining agreement.

**COMPENSATION PRINCIPLES AND APPLICATION**

Regent Simmons invited Vice President Brown and John Adams, Towers Watson Executive Compensation Practice Leader, to discuss compensation principles and application, as detailed in the docket.

Brown reviewed relevant sections of Board of Regents Policy: *Employee Compensation and Recognition* and detailed 2015 compensation report highlights, noting that 60 percent of University non-sponsored funds are used for salaries and fringe. She outlined incremental salary and fringe costs planned in the annual framework. Brown identified the six components of total compensation and the need to define and prioritize total compensation categories.

Adams detailed key trends and issues in higher education compensation. He advocated for the development of a compensation philosophy that connects with a strategic process, moving away from a transactional process. He conveyed the need to clearly identify peer groups and markets with a rationale of why they are being used for comparison. Adams identified selected key trends in executive compensation for base salaries, annual incentive or variable compensation, benefits, and retirement and deferred compensation.

Regent Beeson shared his belief that the guiding principles contained within Board of Regents Policy: *Employee Compensation and Recognition* require further discussion.

In response to related questions from Regents Beeson and Hsu, Adams commented that historically, higher education institutions have offered more robust benefits and somewhat lower salaries than private business or industry. He explained that higher education institutions are moving toward higher salary, which they see as a better return on investment with more control over individual performance, while maintaining competitive benefits

compared to the private market. Brown added that the salary and fringe numbers for the University could be further broken down to show benefits like the Regents Scholarship.

In response to questions from Regents Brod and Omari, Adams suggested that philosophical questions are being raised around executive pay. He noted that critics have raised a variety of issues, including the perception of higher education and the reality of the higher education market. He advocated for a balance between what the market will support and achievement of the mission of the institution given limited resources, noting that if a higher education institution wanted to align executive pay closer to that of state officials, the institution would need to ensure that the decision to pay below the market would not impact the ability to fulfill the mission. Adams additionally advocated for a strong, transparent process for how executive compensation is set.

In response to a follow-up question from Brod, Adams described the difference between merit and incentive pay. He offered that merit pay is designed to recognize individuals who perform well, but cautioned that it is not an effective way to drive performance unless individual performance measures and assessments have been clearly defined. Incentive pay is focused more on the performance of a unit as a whole. He suggested that they are different tools that can be used together to help drive performance.

### **2015-16 COMMITTEE WORK PLAN**

Regent Simmons and Vice President Brown reviewed the 2015-16 work plan for the Faculty & Staff Affairs Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

### **CONSENT REPORT**

Vice President Brown presented for review and action the Consent Report, which included the following items:

- Conferral of tenure for two outside hires.
- Conferral of tenure for one internal hire.
- Amendment to Article VII of the Civil Service Constitution.
- Appointment of Professor Jeffrey Peterson to the Minnesota Clean Water Council.

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

### **INFORMATION ITEMS**

Vice President Brown referred the committee to the information items contained in the docket materials, which included personnel highlights and faculty and staff activities and awards.

The meeting adjourned at 3:01 p.m.



**BRIAN R. STEEVES**  
**Executive Director and**  
**Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Facilities, Planning & Operations Committee  
September 10, 2015**

A meeting of the Facilities, Planning & Operations Committee of the Board of Regents was held on Thursday, September 10, 2015 at 1:00 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Thomas Devine, Dean Johnson, Peggy Lucas, and Darrin Rosha.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Richard Pfutzenreuter and Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice President Michael Berthelsen.

Student Representatives present: Samantha Jensen and Chase Taylor.

**SCHEMATIC PLANS**

**A. Bell Museum of Natural History – Twin Cities Campus**

A motion was made and seconded to recommend approval of the following actions:

The schematic plans for Bell Museum of Natural History – Twin Cities Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management (CPPM), and Brian Buhr, Dean, College of Food, Agricultural, and Natural Resource Sciences, to present the schematic plans, as detailed in the docket.

Buhr shared that the existing Bell Museum is outdated and that the new facility would enhance the visitor experience through improved technology and interactive exhibits; showcase innovative research; and increase K-12 access and adult education opportunities.

Smith detailed the design of the 89,860-square-foot building, which would include permanent and traveling exhibit galleries, a “touch and see” exhibit, 120-seat digital dome theater, classrooms, event space, retail and food service, support spaces, and flexible shelled space for future expansion.

In response to questions and comments from Regents, Buhr underscored the collaborative effort to advance the project by the Bell Museum staff, Bell Advisory Board members, CPPM staff and others, including the Regents, President Kaler, and the legislature.

In response to a question from Regent Lucas, Smith shared that 2,000 square feet on the first level, 3,500 square feet on the second level and about half of the 18,000 square foot basement would be flexible space for future growth. Wheelock added that educational opportunities are expected to expand outside over time.

Regent Rosha indicated his preference that as many of the artistically and historically significant dioramas as possible be moved to the new museum.

The committee voted unanimously to recommend approval of the schematic plans for Bell Museum of Natural History – Twin Cities Campus.

**B. Residence Dining Renovation – Duluth Campus**

A motion was made and seconded to recommend approval of the following actions:

The schematic plans for Residence Dining Renovation – Duluth Campus are approved and the appropriate administrative officers authorized to proceed with the award of contracts, the development of construction documents, and construction.

Vice President Wheelock invited Suzanne Smith, Assistant Vice President for Capital Planning & Project Management, and Corbin Smyth, Associate Vice Chancellor for Student Life, University of Minnesota Duluth, to present the schematic plans, as detailed in the docket.

Smyth shared that the existing food service stations at the dining center are outdated and the interior finishes are significantly worn and in need of replacement. The renovation would result in 20 percent greater efficiency by improving traffic flow, and providing a greater variety of food options at five new serving stations.

Smith mentioned that the project would include upgrades to utility infrastructure, a new cooler and walk-in pantry, and renovations and multimedia technology upgrades to two meeting rooms.

In response to a question from Regent McMillan, Smyth explained that the facility would primarily be used by freshman living in the residence halls, but would be open to all students, faculty, and staff.

Regent Devine asked about the source of funds to pay for the renovation. Smyth explained that the student life fund would cover the costs. The student life fund is direct revenue from food service operations. He clarified that the primary income source for food service operations is the student board plan.

The committee voted unanimously to recommend approval of the schematic plans for Residence Dining Renovation – Duluth Campus.

**CAPITAL BUDGET AMENDMENT**

**A. Bell Museum of Natural History (Twin Cities Campus)**

A motion was made and seconded to recommend approval of the following action:

On recommendation of the President and the Vice President for University Services, the FY 2015 Capital Budget is amended to include the following project:

- Bell Museum of Natural History – Twin Cities Campus
- Scope of Project: New construction of an 89,860 gross square foot facility to house a permanent exhibit gallery, traveling exhibit gallery, planetarium, touch and see room, classrooms, retail/food service, flexible shell space on the first and second levels, basement, and administrative support spaces. Site improvements include parking, burying power lines, pollinator gardens, and water reuse ponds.
- Master Plan: The project is in compliance with the 2009 Twin Cities Campus Master Plan.
- Cost Estimate: \$64,225,000
- Capital Funding: University debt and private giving

The committee voted unanimously to recommend approval of the capital budget amendment for the Bell Museum of Natural History – Twin Cities Campus.

### **LONG RANGE FACILITY PLANNING PART 1: CURRENT PRACTICE AND PRINCIPLES**

Vice President Wheelock and Senior Vice President and Provost Karen Hanson, along with Mike Berthelsen, Associate Vice President, shared the process and principles used to guide facility improvement priorities and funds allocation and presented the annual Facilities Condition Assessment (FCA), as detailed in the docket.

Wheelock summarized three levels at which campus planning is carried out and stressed that the University's Master Plan does not identify building uses. Facility investments are prioritized based on academic and service unit strategies, which are identified within strategic facility plans. She noted that the University's highest-level strategic facility plan is the Six-Year Capital Plan.

Hanson noted that each academic unit identifies project priorities in annual compact meetings, and is asked how projects align with the University's strategic plan. She cautioned that academic program priorities change over time due to enrollment demands and student interest, or changes in pedagogy. Wheelock emphasized that changes in facility condition priorities are usually in response to changes in academic priorities.

Berthelsen reviewed the FCA, noting that 7,731,760 gross square feet were rated in poor or critical condition this year, up 2.9 percent over last year. Poor and critical facilities are those with a Facility Condition Needs Index (FCNI) score of .51 and up. The major risk area is medical facilities, with 59 percent of space deemed poor or critical. He shared that the University's average investment in facilities is \$3.27 per square foot each year, with a target range of \$8-12 per square foot. He stressed that a combination of space reduction and increased investment would be needed to adequately maintain or improve the overall condition of campus facilities.

Berthelsen outlined the process for selecting Higher Education Asset Preservation and Replacement (HEAPR) projects. He explained that once funding is in place, projects are selected from the list of identified needs. Priority is given to projects in buildings with a high FCNI score, and that have been identified as buildings to improve and maintain the condition. Consideration is also given to efficiencies gained from timing of other planned investments.

In response to a question from Regent Rosha, Berthelsen explained that the FCNI calculation is the projected 10-year facility needs cost, or the cost of a complete renovation, divided by the cost of replacement for the entire building. Wheelock emphasized that while many buildings

are in critical condition, the University does not have students or employees in buildings that are unsafe.

In response to a question from Student Representative Taylor, Berthelsen noted that resources have been targeted toward classroom space. Hanson added that even classroom spaces in good condition might present challenges for student learning given changes in pedagogy.

### **PROJECT COMPONENTS OF THE PRESIDENT'S RECOMMENDED SIX-YEAR CAPITAL PLAN AND THE 2016 STATE CAPITAL BUDGET REQUEST**

Vice President Wheelock outlined the President's recommended Six-Year Capital Plan (Plan) for fiscal years 2016-2021 and the 2015 State Capital Budget Request, as detailed in the docket. She began by presenting the objectives of the Plan and highlighted a strategic emphasis on projects that advance the health sciences, modernize research laboratories on the St. Paul campus, and expand capacity in STEM programs. She emphasized that up to one million square feet of current space could be demolished if the project sequences outlined in the Plan are completed.

Wheelock also reviewed the five projects included in the President's recommended 2016 State Capital Request, in addition to a request for \$100 million of HEAPR funds. The five additional projects are: Chemistry and Advanced Materials Science facility on the Duluth campus, Health Science Education Facility on the Twin Cities campus, Plant Growth Research Facility on the Twin Cities campus, renovation of Pillsbury Hall on the Twin Cities campus, and funds to make targeted strategic investments in teaching, research, and student experience spaces on the Crookston, Duluth, Morris and Twin Cities campuses.

In response to a question from Regent Lucas, Wheelock explained that this was the first time Pillsbury Hall had appeared on the Six-Year Capital Plan because of project sequencing required to vacate the building in preparation for a complete renovation.

In response to a question from Student Representative Jensen, Wheelock explained that the University could operate efficiently and competitively with less than 29 million square feet through renovations that create more flexible spaces and improve space utilization.

### **UPDATE ON TWIN CITIES ATHLETIC FACILITIES**

President Kaler introduced Beth Goetz, Interim Athletic Director, to provide an update on Twin Cities athletic facilities, including the status of the Athletes Village project, as detailed in the docket.

Goetz shared that the Athletes Village project is in the final phase of schematic design and would be ready to share with Regents in October. She also noted that almost \$5 million in additional funds has been raised for the project.

Goetz announced that in conjunction with the Athletes Village project, the University is committed to building a competition-level track facility on the east bank of the Twin Cities campus. She emphasized that a specific location has not yet been identified.

In response to a question from Regent Lucas, Goetz stated that while the Athletes Village project would improve day-to-day operations for all sports and benefit all student athletes, it would not fulfill the requests of every sport. She noted that a wish list and project proposals to remain competitive with other institutions would probably always exist.

**2015-16 COMMITTEE WORK PLAN DISCUSSION**

Regent McMillan and Vice President Wheelock reviewed the 2015-16 work plan for the Facilities, Planning & Operations Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

**INFORMATION ITEMS**

Vice President Wheelock referred committee members to the following information items:

- Annual Report on Real Estate Transactions Over \$250,000 and/or Over 10 Acres
- Termination of Purchase Agreement for University Sale of 51.72 Acres, Carver County (Landscape Arboretum)
- Final Project Review: Tate Science and Teaching (Twin Cities Campus)
- Final Project Review: Residence Dining Center Renovation (Duluth Campus)

The meeting adjourned at 2:58 p.m.



**BRIAN R. STEEVES**  
**Executive Director**  
**and Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Board of Regents Work Session  
September 10, 2015**

A work session of the Board of Regents of the University of Minnesota was held on Thursday, September 10, 2015 at 3:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Dean Johnson, presiding; Thomas Anderson, Richard Beeson, Laura Brod, Linda Cohen, Thomas Devine, Michael Hsu, Peggy Lucas, David McMillian, Abdul Omari, Darrin Rosha, and Patricia Simmons.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Kathy Brown, Pamela Wheelock; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Julie Tonneson, and Michael Volna.

Student Representatives present: Callie Livengood.

Chair Johnson introduced Vice President Richard Pfutzenreuter, Associate Vice President Julie Tonneson, and Lincoln Kallsen, Director of Institutional Analysis, to provide context for a discussion about FY 2017 budget assumptions. Pfutzenreuter described the components of budget development and the development timeline, explaining that the priorities established in the fall help frame the proposed budget that comes for action the next spring. He added that this process involves working with support and academic units to determine budget recommendations. Pfutzenreuter discussed revenue assumptions and investment and expense assumptions, noting that the primary sources of revenue are tuition and state appropriations.

Pfutzenreuter described the main resource components of the budget framework: state appropriations, reallocations, tuition, and other miscellaneous resources. He noted a steady decline over the past 10 years in the percentage of funds received from the state, and that the University does not expect any additional funds in the next fiscal year. Pfutzenreuter highlighted a steady increase in reallocations since FY 2013 and emphasized that the University is ahead of schedule in its goal to reallocate \$90 million in administrative costs. He described increases in tuition revenue since 2001, with average annual growth slowing in the last four years. He explained that the University ranks in the middle of the Big Ten in resident tuition, and has the lowest non-resident, non-reciprocity (NRNR) tuition in the conference.

Pfutzenreuter detailed the expense and investment components of the budget framework: compensation, facilities and capital expenses, operations, and strategic choices. He outlined historical salary and fringe costs, explaining that fringe rates can increase even in years with a salary freeze. He explained that a 2.5 percent estimated increase in FY 2017 would result in lower total costs than a 2 percent increase in FY 2016. He highlighted that proceeds from a recent legal settlement went into the fringe pool, resulting in lower fringe rates for FY 2017.

Pfutzenreuter explained that future operations costs would need to include funds for a major network upgrade due to aging equipment and network capacity limits. He noted a likely decrease in facilities operation costs, thanks to lower gas prices and strategic project planning. He also discussed institutional financial aid, noting additional costs associated with the Promise Scholarship if tuition rates increase.

Regent Beeson commented that a top budget priority should be working toward a larger state appropriation. He stated that he does not believe the Board should slow down on its reallocation goals, and requested more data to clarify the NRNR tuition discussion. Beeson suggested increased focus on the total cost of an education, emphasizing that value and quality are important measures. He urged the administration to provide more advance warning of non-real estate costs, such as technology upgrades.

Regent Devine agreed with Beeson, noting that individual colleges or schools might support technology upgrades. He proposed evaluating the recruitment model to focus on specific colleges or schools that need more attention. He suggested a deeper focus on inter-campus recruitment given higher application volume for some campuses. Devine indicated the importance of continuing with reallocation goals. He also emphasized the importance of focusing on long-range facilities planning when working with the legislature.

Regent Anderson observed that though it is becoming more difficult to meet reallocation goals, the legislature is expecting them to be met. He noted that it is crucial that the legislature remember it is key to keeping tuition low. Anderson emphasized the importance of focusing recruitment efforts on rural students, sharing his belief that those students often choose other schools over the University. He suggested a recruitment strategy that would automatically provide high-performing undergraduates at system campuses access to graduate programs at the Twin Cities campus. In response to a question from Anderson, Pfutzenreuter stated that current annual debt service is approximately 3 percent of the operating budget, and that the debt capacity calculation would be updated and presented at the December meeting of the Finance Committee.

Regent Brod suggested a greater focus on big ideas that feature the University as a leader in some way, such as cost savings or efficiencies. She suggested an evaluation of the costs and benefits of increasing the number of students on the Twin Cities campus. She asked for data to support alternate tuition strategies, such as a four-year tuition band for students when they enter the University. Brod proposed evaluating the limits and benefits of the Promise Scholarship to clarify what expenses are and should be covered. She observed that the Board has asked many of these same questions for years.

President Kaler commented on the feedback from Regents. He noted a variety of activities to promote movement across the University campuses. He agreed on the importance of continuing progress on reallocation goals, emphasizing that the commitment to the legislature was for a reduction of \$15 million dollars per year, not just \$90 million overall. Kaler remarked on the importance of recruiting students from rural Minnesota as well as those from out-of-state, agreeing that a four-year tuition band is one recruitment tool. He cautioned against increasing the number of students without knowing where they can be admitted, and emphasized the need to find the proper academic fit for each student. Kaler indicated that he is open to a discussion about the Promise Scholarship and financial aid.

Vice President Pfutzenreuter provided details on the cost pools. Under a model in place since 2007, academic units receive all tuition revenues and state appropriations, and support unit costs are charged. He offered that this model creates healthy tension in the financial system and accountability among the units. He acknowledged large initial costs involved in the construction of a combined heat and power plant, but that the investment will pay off in the long run.

Regent McMillan remarked on the difficulty but importance of evaluating cost-side strategies, with the revenue side becoming harder to control. He commented that the University should continue its reallocation efforts, adding that it could be even more aggressive. He requested assistance from the President and the administration in identifying ways to reduce costs.

Regent Cohen commented on the need to preserve the excellence of the University, noting that this is key in maintaining good staff. She agreed that it is important to continue toward the

reallocation goals. She indicated an interest in the possibility of increasing the student body if there is reasonable capacity to do so. Cohen suggested that perhaps the University consider admitting students with slightly lower than average test scores. She also suggested that the University reevaluate need versus merit scholarships.

Student Representative Livengood commented that it is difficult for out-of-state students to plan for their education when they do not know if tuition rates will increase. She noted support for alternative tuition strategies such as a four-year tuition band. Livengood requested statistics on out-of-state students who stay in Minnesota after graduation and asked about plans to mitigate tuition increases in the coming year. Kaler stated that he did not know how many students stay in the state following graduation.

Regent Rosha shared concerns that reallocation efforts may simply move, rather than save, money. He emphasized that cost reduction would help restore the legislature's faith in the institution. He suggested that compensation and tuition rates should increase with the rate of inflation, with anything above inflation requiring a specific reason. Rosha proposed the idea of waivers as a way mitigate increases in NRNR tuition. He shared his belief that a lower tuition rate for in-state students is the best form of financial aid given and that the government has mechanisms for providing aid to students with substantial need. He offered that reliance on tuition dollars to balance the budget results in less incentive to find cost-saving measures.

Regent Omari suggested focusing more on graduate tuition rates. He noted that test scores might not be the best way to measure a student's aptitude and suggested there is not a marked difference between a 26 and 28 on the ACT. He asked how the University is measuring excellence.

Regent Lucas commented that the University should not forfeit excellence for affordability. She asked for additional data to show the relationship between a higher NRNR tuition rate and maintaining value. She noted that value is key, and that students choose between the University and private schools, not just other public institutions.

Regent Hsu stated that he would like to see an actual reduction in costs, not just movement of funds. He emphasized that the University cannot rely only on state appropriations for viability, adding that other state schools receive far less legislative support and that the University should plan for no increased state funding. Hsu expressed shock that there is capacity for additional students and yet some are not admitted. He agreed that students could be admitted with slightly lower test scores.

Regent Simmons commented that anything that slows progress toward graduation would also increase overall cost to students. She called for greater understanding of the future of graduate and professional programs, given the cost of maintaining those programs. She urged a greater focus on demographic and economic factors. Simmons added it is a difficult time to be addressing tough issues, but that it is imperative to tackle the larger questions.

President Kaler addressed the comments and questions from the Board. He acknowledged a need to reduce costs, but that it is still important to consider how cost-saving decisions affect students, faculty, and staff. He stressed that decisions about tuition must be weighed against the value of the education, and disagreed with suggestions to accept students with significantly lower test scores.

Kaler additionally disagreed with comments that reallocation efforts are simply a movement of funds, noting that without the reallocations the resident tuition increase would have been 5 percent in FY 2016. He suggested that the University cannot maintain its reputation if it does not appropriately compensate its employees, emphasizing that increases at the rate of inflation are not adequate. He noted that labor-represented government employees recently were awarded an increase of 2.5 percent across the board in addition to a 2.5 percent step increase.

The meeting adjourned at 4:54 p.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive, flowing style.

**BRIAN R. STEEVES**  
**Executive Director**  
**and Corporate Secretary**

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Board of Regents  
September 11, 2015**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, September 11, 2015 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Dean Johnson, presiding; Thomas Anderson, Richard Beeson, Laura Brod, Linda Cohen, Thomas Devine, Michael Hsu, Peggy Lucas, David McMillian, Abdul Omari, Darrin Rosha, and Patricia Simmons.

Staff present: President Eric Kaler; Chancellors Lendley Black, Jacqueline Johnson, Stephen Lehmkuhle, and Fred Wood; Senior Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert, Kathy Brown, Brian Herman, Brooks Jackson, Richard Pfitzenreuter, and Pamela Wheelock; Interim Vice President Bernard Gulachek; General Counsel William Donohue; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Stuart Mason, and Michael Volna.

Chair Johnson called for a moment of silence in recognition of the terrorist attacks on September 11, 2001.

**RECOGNITIONS**

**Regents Professors**

Recognition was given to newly appointed Regents Professors. Regents Professorships are the highest honor the University of Minnesota bestows on its faculty. The individual holds the title as long as he or she retains a full-time, tenured appointment as a faculty member of the University.

- R. Lawrence Edwards is a Robert D. and Carol C. Gunn Professor and Distinguished McKnight University Professor in the Department of Earth Sciences, College of Science and Engineering.
- Vipin Kumar is a William Norris Professor and head of the Department of Computer Science and Engineering, College of Science and Engineering.
- Michael T. Osterholm is the McKnight Presidential Endowed Chair in Public Health; Distinguished University Teaching Professor in the Division of Environmental Health Sciences in the School of Public Health; professor, Technological Leadership Institute in the College of Science and Engineering; and an adjunct professor in the School of Medicine.

**INTRODUCTION**

**Dean, College of Biological Sciences**

President Kaler and Provost Karen Hanson introduced Valery Forbes, Dean of the College of Biological Sciences, who began her appointment on July 31, 2015. Forbes briefly addressed the Board.

**APPROVAL OF MINUTES**

A motion was made and seconded, and the Board of Regents voted unanimously to approve the minutes of the following meetings:

Board of Regents – June 26, 2015  
Board of Regents – July 8, 2015

**REPORT OF THE PRESIDENT**

President Kaler reported on his recent outreach efforts to connect with students, alumni, legislators, and community members throughout state. He described his participation in residence hall move-ins at both Crookston and Twin Cities campuses. He emphasized the energy felt at New Student Convocation and detailed several statistics about the incoming class. He discussed recent successes at system campuses and other breakthroughs, such as the launch of a public school outreach program and progress on the Twin Cities strategic plan.

Kaler commented on the resignation of former Athletic Director Norwood Teague. He explained that he looks forward to the results of the external review, citing the importance of transparency in the review process. He expressed confidence in Interim Athletic Director Beth Goetz, noting her steady leadership. He emphasized his commitment to creating a community that does not tolerate sexual harassment.

Kaler noted the resignation of former Vice President Scott Studham, stating that he felt it was time for a change in leadership. He expressed confidence in Bernard Gulachek, who will serve as Interim Vice President & Chief Information Officer.

A copy of the Report of the President is on file in the Board Office.

**REPORT OF THE CHAIR**

Chair Johnson reported on the Board of Regents retreat held July 8-10, 2015 in Red Wing, during which the following five priorities were developed for 2015-16:

1. Raise national profile of the University's academic health sciences and guide evolution of the M-Health partnership.
2. Oversee implementation of UMTC strategic plan, monitor progress toward Operational Excellence goal of \$90 million in administrative cost reallocations by FY 2019, and identify additional opportunities for transformational change within the University.
3. Establish principles and objectives to govern campus enrollment strategies, graduation targets, and tuition/aid philosophy over the next decade.
4. Define and give voice to the University's 21<sup>st</sup> Century land grant mission and demonstrate its impact on all corners of Minnesota.
5. Create a vision to guide long-term development and change in key areas of campus and bring UMTC Master Plan into alignment.

These priorities are intended to guide the Board's agenda planning and development throughout the year and assist the president and senior leaders in advancing their work.

A copy of the Report of the Chair is on file in the Board Office.

## RECEIVE AND FILE REPORTS

Chair Johnson noted the receipt and filing of the Annual Report on Legal Matters, the Annual Asset Management Report, and the Quarterly Report of Grant and Contract Activity.

## CONSENT REPORT

Chair Johnson presented for action the Consent Report as described in the docket materials, including:

- Summary of Gifts through July 31, 2015.
- Summary of Expenditures.

A motion was made and seconded, and the Board of Regents voted unanimously to approve the Consent Report.

## ADMINISTRATIVE POLICY: *SEXUAL ASSAULT, STALKING AND RELATIONSHIP VIOLENCE*

Chair Johnson invited President Kaler to discuss events surrounding Board ratification of Administrative Policy: *Sexual Assault, Stalking and Relationship Violence*. Kaler explained that implementation of the policy was delayed at the Board's request to allow for review by the Office of the General Counsel, which resulted in the addition of clarifying language. He detailed the specific changes to the policy and explained that after review by student body organizations and direction from the Board Chair and Vice Chair, the new policy was implemented in August. He offered that the discussion surrounding the implementation helped lead to a better policy.

Regent Hsu expressed gratitude for the opportunity to engage in additional discussion. He added that he hopes for additional research on the value and merit of the policy, stating that the University could be an example to other institutions interested in adopting such a policy.

Regent Brod expressed hope that there will be strong monitoring of the program.

Regent Devine congratulated student leadership for their efforts related to the policy changes.

A motion was made and seconded, and the Board of Regents voted unanimously to ratify Administrative Policy: *Sexual Assault, Stalking and Relationship Violence*.

## UNIVERSITY PROGRESS CARD

Chair Johnson invited President Kaler and Lincoln Kallsen, Director of Institutional Analysis, to present the University progress card for review. Kaler explained that the purpose of the progress card is to focus oversight, provide a roadmap for the future, and inform and align metrics to the strategic plan. He added that it is focused on governance and policy and is intended to be updated annually but referenced frequently.

Kaler described the progress card's two categories. Gold measures have been identified as high priorities for the University. He stated that these measures come from well-understood and agreed-upon data sources, enable the setting of quantifiable goals, and can be influenced directly by the University. Examples of these measures include graduation rates, student aid, medical school rankings, and faculty awards.

Maroon measures illustrate trends, rather than set firm goals. Kaler explained that these measures are directional, may change with time, may only need monitoring, and are factors that cannot necessarily be influenced by the University. Examples of these measures include student debt, outreach and public service, and national scholarships awarded to students.

Chair Johnson invited Regent Beeson to comment on the progress card. Beeson expressed hope that the measures will prompt questions about additional goals. He suggested that the card is a preliminary effort and that refinements can be made. Beeson noted the importance of aligning the progress card with the strategic plan.

Regent Simmons commented that a quality health sciences program and medical school need to be measured on multiple elements of education and patient care, not a single measure of research dollars.

Regent Devine noted that the progress card provides a level of accountability for the Board, not just a way to set goals. He observed that the current draft is a good place to start in determining the correct measures.

Regent Omari expressed gratitude for a measure on diversity and inclusion. He observed that there could be more depth to the measures for graduate and professional education. Kaler acknowledged the difficulty in establishing graduate program goals, given the heterogeneity of programs. He noted that there is little consensus across the country on measures of successful graduate programs.

Regent Rosha observed that it would be helpful to have clarity around which measures reflect actual dollars versus inflation-adjusted dollars. He commented that he would like to see a measure that reflects the balance of resident versus non-resident students, and added that he would like to see a similar metric that shows the number of urban versus rural resident students.

Regent Brod stated that she would like to see greater improvement in the measure of employee engagement. She observed that since a majority of the budget is spent on human capital, it is crucial to have an engaged staff.

Kaler observed that the targets may change and that it is important for the Board to assist with setting the goals and targets. Director Kallsen urged the Board not to create too many measures or those that are too specific, emphasizing that importance of broader governance goals.

Chair Johnson expressed gratitude to Regent Beeson for his work on the creation of the progress card.

### **DATA SECURITY: POLICIES, PRACTICES, AND ROLES AT THE UNIVERSITY**

Chair Johnson invited Interim Vice President Bernard Gulachek and Chief Information Security Officer Brian Dahlin to discuss data security, and asked President Kaler to introduce the topic. Kaler spoke briefly about Gulachek's accomplishments, emphasizing his confidence in Gulachek's interim leadership.

Dahlin discussed the spectrum of data security adversaries in the University environment, from simple mistakes to targeted, malicious offenders. He explained the language used by information technology (IT) professionals to describe security risk. He detailed the number of actual security breaches on University campuses, explaining that these incidents are measured against peer institutions.

Dahlin reported that the University’s information security framework model is internationally recognized and incorporates multiple levels from governance to specific security controls. He explained that the University works to balance security goals with operational needs. Dahlin described the inadequate risk management framework of several years ago compared to the current, more secure program. He explained that the University has created more detailed levels of data classifications, using those to create better security standards.

Gulachek noted that an external review helped determine how secure the University is and where there is room for improvement, explaining the levels by which security was measured. The results showed that the University rates favorably compared to its peers and that the current plan is well defined. Gulachek cautioned that there is always room to improve and that there is always a chance that offenders could breach the system. He asked for the Board’s assistance in setting future goals and priorities.

In response to several questions from Regent Hsu, Gulachek replied that the amount of money spent on data security may seem relatively low but that the University measures spending against its peers. He agreed with the importance of knowing what resources are needed to improve data security measures. Dahlin explained that a recent breach involving tax returns was not included in the data provided in the presentation, since it could not be linked directly to activity within the University.

Regent Brod observed that many issues that come before the Audit & Compliance Committee are related to IT and data security. She agreed that the University should work to improve its ranking, noting that she looks forward to the next steps in the process to establish institutional risk tolerance.

Regent Devine asked where the University should focus its efforts to ensure security of proprietary and research data. Dahlin explained that the challenge is global and emphasized the importance of partnering with outside agencies like the FBI to assist in investigations.

Regent Simmons commented that the most valuable data at the University is the human data. She stated that risk tolerance is important, but that compliance at every level is crucial. Citing the highly decentralized IT department, she suggested University-wide compliance monitoring.

In response to a question from Regent Beeson, Gulachek replied that recent improvements have helped with monitoring compliance across the decentralized IT department. He reported that stronger relationships have been formed across the system between all levels of staff and management. Gulachek noted that IT professionals now have clearer, more detailed standards.

Regent Omari commented that there is now a much stronger connection between the governance level and ground-level efforts. He thanked the presenters for their willingness to work with the Board, and their efforts to meet data security goals.

**PRESIDENT’S RECOMMENDED 2015 SIX-YEAR CAPITAL PLAN  
AND  
PRESIDENT’S RECOMMENDED 2016 STATE CAPITAL REQUEST**

Chair Johnson invited Vice Presidents Pfutzenreuter and Wheelock to present the President’s Recommended 2015 Six-Year Capital Plan (Plan) and 2016 state capital request. Wheelock explained that the Plan balances decisions about facility conditions, budget considerations, and academic priorities, and noted the importance of aligning with the strategic plan. She outlined the objectives of, and highlighted the major projects included in, the Plan, explaining that additional projects may be added.

Wheelock reviewed the timeline and financial summary of the President's 2016 state capital request. She explained that in addition to Higher Education Asset Preservation and Renovation (HEAPR) funds, the request includes three renovation and design projects on the Twin Cities campus, construction of a new building on the Duluth campus, and system-wide investments in the academic and student experience.

In response to a question from Regent Lucas, Wheelock explained that a previous state appropriation was used for the design phase of the Duluth project. She added that University Services received authorization to use funds from the refinancing of TCF Bank Stadium bonds to help with the planning and design phase of the health sciences facilities project.

Chair Johnson asked about the plan for demolition of AHC buildings. Wheelock explained that there might be reinvestment in and renovation of the current spaces, as well as new construction space.

In response to several questions from Regent Hsu, Wheelock explained that HEAPR funds are distributed to each campus based on population and square footage and that the process includes evaluating current plans and identifying ways to maximize projects. She stated that the future of any given project will depend on how much money is appropriated. Wheelock stated the importance of evaluating the usefulness of a building and the resources needed to restore it to reasonable standards, noting that decommissioning is one option. She explained that this process involves evaluating the life cycle of a building, its significance to the campus, and its relevance and ability to adapt to institutional priorities.

Chair Johnson urged the Board to advocate with their local legislators on behalf of the University.

#### **REPORT OF THE AUDIT & COMPLIANCE COMMITTEE**

Regent Brod, Chair of the committee, reported that the committee voted unanimously to recommend:

1. Approval of the Consent Report for the Audit & Compliance Committee as presented to the committee and described in the September 10, 2015 committee minutes.

In response to a question from Regent Hsu, President Kaler explained that the Office of the General Counsel has a specific budget to engage external legal counsel, such as those retained for the external review of the athletics department.

The Board of Regents voted unanimously to approve the recommendations of the Audit & Compliance Committee.

Regent Brod reported that the committee also discussed the committee name change, reviewed the annual work plan, received an update on the human research protection program, discussed the University's data security, received an update on the internal audit process, and reviewed several information items as outlined in the docket materials.

#### **REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE**

Regent Cohen, Chair of the committee, reported that the committee voted unanimously to recommend:

1. Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the September 10, 2015 committee minutes.

The Board of Regents voted unanimously to approve the recommendations of the Academic & Student Affairs Committee.

Regent Cohen reported that the committee also reviewed the committee's annual work plan, received a report on academic program changes, and discussed preparations for Twin Cities and Rochester accreditation and assessment of student learning efforts.

### **REPORT OF THE FACILITIES, PLANNING & OPERATIONS COMMITTEE**

Regent McMillan, Chair of the committee, invited Regent Devine to comment on the Bell Museum project. Devine offered that the museum will help advance the outreach element of the University's mission, adding that the museum will be a new gateway to the St. Paul campus. He explained that the project is the result of collaboration with the state, St. Paul campus staff and faculty, and University Services. Devine recognized the efforts of state Representative Alice Hausman over the past 12 years.

McMillan reported that the committee voted unanimously to recommend:

- 1) Approval of Schematic Plans for the following projects as presented to the committee and described in the September 10, 2015 minutes:
  - A. Residence Dining Center Renovation (Duluth Campus)
  - B. Bell Museum of Natural History (Twin Cities Campus)
- 2) Approval of amendments to the FY 2016 Capital Budget as presented to the committee and described in the September 10, 2015 minutes:
  - A. Bell Museum of Natural History (Twin Cities Campus)

The Board of Regents voted unanimously to approve the recommendations of the Facilities, Planning & Operations Committee.

Regent McMillan reported that the committee also discussed long-range facilities planning, reviewed project components of the President's six-year capital plan and state capital request, discussed the committee's annual work plan, received an update on Twin Cities athletic facilities, and reviewed several information items as outlined in the docket materials.

### **REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE**

Regent Simmons, Chair of the committee, reported that the committee voted unanimously to recommend:

- 1) Approval of the Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the September 10, 2015 committee minutes.
- 2) Approval of a Resolution Related to Collective Bargaining Agreement with Minnesota State Building and Construction Trades Council as follows:

WHEREAS, the parties have met and reached an agreement regarding terms and conditions of employees of this bargaining unit; and

WHEREAS, the Minnesota State Building and Construction Trades Council have ratified acceptance of this agreement; and

WHEREAS, according to the Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required;

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for September 11, 2015.

The Board of Regents voted unanimously to approve the recommendations of the Faculty & Staff Affairs Committee.

Regent Simmons reported that the committee also discussed the University leadership development model and practice, reviewed the committee's annual work plan, received information about compensation principles and application, and reviewed several information items as outlined in the docket materials.

### **REPORT OF THE FINANCE COMMITTEE**

Regent Beeson, Chair of the committee, reported that reported that the committee voted unanimously to recommend:

1. Approval of the Consent Report for the Finance Committee as presented to the committee and described in the September 10, 2015 committee minutes.
2. Approval of a Resolution Related to the Issuance of Debt, as follows:

WHEREAS, in December 2014 the University of Minnesota (the "University") issued its Taxable Commercial Paper, Series E (the "Series E CP") in the amount of \$51,620,000 to finance a portion of the construction and furnishing of the new Bell Museum on the St. Paul campus (the "Project");

WHEREAS, the cost of the Project has increased due to design changes;

WHEREAS, it has been proposed that the University refinance the Series E CP and restructure the debt by the issuance and sale of fixed rate indebtedness (such indebtedness, whether issued in the form of bonds, notes, or such other form as may be designated by the University, the "Debt"), the proceeds of which are also to be used to accommodate the increased cost of the Project and to pay the costs of issuance of the Debt, and which with the approval of the Treasurer may also be used to finance other University capital projects;

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

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

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

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

1. To provide funds to refinance the Series E CP, finance the additional cost of the Project, and pay the costs of issuance of such refinancing, as well as to finance capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, the Board hereby authorizes the sale and issuance of the Debt in the principal amount of up to \$56,900,000. The Debt may be issued in one or more series and shall mature not later than the date that is 25 years after the date of issuance of each series. The Treasurer is authorized to determine whether or not the Debt shall be issued as a general obligation of the University and whether or not the Debt shall be issued as tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.
2. The purchases of land and buildings, construction and remodeling projects, or acquisition of equipment to be financed by the proceeds of the Debt shall be those the source of funding of which is so designated by the Board of Regents or by the Treasurer as part of the University's capital planning process.
3. If issued in the form of bonds, the Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. The Treasurer is further authorized to negotiate and approve the terms and conditions of any credit support or liquidity facility for any series of the Debt. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.
4. In connection with the issuance of any series of the Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order or any supplement or amendment thereto under which the Debt is to be issued in the form and containing such covenants, agreements, representations and warranties as is approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Debt in accordance with such Indenture of Trust or Order or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the documents evidencing the Debt may be by facsimile.
5. The President and Treasurer are authorized to execute and deliver a purchase agreement with the initial purchaser or purchasers of any series of the Debt in the form and containing such covenants, agreements, representations and warranties of the University as are approved by the Treasurer and General Counsel.
6. The Treasurer is authorized to approve the Preliminary Official Statement, final Official Statement, Offering Memorandum, Offering Circular, or other offering material or any supplements or amendments thereto to be prepared and distributed to any purchaser or potential purchaser of a series of the Debt, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto. In the case of the sale of any series of the Debt in a competitive process, the Treasurer is authorized to approve the Notice of Sale and any amendment thereto.
7. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Debt.

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

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

The Board of Regents voted unanimously to approve the recommendations of the Finance Committee.

Regent Beeson reported that the committee also reviewed its annual work plan, discussed University tax compliance, received an annual asset management report, reviewed the financial components of the six-year capital plan and state capital request, and received several information items as outlined in the docket materials.

**REPORT OF THE GOVERNANCE & POLICY COMMITTEE**

Regent Cohen, Chair of the committee, reported that the committee did not meet this month.

**REPORT OF THE LITIGATION REVIEW COMMITTEE**

Regent Devine, Chair of the committee, reported that pursuant to notice sent by the University, the Litigation Review Committee met on September 10, 2015. After receiving the Annual Report on Legal Matters, a resolution was considered and passed that authorized the closing of the meeting. In the closed meeting a discussion was held of matters subject to the attorney-client privilege.

The meeting adjourned at 11:26 a.m.



**BRIAN R. STEEVES**  
**Executive Director**  
**and Corporate Secretary**



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Board of Regents**

**October 9, 2015**

**AGENDA ITEM:** Report of the President

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** President Eric W. Kaler

## **BACKGROUND INFORMATION**

It is customary for the President to report on items of interest to the University community at each Board of Regents meeting.



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Board of Regents**

**October 9, 2015**

**AGENDA ITEM:** Report of the Chair

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Regent Dean Johnson

## **BACKGROUND INFORMATION**

It is customary for the Chair to report on items of interest to the University community at each Board of Regents meeting.



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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Board of Regents

October 9, 2015

**AGENDA ITEM:** Consent Report

Review       Review + Action       Action       Discussion

*This is a report required by Board policy.*

**PRESENTERS:** Regent Dean Johnson

### PURPOSE & KEY POINTS

To seek Board approval of items in the consent report, as required in Board of Regents Policy: *Reservation and Delegation of Authority*.

Items for consideration:

**A. Gifts**

The President recommends approval of the Summary Report of Gifts to the University of Minnesota through July 31, 2015 (attached).

**B. Appointments to the University of Minnesota Foundation Board of Trustees**

As outlined in Board of Regents Policy: *Appointments to Organizations and Boards*, the Board Chair, in consultation with the President, recommends nominees for Board-appointed seats on the University of Minnesota Foundation Board of Trustees. The Chair recommends appointment of the following individuals to serve a 3-year term on the University of Minnesota Foundation (UMF) Board of Trustees:

- *Ruth Bachman (Elect for 4<sup>th</sup> term, first as a regent-nominated trustee)*  
Ruth is a nationally respected writer, author, educator and inspirational speaker who shares a timely message with diverse audiences about the one constant in life - change. Ruth allocates all of her speaking fees as a tax-deductible donation to The Hourglass Fund at the University of Minnesota Foundation. She currently serves as Chair of the Community Advisory Board of the Masonic Cancer Center at the University of Minnesota, is a member of the Minnesota Cancer Alliance Steering Committee, is a speaking ambassador for Community Health Charities Minnesota, and serves on the Fairview Southdale Hospital Board of Trustees. Ruth is finishing her ninth year as a trustee of the University of Minnesota Foundation. Ruth is a 1971 graduate of the University of Minnesota with a Bachelor of Science degree in Elementary Education.

- *Mary K. Brainerd (Renew for 2<sup>nd</sup> term as a regent-nominated trustee)*  
Mary Brainerd is president and chief executive officer for Minnesota-based HealthPartners, the largest, consumer-governed, nonprofit health care organization in the nation. Under her leadership and direction, HealthPartners has experienced record growth and is often recognized as a national leader in the health care industry. In her role, Brainerd leads more than 22,500 employees in the HealthPartners integrated system, which includes a care delivery system with more than 1,700 physicians, seven hospitals, 55 primary care clinics, 22 urgent care locations and numerous specialty practices in Minnesota and western Wisconsin, a large dental practice, 1.5 million members in top-rated medical and dental health plans, and HealthPartners Institute for Education and Research.

Prior to joining HealthPartners, Brainerd held senior level positions with Blue Cross and Blue Shield of Minnesota, including senior vice president and chief marketing officer. She was also senior vice president and chief executive officer of Blue Plus. Brainerd holds a master's degree in business administration from the University of St. Thomas, and a bachelor-of-arts degree from the University of Minnesota. Brainerd grew up in St. Paul and has been actively involved in the Twin Cities community for several years.

- *The Honorable Linda Cohen (Renew for 2<sup>nd</sup> term as a regent-nominated trustee)*  
Linda Cohen is a licensed psychologist and licensed marriage and family therapist. Previously, she was a consultant for TCF Bank, directing a business-education partnership with Patrick Henry High School in Minneapolis, assistant director/interim director of Blake Middle School, and a senior administrative team member of the Blake School. Since 2000, Cohen is a member of the Board of Education of Wayzata School District, serving as vice-chair and chair. She also has been a member of the Advisory Council of the University of Minnesota's Humphrey Institute of Public Affairs, member and chair of the steering committee of Minnesota Women Psychologists, and a member of the board of the Minneapolis Urban League. A graduate of the University of Minnesota with M.A. and Ph.D. degrees in educational psychology, Cohen also earned a M.A. degree in the history of science from Harvard University and is a Phi Beta Kappa graduate in chemistry of Wellesley College. She previously served a two-year term as Chair of the Board of Regents.
- *Erik Torgerson (Elect for 1<sup>st</sup> term as a regent-nominated trustee)*  
Erik has more than 25 years of financial and investment industry experience. He started his career at Arthur Andersen & Co, where he focused on M&A projects and management consulting services, including financial consulting and audit practice. He joined Norwest Equity Partners (NEP) in 1993 and over the course of his NEP career, he focused on management buyouts, recapitalizations and growth financings in the manufacturing, transportation, distribution, and communications industries across North America and Europe. Erik worked closely with portfolio management teams to successfully execute their strategic growth plans and assist them with corporate governance, strategic planning, and acquisitions. In 2009, Erik transitioned from a general partner to a senior advisor and currently serves as an executive resource and board member for select NEP portfolio companies. Erik received a B.S. degree from the University of Minnesota and his M.B.A. from the University of Iowa. He is also an inactive Certified Public Accountant.

**PRESIDENT'S RECOMMENDATION**

The President recommends approval of the consent report.

**MEETING OF THE BOARD OF REGENTS  
GIFTS TO BENEFIT THE UNIVERSITY OF MINNESOTA  
SUMMARY REPORT\***

**October 2015 Regents Meeting**

	<u>August</u>		<u>Year-to-Date</u>	
	<u>2015</u>	<u>2014</u>	<u>07/01/15 08/31/15</u>	<u>07/01/14 08/31/14</u>
<b>U of M Gift Receiving</b>	\$ (8,759)	\$ 25,361	\$ 117,144	\$ 46,204
<b>4-H Foundation</b>	33,838	37,241	61,666	207,473
<b>Arboretum Foundation</b>	(504,726)	3,071,304	2,549,739	3,402,595
<b>Univ of MN Foundation</b>	<u>22,435,303</u>	<u>10,659,551</u>	<u>50,669,407</u>	<u>19,386,198</u>
<b>Total Gift Activity</b>	<u><u>\$ 21,955,656</u></u>	<u><u>\$ 13,793,457</u></u>	<u><u>\$53,397,956</u></u>	<u><u>\$ 23,042,470</u></u>

*U of M and Arboretum numbers decreased due to gift corrections of donations booked in July.*

\*Detail on gifts of \$5,000 and over is attached.

Pledges are recorded when they are received. To avoid double reporting, any receipts which are payments on pledges are excluded from the report amount.

## Gifts to benefit the University of Minnesota

### Gifts received in August 2015

<u>Donor</u>	<u>Rec'd by</u>	<u>Gift/Pledge</u>	<u>Purpose of gift</u>
<b><u>\$1 Million and Over</u></b>			
Joan L. Shapiro Estate	UMF	Gift	Medical School
Childrens Cancer Research Fund	UMF	Pledge	Medical School
Anonymous	UMF	Gift	Medical School
John E. and Nancy E. Lindahl	UMF	Gift	Intercollegiate Athletics
<b><u>\$500,000 - \$1,000,000</u></b>			
Virginia M. Anderson Estate	UMF	Gift	College of Education and Human Development
Bentson Fdn.	UMF	Pledge	College of Education and Human Development
<b><u>\$250,000 - \$500,000</u></b>			
Julie A. Ross Estate	UMF	Gift	Medical School
<b><u>\$100,000 - \$250,000</u></b>			
Bakken 2004 Lead Trust	UMF	Gift	Medical School
Helen C. Wilson Estate	UMF	Gift	College of Veterinary Medicine
Melrose/Toro Community Fund-Mpls Fdn.	UMF	Gift	Carlson School of Management
A. Forrest Troyer Estate	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Shakopee Mdewakanton Sioux Community	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Walter F. Mondale	UMF	Pledge	Humphrey School of Public Affairs
Hormel Fdn.	UMF	Gift	Hormel Institute
Miriam R. Hazzard Estate	UMF	Gift	School of Nursing
Melvin G. Symanietz Estate	UMF	Gift	Academic Health Center
Gopher Sports Properties	UMF	Gift	Intercollegiate Athletics
Tashjian Family Gift Fund-Fidelity Charitable Fund	UM	Gift	Minnesota Landscape Arboretum
<b><u>\$50,000 - \$100,000</u></b>			
Lowell Schwab and Rae Carter	UMF	Gift	College of Liberal Arts, Intercollegiate Athletics
Anita H. Kunin	UMF	Pledge	College of Liberal Arts
Alumni Assn Fdn.-Program in Healthcare Administration	UMF	Gift	School of Public Health

**\$50,000 - \$100,000**

Procter and Gamble Co.	UMF	Gift	College of Science and Engineering
Karl Potach Fdn.	UMF	Gift	Hormel Institute
Darren and Lisa Nauss	UMF	Pledge	University of Minnesota Duluth
Quintard Taylor Jr.	UMF	Pledge	Scholarships
Ronald C. Mangelsdorf	UMF	Pledge	Carlson School of Management

**\$25,000 - \$50,000**

Gerald and Nancy Witowski	UMF	Gift	Medical School
Helen S. Henton Trust	UMF	Gift	Unrestricted
General Mills Inc.	UMF	Gift	College of Science and Engineering, Carlson School of Management, Intercollegiate Athletics
Knight Fdn. Fund-Duluth-Superior Area Comm Fdn.	UMF	Gift	University of Minnesota Duluth
iHeartMedia Management Services Inc.- Radio	UMF	Gift	Academic Health Center
3M Co.	UMF	Gift	College of Science and Engineering, College of Veterinary Medicine, School of Dentistry
John and Jean Drawz	UMF	Gift	Medical School
Julianne Bye	UMF	Gift/Pledge	Intercollegiate Athletics
MINCEP Epilepsy Research Fund of Mpls Fdn.	UMF	Gift	Medical School
Archer Daniels Midland Co.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Nestle/Nestec SA	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
PepsiCo Inc.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Robertet Flavors Inc.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Martha R. Saul	UM	Gift	University of Minnesota Duluth
Alta M. Oben	UMF	Gift/Pledge	University of Minnesota Duluth
Medtronic Inc.	UMF	Gift	Medical School
Berger Transfer and Storage Inc.	UM	Gift	Intercollegiate Athletics
Arvid Olson Estate	UMF	Gift	Medical School
Patricia A. Lyon Charitable Fund-Schwab Charitable	UMF	Gift	Intercollegiate Athletics
Boston Scientific Corp.	UMF	Gift	Medical School
Channel Therapeutics Inc.	UMF	Gift	College of Pharmacy, University of Minnesota Duluth
E. I. DuPont De Nemours and Co.	UMF	Gift	College of Science and Engineering
Hubbard Broadcasting Inc.	UMF	Gift	Academic Health Center

**\$25,000 - \$50,000**

Jack W. Newcomb	UMF	Pledge	College of Education and Human Development
ResQCOR LLC	UMF	Gift	Medical School
Roger and Nancy McCabe Fdn.	UM	Gift	Minnesota Landscape Arboretum
Rudolf Dankwort	UMF	Gift	Medical School
The National MPS Society Inc.	UMF	Gift	Medical School

**\$10,000 - \$25,000**

Anonymous	UMF	Gift	Medical School
Dow International Finance S.a.r.l	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Russell and Ellen Luepker	UMF	Gift	School of Public Health
Anna M. Heilmaier Charitable Fdn.	UMF	Gift	Northrop
Biosense Webster Inc.	UMF	Gift	Medical School
Randi and Frederic M. Ettner	UMF	Pledge	Medical School
RBC Fdn. - USA	UMF	Gift	Academic Health Center
United States Potato Board	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Norma Foster Memorial Fund	UMF	Gift	Hormel Institute
Academy of Neonatal Nursing	UMF	Gift	Medical School
Bayer CropScience LP	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Max Kade Fdn. Inc.	UMF	Gift	College of Liberal Arts
Pipestone Applied Research LLC	UMF	Gift	College of Veterinary Medicine
The Home Run Club	UMF	Gift	Intercollegiate Athletics
CHS Fdn.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Thomas P. Nelson	UM	Gift	Minnesota Landscape Arboretum
Hormel Foods Corp.	UMF	Gift	Carlson School of Management
Keurig Green Mountain Inc.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Arthur J. Matas	UMF	Pledge	Medical School
Gus A. Chafoulias	UMF	Gift	University of Minnesota Rochester
Xcel Energy Fdn.	UMF	Gift	Bell Museum of Natural History
Brenda J. Flynn	UMF	Pledge	Medical School
CoBank	UMF	Gift	Carlson School of Management, 4H Foundation
Seagate Technology LLC	UMF	Gift	College of Liberal Arts
Charles Koch Fdn.	UMF	Gift	University of Minnesota Duluth
Center for Computer-Assisted Legal Instruction	UMF	Gift	Law School
Tony Oswald	UMF	Gift	Intercollegiate Athletics
AG Fdn.	UMF	Gift	College of Liberal Arts

**\$10,000 - \$25,000**

Chevron Corp.	UMF	Gift	Carlson School of Management
Lowell W. Hellervik	UMF	Gift	Intercollegiate Athletics
Cargill Inc.	UMF	Gift	Medical School
Lucille M. Odlaug Estate	UMF	Gift	University of Minnesota Duluth
Bank Pacific	UMF	Gift	Law School
Barbara Madsen Bacich Estate	UMF	Gift	Law School
BASF Corp.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Boehringer Ingelheim Vetmedica Inc.	UMF	Gift	College of Veterinary Medicine
Christine and Robert Larson	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Dorothy C. Guilford Estate	UMF	Gift	College of Education and Human Development
FMC Corp.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Frederick M. and Catherine B. Asher	UMF	Pledge	College of Liberal Arts
Herbert B. Ward	UMF	Gift	Medical School
James T. Prokopanko	UMF	Gift	Intercollegiate Athletics
John B. Stever	UMF	Pledge	Scholarships
John F. Grundhofer Charitable Fdn.	UMF	Gift	Academic Health Center
Jo-Ida C. Hansen	UMF	Gift	College of Liberal Arts
Leonard R. Olds and Hugh G. Rouse Trust	UMF	Gift	Libraries
Leonberger Health Fdn.	UMF	Gift	College of Veterinary Medicine
Peter and Judy Mitchelson	UMF	Gift	College of Liberal Arts
Robin J. Carpenter Estate	UMF	Gift	College of Veterinary Medicine
Stephen A. Craine	UMF	Gift	Intercollegiate Athletics
Steven C. and Beverly K. Aanenson	UMF	Gift	Carlson School of Management
Wayne and Meg Gisslen	UMF	Pledge	College of Liberal Arts

**\$5,000 - \$10,000**

Florence M. Smiglewski Estate	UMF	Gift	Academic Health Center
Waletich Corp.	UMF	Gift	Intercollegiate Athletics
Penny I. and James T. Langland	UMF	Gift	Intercollegiate Athletics
Karen Wyckoff Rein in Sarcoma Fdn.	UMF	Gift	Academic Health Center
Erwin L. Weber Trust	UMF	Gift	Scholarships
Scott D. Augustine	UMF	Gift	Intercollegiate Athletics
Anonymous	UMF	Gift	Academic Health Center
DePuy Orthopaedics Inc.	UMF	Gift	Medical School
Stephen P. Welsh	UMF	Pledge	University of Minnesota Duluth

**\$5,000 - \$10,000**

Steven D. Stinski	UMF	Gift	Intercollegiate Athletics
Elizabeth A. McCabe	UM	Gift	Minnesota Landscape Arboretum
Carlos P. Avery	UMF	Gift	College of Science and Engineering
Alice B. O'Connor	UMF	Gift	University of Minnesota Duluth
Bayer Corp.	UMF	Gift	College of Science and Engineering
Hearing Components Inc.	UMF	Gift	College of Science and Engineering
M. A. Mortenson Co.	UMF	Gift	Intercollegiate Athletics, College of Design
Westcliff Fdn.	UMF	Gift	Center for Spirituality and Healing
Jan L. and Alan L. Sickbert	UMF	Pledge	Various Colleges
Debra J. Joelson	UMF	Gift	Medical School
Rand and Joey Honl	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Rufer's Apiaries Inc.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Thomas R. Braun	UMF	Gift	Intercollegiate Athletics
Thor Becken	UMF	Gift	Intercollegiate Athletics
Target Corp.	UMF	Gift	Carlson School of Management, College of Liberal Arts
BioActive Regenerative Therapeutics Inc.	UMF	Gift	College of Veterinary Medicine
Ciresi and Conlin LLP	UMF	Gift	Intercollegiate Athletics
Jim Pekarek	UMF	Gift	Intercollegiate Athletics
Nuveen Investments Holdings	UMF	Gift	Medical School
Omar Ansari	UMF	Gift	Intercollegiate Athletics
Isaac Steinberg	UMF	Gift	Intercollegiate Athletics
Keith Rachey	UMF	Gift	Intercollegiate Athletics
Jeffrey P. and Wendy W. Dankey	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Richard and Sandra Schulze Family Fund- St. Paul Fdn.	UMF	Gift	Medical School
Community Health Charities Minnesota	UMF	Gift	Academic Health Center
Michael A. Johnson	UMF	Gift	Intercollegiate Athletics
Donald P. Connelly	UMF	Gift	Medical School
General Mills Fdn.	UMF	Gift	University of Minnesota Duluth
Alan R. and Carolyn L. Ek	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
AM Retail Group Inc./Wilsons Leather	UMF	Gift	Intercollegiate Athletics
American Endowment Fdn.	UMF	Gift	College of Education and Human Development
Anonymous	UMF	Gift	College of Liberal Arts

**\$5,000 - \$10,000**

Anonymous	UMF	Gift	College of Veterinary Medicine
Anonymous Donor Advised Fund- InFaith Community Fdn.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Auke Tellegen	UMF	Gift	College of Liberal Arts
Bruker Biospin Corp.	UMF	Gift	Unrestricted
Dana R. Lonn	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
David E. Baudler	UMF	Pledge	Law School
Dryer Family Fdn.	UMF	Gift	Medical School
Fairview Health Services	UMF	Gift	Academic Health Center
Fiola Family Charitable Fund-Stablish Fdn.	UMF	Gift	Academic Health Center
Gardner Builders	UMF	Gift	College of Design
George Family Fdn.	UMF	Gift	Humphrey School of Public Affairs
Hinda B. Litman	UMF	Gift	Academic Health Center
Kaplan Strangis and Kaplan PA	UMF	Gift	Law School
Kohl's Corp.	UMF	Gift	Carlson School of Management
Land O'Lakes Inc.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Lee Heine	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Meredith A. Vey	UMF	Gift	College of Liberal Arts
Minneapolis Regional Labor Federation AFL-CIO	UMF	Gift	Humphrey School of Public Affairs
Minnesota Department of Agriculture	UMF	Gift	Carlson School of Management
Minnesota State Building and Construction Trades Council	UMF	Gift	Humphrey School of Public Affairs
Richard S. Goldman	UMF	Gift	Carlson School of Management
Sarah R. Winton	UMF	Gift	Weisman Art Museum
Schlumberger-Doll Research	UMF	Gift	College of Science and Engineering
Shirley I. Decker	UMF	Gift	College of Liberal Arts
The Eagle Trust	UMF	Gift	College of Veterinary Medicine
Thomas F. O'Grady	UMF	Gift	Intercollegiate Athletics
William F. Shean Jr.	UMF	Gift	Scholarships
Winthrop and Weinstine PA	UMF	Gift	Law School



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Board of Regents**

**October 9, 2015**

**AGENDA ITEM:** University Progress Card

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

*This is a report required by Board policy.*

**PRESENTERS:** President Eric W. Kaler  
Lincoln Kallsen, Director, Institutional Analysis

**PURPOSE & KEY POINTS**

The purpose of this agenda item is to discuss recommended changes and additions to the Board and University leadership ‘progress card’ and to approve a final version.

As envisioned, the progress card will:

1. Focus oversight on a limited number of strategically measurable goals (Gold measures) that establish an at-a-glance roadmap for the future. Provide insights into important trends (Maroon measures) that are a signal of institutional strength.
2. Inform and help align operational metrics and strategic plan implementation.
3. Be frequently referenced and updated annually.

	<b>Progress Card</b>	<b>Operational Metrics &amp; Strategic Plan Implementation</b>
<b>Purpose</b>	Focus is on governance and moving the organization forward. Limited number of strategic but measurable goals.	Focus is on implementing the strategic plan, including establishment of numerous operational metrics that will sustain strategic plan momentum over a long period.
<b>Measures</b>	Sets clear targets and measures that connect to establish a strategy roadmap for the future. Uses a mix of leading indicators (or performance drivers) and lagging indicators (or outcomes).	Tracks data points to assist management and articulate how the University community will know if implementation of the plan is having the desired impact. In some cases, may use small groups of proxy metrics since cultural change can be difficult to measure.

	<b>Progress Card</b>	<b>Operational Metrics &amp; Strategic Plan Implementation</b>
<b>Timeframe</b>	5- to 8-year goals; progress reviewed annually.	Establish 2014-15 baseline and track progress throughout the strategic plan horizon.

To effectively clarify the Board’s expectations and establish clear targets for measuring success, the progress card includes a limited number of focused measures.

Gold measures are defined by the following:

- Well-understood and agreed-upon data sources
- Ability to set a quantifiable goal for 2021
- Reasonable historic data and accuracy
- University can take actions to influence

Maroon measures are defined by the following:

- Directional goals, or goals may change
- May only need to be monitored
- May need to be developed/added/deleted
- University action alone does not significantly influence

## **BACKGROUND INFORMATION**

Beginning with a work session at its May 2015 meeting, the Board discussed a progress card framework to drive performance and support oversight. The discussion focused on answering a single question: “In what areas should the Board set specific aspirational goals?” This provided a platform to draft appropriate goals and measures in consultation with the administration at the Board’s retreat in July 2015. The administration subsequently clarified metrics and set ambitious goals. These metrics and goals were reviewed and discussed at the Board’s September 2015 meeting.

## **PRESIDENT’S RECOMMENDATION**

Based on the discussion with the Board its September meeting, the President recommends approval of the progress card with three modifications:

### **1. The addition of two maroon measures.**

- a. Inclusive success / Students of color with a favorable sense of belonging on campus.

Definition/Discussion: Percentage of undergraduate students of color responding agree or strongly agree to the statement “I feel that I belong at this campus.” Data is collected as part of the Student Experience in the Research University (SERU) survey, administered annually to all undergraduates on the Twin Cities campus. The University’s goal is to improve the campus climate and sense of campus belonging for all students. The goal for this measure would be to have the student of color favorable sense of belonging metric match the non-student of color response. The data source for this measure is the SERU survey.

- b. A measure that addresses serving Minnesota students. The recommendation is to include one of the following two approaches:

- i. Percent of Minnesota high school graduates enrolling at the University of Minnesota as freshmen.

Definition/Discussion: The percentage of all Minnesota public high school students receiving a diploma who enroll the following fall on a University of Minnesota campus. This measure is then sensitive to increases and decreases to the number of high school graduates over time, while still ensuring that the University is accountable for serving Minnesotans in the important area of undergraduate education. The goal for this measure is to maintain the historical access of Minnesota high school graduates to the University of Minnesota.

OR

- ii. Percent of Minnesota high school graduates that elect to attend college in Minnesota and enroll at the University of Minnesota as freshmen.

Definition/Discussion: This measure differs from the percent of Minnesota high school graduates attending the University of Minnesota only in that it restricts the analysis to those students electing to go to college and choosing to stay in Minnesota. About 40% of Minnesota high school graduates either elect to attend a post-secondary institution outside of Minnesota, or do not go to any college immediately after high school. Those high school graduates are not included in this metric. The goal for this measure is to maintain the historical access of Minnesota high school graduates to the University of Minnesota.

2. **Changing the measure “Twin Cities freshman average ACT” from maroon to gold, since it better matches the gold measure criteria.**
3. **Establishing a more robust goal for the gold measure “% participation employee engagement survey,” moving it from 68% to 72% by 2021.**

## Progress Card: Gold Measures

- Well understood and agreed upon data sources
- Able to set a quantifiable goal for 2021
- Reasonable historic data and accuracy
- University can take action to influence

Entering year		2007	2008	2009	2010	Goal/Year	
4-year graduation rate	Crookston	33.5%	35.5%	34.7%	42.5%	45%/2017 cohort	
	Duluth	32.9%	37.4%	37.5%	38.2%	45%/2017 cohort	
	Morris	51.7%	57.4%	53.2%	53.4%	60%/2017 cohort	
	Rochester	NA	NA	50.0%	50.0%	60%/2017 cohort	
	Twin Cities	54.5%	58.1%	59.1%	60.9%	65%/2017 cohort	
Entering year		2005	2006	2007	2008	Goal/Year	
6-year graduation rate	Crookston	52.2%	53.4%	46.6%	51.7%	60%/2015 cohort	
	Duluth	60.4%	59.6%	66.7%	65.5%	68%/2015 cohort	
	Morris	67.1%	64.2%	68.2%	73.5%	80%/2015 cohort	
	Rochester	NA	NA	NA	NA	60%/2015 cohort	
	Twin Cities	70.7%	73.2%	75.7%	78.7%	82%/2015 cohort	
Entering year		2007	2008	2009	2010	Goal/Year	
4 year graduation rates of Pell-eligible students (system)		35.8%	41.7%	41.9%	43.9%	54%/2017 cohort	
		2011-12	2012-13	2013-14	2014-15	Goal	
Twin Cities freshman average ACT		27.5	27.7	27.9	27.9	>28.0	
		2010-11	2011-12	2012-13	2013-14	Goal/Year	
Institutional gift aid		\$177M	\$209M	\$217M	\$224M	\$275M/2021	
		FY2010	FY2011	FY2012	FY2013	Goal/Year	
R&D expenditures		\$786M	\$847M	\$826M	\$858M	\$900M/2021	
		FY11	FY12	FY13	FY14	Goal/Year	
Medical School ranking		29	28	27	30	Top 20/2021	
		2008-09	2009-10	2010-11	2011-12	Goal/Year	
Faculty awards (N and Rank: Public Universities)		23 (16th)	34 (7th)	25 (10th)	33 (5th)	35+ (Top 10)	
				2013	2014	Goal/Year	
% Participation Employee Engagement Survey				57%	64%	72%/2021	
				FY2014	FY2015	FY2016	Goal/Year
Op Ex—continued progress on \$90M				\$18.8M	\$40.4M	\$57.8 M	\$90M/FY19

# Progress Card: Maroon Measures

DRAFT

- Directional goals, or goals may change
- May only need to be monitored
- May need to be developed/added/deleted
- University action alone does not significantly influence

Strategic Focus	Performance Drivers/Outcomes	2008	2009	2010	2011	Goal
Undergraduate Education	Twin Cities transfer student 3-year graduation rate	60.1%	57.1%	59.3%	62.5%	>65%
		2010-11	2011-12	2012-13	2013-14	Goal
Graduate Education	Graduate and professional degrees awarded	5309	5291	5242	5270	>5250
		2010-11	2011-12	2012-13	2013-14	Goal
Financial Accessibility	Median undergraduate debt at graduation –system	\$24,730	\$25,186	\$24,880	\$24,854	Grow no faster than CPI; Correct for federal/state policy changes
		2012	2013	2014	2015	Goal
Inclusive success	Students of color with a favorable sense of belonging on campus (SERU survey)	58.7%	59.2%	57.5%	57.3%	Match to non-SOC response (currently 71.5%)
		2011	2012	2013	2014	Goal
Serving Minnesota students	Percent of Minnesota high school graduates enrolling at the Uof M as freshmen	10%	10.1%	10.5%	10.6%	Maintain historical access
	OR	2011	2012	2013	2014	Goal
Serving Minnesota students	Percent of Minnesota high school graduates that elect to attend college in Minnesota and enroll at the U of M as freshmen	13.7%	13.9%	16.2%	16.7%	Maintain historical access
		2011-12	2012-13	2013-14	2014-15	Goal
Health Sciences	Enrollment in in-demand health science specialties (Nursing, Pharmacy, Dentistry)	2021	1988	2000	2051	>2,100
	The total combined fall enrollments in the Academic Health Center schools and the AHC Center for Allied Health	6176	6268	6292	6194	>6,350
		2010-11	2011-12	2012-13	2013-14	Goal
Research	National public research ranking	8	8	9	9	Maintain top 10
	MN-IP agreements	NA	14	41	51	10% annual growth
		2010-11	2011-12	2012-13	2013-14	Goal
Land Grant Mission	Public service expenditures	\$225M	\$245M	\$249M	\$253M	>\$245M
		2010-11	2011-12	2012-13	2013-14	Goal
Academic Excellence	Citations per faculty member	111	127	126	124	>125
			2000-05	2005-10	2015-15	Goal
	National scholarships awarded to students		31	52	75	>80 from 2015-2020
		FY11	FY12	FY13	FY14	Goal
Operational Excellence	Spending on leadership & oversight vs. mission and mission support (%)	NA	8.8%	8.6%	8.3%	Decrease over time
	GSF in poor or critical condition (facility condition assessment)	7.43M	7.33M	7.61M	7.78M	Decrease over time
	Sustainability–Metric tons of greenhouse gasses (2008 base level: 728,000)	NA	556,200	569,200	573,100	50% reduction from 2008 levels by 2021 (364,000)
	Credit rating	Aa1	Aa1	Aa1	Aa1	Maintain per Board policy
		2001-04	2002-05	2003-06	2004-07	Goal
Athletics	Graduation Success Rate (GSR)	79.8%	83.1%	83.8%	86.4%	Maintain recent gains

## PROGRESS CARD MEASURES DEFINITIONS

### GOLD MEASURES

**Measure:** 4- and 6-year graduation rates, by campus

**Definition/Discussion:** The percentage of first-time, full-time new entering freshmen that graduated within four or six years. The University counts as a successful completion a student that first enrolls at any U of M campus and graduates from any U of M campus in the given timeframe. (For federally reported measures, a student must begin and graduate from the same campus to be counted as a successful completion for that institution.)

The four-year graduation rates reported in 2021 will be based on the 2017 entering cohorts, while the six-year graduation rates in 2021 will be based on the 2015 entering cohorts (this year's cohorts). The Provost on the Twin Cities campus and Chancellors on the system campuses were asked to set reasonable stretch goals for their individual campuses given incoming student characteristics, availability of degree programs, and peer comparisons.

**Measure:** 4-year graduation rates of Pell-awarded students (system)

**Definition/Discussion:** The percentage of first-time, full-time new entering freshmen who received federal Pell grants their first year and graduated within four years.

This is a system-level measure of undergraduates at all campuses. Similar to overall 4-year graduation rates, this measure takes an incoming cohort of students receiving Pell grants and examines their graduation levels four years later. Ideally financial need would not be a barrier to graduation, yet we know that Pell eligibility can also correlate with other graduation risk factors such as being a first-generation student.

The ultimate goal for these students would be to bring their graduation rate up to that of the student body as a whole. Although this may be unrealistic in a shorter time frame, the proposed goal grows the graduation rate of Pell-awarded students at twice the rate of the proposed growth rate for the student body overall

**Measure:** Twin Cities entering freshman average ACT

**Definition/Discussion:** The composite score on the ACT for entering students. The ACT uses a 36-point scale on four multiple-choice testing areas: Math, English, Science, and Reading.

A long-time measure of the academic preparedness of the incoming class, the average score of the freshmen class has been rising steadily, from 24.8 in 2003 to 27.9 in 2014. However, given state demographics, natural limits, and the desire to meet multiple goals for the incoming class (including opportunity for students of color, students from diverse socio-economic backgrounds, and students across Minnesota), it is unlikely that the University will see or desire a significant increase in this measure in the near future.

The University is proposing a goal of exceeding an average ACT of 28.0 while continuing to monitor student access to a University education.

**Measure:** Institutional gift aid (system)

**Definition/Discussion:** The total amount of student gift aid provided by the University across all campuses. Gift aid includes Promise scholarships, admissions scholarships, collegiate and department scholarships, athletic scholarships, Regents scholarships, and graduate assistant tuition benefits. This measure does *not* include state or federal grants, student employment, or loans.

While there is no “correct” level of institutional gift aid, the University has a long standing commitment to making education as affordable as possible for our students, and increasing gift aid through fundraising and institutional resources is an important strategy in meeting that commitment. The goal represents a 3 percent annual increase in institutional gift aid through 2021.

**Measure:** R&D expenditures

**Definition/Discussion:** The total dollar amount of research and development expenditures defined and collected annually by the National Science Foundation through the Higher Education Research & Development Survey. All institutions receiving federal research funding are required to participate in the survey, and the data is comprehensive of all sources of R&D expenditures.

Though this measure includes the many sources of institutional R&D funding, the largest source continues to be federally sponsored funding. The federal investment in sponsored research projects has been flat for several years and is predicted to remain so for the foreseeable future. Despite this, the Office of the Vice President for Research has proposed a goal that would increase our R&D expenditures by nearly 5 percent over the next few years.

**Measure:** Medical School ranking

**Definition/Discussion:** An annual ranking based on the total amount of grants from the National Institute of Health to medical schools as analyzed by the Blue Ridge Institute for Medical Research.

Medical school rankings have traditionally been based on National Institute of Health (NIH) awards to U.S. medical schools in a given year. In 2014, the University of Minnesota’s medical school received nearly \$145 million in NIH awards, ranking it 30<sup>th</sup> in the country. As additional context, the University of California – San Francisco Medical Center was the top-ranked school in the country, with \$480 million in NIH awards. Minnesota was 4<sup>th</sup> in the Big 10, behind Michigan (12<sup>th</sup>), Northwestern (22<sup>nd</sup>), and Wisconsin (27<sup>th</sup>). The Mayo Clinic in Rochester was 19<sup>th</sup> in the country in 2014.

Senior Vice President and Dean of the Medical School Brooks Jackson has stated the desire to return to being a “Top 20” medical school. The 20<sup>th</sup> ranked school in 2014 was the Baylor College of Medicine with \$191 million of NIH awards, so this is an ambitious goal over a relatively short time period.

**Measure:** Faculty awards

**Definition/Discussion:** The number of prestigious national awards received by faculty in the arts, humanities, sciences, engineering, and health fields as measured annually by the Center for Measuring University Performance (MUP) at Arizona State University.

The MUP analyzes and ranks research universities in nine different areas, including the number of prestigious national faculty awards. The twenty-four awards included in their analysis are the Guggenheim Fellowships, MacArthur Foundation Fellowships, National Humanities Center Fellowships, and NSF CAREER awards.

This measure can be quite variable from year to year, but the University desires to maintain its place among the top 10 public research universities with regard to prestigious national awards. The ranking goal requires approximately 25-30 of these faculty awards annually, and the numeric goal of 35 or more faculty with annual awards aligns with our strategic emphasis on faculty excellence.

**Measure:** Participation in the employee engagement survey (system)

**Definition/Discussion:** The system-level survey response rate for faculty and staff on the annual Employee Engagement survey. Though employee engagement is a nebulous concept to attempt to measure at the all-University level, a private-sector standard is to measure participation in such a survey, such that local-level units can receive as much rich and comprehensive data as possible. The University proposes to measure faculty and staff participation in this survey.

Although employee survey participation is already high compared to other higher education institutions, the University proposes to increase participation by 2 percent with each administration of the survey.

**Measure:** Operational excellence

**Definition/Discussion:** The President has set as a goal a minimum of \$90M in cost savings over a six-year period (FY14-FY19). The cost savings are identified annually in the budget process, and must come from categories not directly related to mission activities of instruction, research, or public service.

The goal for this measure is \$90M by FY19.

## **MAROON MEASURES**

**Measure:** Twin Cities transfer student 3-year graduation rate

**Definition/Discussion:** The percentage of students who previously attended a postsecondary institution outside the University system and graduated within three years of transferring to the Twin Cities campus.

Though not generally reported on a nation-wide basis, the ability to graduate transfer students is an equally important and worthy goal to our traditional freshman graduation rate. There is, of course, more variability in these cohorts, with some students entering with 30 credits or less, while a few come in with as many as 90 credits. The 3-year graduation rate would be roughly approximate to the 5-year traditional rate, understanding the additional variability among these students. Much like goals for increasing the traditional 4- and 6-year rates, the University believes it should also increase these graduation rates.

The University is proposing a goal of exceeding a 65 percent graduation rate for transfer students.

**Measure:** Graduate and professional degrees awarded (system)

**Definition/Discussion:** The total number of master's, doctoral, and professional degrees awarded annually across the University.

The University is the primary generator of graduate and professional degree recipients for the State of Minnesota. The ongoing need for an educated workforce, both throughout the general population but also at the highest levels of education, requires the University to maintain our priorities in this area.

Graduate enrollments have predictably been falling as the economy has improved. However, the University has been opening new programs at the professional master's level, filling demand for new emerging areas in technology, business intelligence, international law, and other fields. The University will need new programs such as these to maintain current degree completions above 5,250 per year.

**Measure:** Median undergraduate debt at graduation (system)

**Definition/Discussion:** The median amount of student debt accumulated by undergraduates with student debt at the time of their graduation.

This measure can be heavily influenced by many factors, only some of which the University controls. Along with tuition and institutional aid policies, other factors that influence student debt include federal and state financial aid policies, program choice and time to degree, and student and parent behaviors and choices. Because this measure is relevant to all students in the U of MN system, we monitor this at the all-University level.

The University proposes a goal of limiting increases in the median amount of cumulative debt for undergraduates with debt to no greater than the consumer price index, with adjustments according to state and federal policy changes. Although a wide variety of factors will influence this measure, it is an important priority for the Board and administration to continue to monitor.

**Measure:** Students of color with a favorable sense of belonging on campus (SERU survey)

**Definition/Discussion:** Percentage of undergraduate students of color responding agree or strongly agree to the statement “I feel that I belong at this campus.” Data is collected as part of the Student Experience in the Research University (SERU) survey, administered annually to all undergraduates on the Twin Cities campus.

The University’s goal is to improve the campus climate and sense of campus belonging for all students. The goal for this measure would be to have the student of color favorable sense of belonging metric match the non-student of color response. The data source for this measure is the SERU survey.

**Measure:** Percent of Minnesota high school graduates enrolling at the University of Minnesota as freshmen

**Definition/Discussion:** The percentage of all Minnesota public high school students receiving a diploma who enroll the following fall on a University of Minnesota campus. This measure is then sensitive to increases and decreases to the number of high school graduates over time, while still ensuring that the University is accountable for serving Minnesotans in the important area of undergraduate education.

The goal for this measure is to maintain the historical access of Minnesota high school graduates to the University of Minnesota.

## OR

**Measure:** Percent of Minnesota high school graduates that elect to attend college in Minnesota and enroll at the University of Minnesota as freshmen

**Definition/Discussion:** This measure differs from the percent of Minnesota high school graduates attending the University of Minnesota only in that it restricts the analysis to those students electing to go to college and choosing to stay in Minnesota. About 40% of Minnesota high school graduates either elect to attend a post-secondary institution outside of Minnesota, or do not go to any college immediately after high school. Those high school graduates are not included in this metric.

The goal for this measure is to maintain the historical access of Minnesota high school graduates to the University of Minnesota.

**Measure:** Enrollment in health science specialties with shortages (Nursing, Pharmacy, Dentistry)

**Definition/Discussion:** The annual fall enrollments in health sciences fields identified by the Minnesota Department of Employment and Economic Development’s Labor Market Information Office as leading to Occupations in Demand in Minnesota.

The University has a crucial role in meeting the need for growing the health care workforce across the state. In particular, the University recognizes its ability to meet the needs for health care professionals in high demand throughout the state, and has prioritized enrollments at all educational levels in the fields of nursing, dentistry, and pharmacy.

The University proposes to increase enrollments to greater than 2,100 students in these fields.

**Measure:** Total enrollment in the AHC schools and Center for Allied Health

**Definition/Discussion:** The total combined fall enrollments in the Academic Health Center schools of Dentistry, Medicine, Nursing, Pharmacy, Public Health, and Veterinary Medicine, and the Center for Allied Health. This measure includes enrollments on the Twin Cities, Duluth, and Rochester campuses.

In keeping with the goals of the AHC's strategic plans and recommendations from the Governor's blue-ribbon committee on the medical school, expanding access to health education across the AHC is a key component in returning to national leadership in healthcare training, research, and care. In addition to the state-level demand for healthcare workers identified in the preceding measure, expanding enrollments across the AHC addresses the growing needs for doctors and other health professionals across a wide variety of in-demand specialties at the state and national levels.

The University proposes to increase enrollments to above 6,350 students, an increase of over 156 students.

**Measure:** National public research university ranking

**Definition/Discussion:** The annual ranking by the National Science Foundation of public higher education institutions according to total annual research and development expenditures.

Reported annually by the Vice President for Research, the public research university rankings are compiled from the Higher Education Research & Development Survey completed by all institutions receiving federal research funding. While the total R&D expenditures metric is our primary measure of research productivity, monitoring the ranking allows the administration and Board to evaluate the relative competitiveness of the University.

The University continues to be among the top 10 public institutions on this measure and should strive to stay at this high level understanding that there will be year-to-year variance.

**Measure:** Minnesota intellectual property agreements

**Definition/Discussion:** The total number of intellectual property agreements executed annually through the MN-IP Program.

Over the past few years the University has as a priority making it easier for business to partner with the University to transform discoveries into innovative solutions. MN-IP is designed to improve access to university-developed technology while reducing the risk and cost associated with licensing intellectual property (IP) and sponsoring research. Programs to both help create and license University IP have been developed, and increasing the number of agreements is an important policy direction.

With limited “trend” data for this emerging program, it is unclear what the optimal rate for increasing the annual number of MN-IP agreements should be. Thus, we suggest a goal of increasing agreements 10 percent year-over-year, with updated information provided by the Vice President for Research as it becomes available.

**Measure:** Public service expenditures (system)

**Definition/Discussion:** The University’s total annual expenditures on public service. The University records its mission-related expenditures into instruction, research, and public service categories.

There are no agreed-upon comprehensive measures of public service and outreach in higher education, in part because public service and outreach informs so much of what we do as a land-grant institution. The wide range of activities and expenditures included broadly under public service and outreach makes it difficult to identify a single measure of progress. While exploring and defining a more comprehensive measure, the University proposes to continue to monitor our overall expenditures.

The University has had a staunch commitment to public service and outreach as a core mission function and plans to keep its expenditures above \$245 million annually.

**Measure:** Average citations per faculty member

**Definition/Discussion:** The number of times a recent faculty publication is cited by scholars during a five-year period as measured by Academic Analytics, a data analytics source provider. The total number of citations is averaged across all faculty at the institution and pertains to works published within that same five-year period.

There are several different services for faculty citation counts, none of which are comprehensive. The University proposes to further discussion of this measure by using currently available data from Academic Analytics, a national leader in academic scholarship data and analytics, and exploring data options for use across campus, including by the libraries and the Faculty and Academic Affairs office.

The specific goal of maintaining an average citation count per faculty above 125 annually may be updated with different data sources, but the goal’s emphasis on faculty scholarship and excellence will continue.

**Measure:** National scholarship awards to students

**Definition/Discussion:** The number of prestigious national awards annually received by University undergraduates. The seven leading student awards included in this measure are the Beinecke, Churchill, Truman, Rhodes, Fulbright, Goldwater, and Astronaut awards.

These awards represent a wide variety of fields and expertise and are some of the most prestigious student awards in the world. Any given year can be quite variable in the number of awards our students apply for and receive; additionally, many of these leading awards have limitations based on location of the students’ institution or home residence.

For these reasons, we are proposing looking at the next five year block (2015-20) of awards, with an attempt to exceed the previous half decade. However, we will be able to give the Board annual updates on our progress on this measure.

**Measure:** Spending on leadership & oversight vs. mission and mission support

**Definition/Discussion:** The percentage of University expenditures on leadership and oversight as determined by the University's internal cost benchmarking study, which has divided all University expenditures into mission, mission-support, and leadership & oversight categories since 2012.

One purpose of this study is to ensure that the university continues to make investments in mission-related activities, while limiting new investment where possible in oversight and overhead. The University now has three years of data, and has shown the ability to contain leadership & administrative costs. However, monitoring levels vs. setting an actual target is probably prudent, as many variables go into this metric.

The University proposes to maintain and continue to try to decrease the percentage of spend on leadership & oversight, understanding that there is a natural floor for this percentage of expenditures.

**Measure:** University square feet considered in "poor" or "critical" condition

**Definition/Discussion:** The number of gross square feet of University facilities system wide rated through the Facilities Condition Assessment as being in "poor" or "critical" condition.

The University has for a number of years completed a comprehensive facility condition assessment (FCA) on many of its buildings. Beginning in 2013 this was extended to all buildings system wide with an enhanced methodology.

The University proposes a goal of tracking the total number of gross square feet considered either "poor" or "critical" by this methodology and decreasing the total square footage in these categories over time.

**Measure:** Sustainability – Metric tons of greenhouse gasses

**Definition/Discussion:** The number of metrics tons of greenhouse gasses produced annually across the University.

Board of Regents policy on Sustainability and Energy Efficiency directs campus operations to reduce emissions to the environment. In addition, the institution has committed to regular greenhouse gas inventories as part of the American College and University Presidents' Climate Commitment, and the Minnesota state legislature has also established emission reduction requirements for buildings constructed with state funds.

In 2008, when we first began measuring greenhouse gas emissions, the University set as a goal a 50 percent reduction in emissions (364,000 metric tons) by 2021.

**Measure:** University credit rating

**Definition/Discussion:** Moody's Investors Services routinely monitors the University's credit rating and takes into account several factors related to the University's overall financial health, student demand, financial statement analysis, state support, and analysis of the University's management strength. Moody's credit ratings range from a high of Aaa to C.

The University wishes to maintain its current credit rating per Board policy.

**Measure:** Athletics graduation success rate (GSR)

**Definition/Discussion:** The percentage of first-time, full-time undergraduates in Division I athletics who begin at the Twin Cities campus as freshmen or transfers, receive athletic aid their first year, and graduate within six years of their first term at any institution. The GSR excludes student athletes who leave the University in good academic standing with remaining athletic eligibility.

Though it functions much like a traditional graduation rate statistic, the GSR is a measure unique to intercollegiate athletics. The GSR holds colleges accountable for graduating those student athletes who transfer into the University and but also does not penalize an institution's graduation rate for student athletes that transfer or leave an institution with athletic eligibility and in good academic standing.

The University ranks very highly already in this measure and would like to maintain the significant gains of the past several years.

# University Progress Card

Eric W. Kaler, President  
Board of Regents  
October 9, 2015



UNIVERSITY OF MINNESOTA

**Driven to Discover<sup>SM</sup>**



## Purpose

- To focus oversight on a limited number of measurable goals and trends that indicate or drive excellence
- Provide roadmap for the future
- Inform and help align operational metrics and strategic plan implementation
- Focus is on governance and moving the organization forward
- Be frequently referenced and updated annually



# Recommended additions/changes

- Gold Measures
  - Establish a more robust goal for the gold measure “% participation employee engagement survey”, moving it from 68% to 72% by 2021
  - Move the current maroon measure “Twin Cities freshman average ACT” to a gold measure as it better matches the criteria of a gold measure



# Recommended additions/changes

- Maroon Measures
  - Add “Inclusive Success” measure -- students of color with a favorable sense of belonging on campus
  - Add “Serving Minnesota Students” measure. There are two approaches to this measure. The recommendation is to include one of the following two:
    - Percent of Minnesota high school graduates enrolling at the University of Minnesota as freshmen, OR
    - Percent of Minnesota high school graduates that elect to attend college in Minnesota and enroll at the University of Minnesota as freshmen

## Progress Card: Gold Measures

DRAFT

- Well understood and agreed upon data sources
- Reasonable historic data and accuracy
- Able to set a quantifiable goal for 2021
- University can take action to influence

<b>Entering year</b>		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Goal/Year</b>
4-year graduation rate	Crookston	33.5%	35.5%	34.7%	42.5%	45%/2017 cohort
	Duluth	32.9%	37.4%	37.5%	38.2%	45%/2017 cohort
	Morris	51.7%	57.4%	53.2%	53.4%	60%/2017 cohort
	Rochester	NA	NA	50.0%	50.0%	60%/2017 cohort
	Twin Cities	54.5%	58.1%	59.1%	60.9%	65%/2017 cohort
<b>Entering year</b>		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Goal/Year</b>
6-year graduation rate	Crookston	52.2%	53.4%	46.6%	51.7%	60%/2015 cohort
	Duluth	60.4%	59.6%	66.7%	65.5%	68%/2015 cohort
	Morris	67.1%	64.2%	68.2%	73.5%	80%/2015 cohort
	Rochester	NA	NA	NA	NA	60%/2015 cohort
	Twin Cities	70.7%	73.2%	75.7%	78.7%	82%/2015 cohort
<b>Entering year</b>		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Goal/Year</b>
4 year graduation rates of Pell-eligible students (system)		35.8%	41.7%	41.9%	43.9%	54%/2017 cohort
		<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Goal</b>
Twin Cities freshman average ACT		27.5	27.7	27.9	27.9	>28.0
		<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>Goal/Year</b>
Institutional gift aid		\$177M	\$209M	\$217M	\$224M	\$275M/2021
		<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>Goal/Year</b>
R&D expenditures		\$786M	\$847M	\$826M	\$858M	\$900M/2021
		<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>Goal/Year</b>
Medical School ranking		29	28	27	30	Top 20/2021
		<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>Goal/Year</b>
Faculty awards (N and Rank: Public Universities)		23 (16th)	34 (7th)	25 (10th)	33 (5th)	35+ (Top 10)
				<b>2013</b>	<b>2014</b>	<b>Goal/Year</b>
% Participation Employee Engagement Survey				57%	64%	72%/2021
			<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Goal/Year</b>
Op Ex—continued progress on \$90M			\$18.8M	\$40.4M	\$57.8 M	\$90M/FY19

## Progress Card: Maroon Measures

- Directional goals, or goals may change
- May only need to be monitored

- May need to be developed/added/deleted
- University action alone does not significantly influence

Strategic Focus	Performance Drivers/Outcomes	2008	2009	2010	2011	Goal
Undergraduate Education	Twin Cities transfer student 3-year graduation rate	60.1%	57.1%	59.3%	62.3%	+65%
		2010-11	2011-12	2012-13	2013-14	Goal
Graduate Education	Graduate and professional degrees awarded	5309	5291	5242	5270	+5250
		2010-11	2011-12	2012-13	2013-14	Goal
Financial Accessibility	Median undergraduate debt at graduation—system	\$24,730	\$25,156	\$24,850	\$24,854	Grow no faster than CPI; Correct for federal/state policy changes
		2012	2013	2014	2015	Goal
Inclusive success	Students of color with a favorable sense of belonging on campus (SERU survey)	58.7%	59.2%	57.5%	57.3%	Match to non-SOC responses (currently 71.5%)
		2011	2012	2013	2014	Goal
Serving Minnesota students	Percent of Minnesota high school graduates enrolling at the UofM as freshmen	10%	10.1%	10.5%	10.6%	Maintain historical access
		2011	2012	2013	2014	Goal
Serving Minnesota students	Percent of Minnesota high school graduates that elect to attend college in Minnesota and enroll at the U of M as freshmen	13.7%	13.9%	16.2%	16.7%	Maintain historical access
		2011-12	2012-13	2013-14	2014-15	Goal
Health Sciences	Enrollment in in-demand health science specialties (Nursing, Pharmacy, Dentistry)	2021	1985	2000	2051	+3,100
		6176	6268	6292	6194	+6,350
Research	National public research ranking	8	8	9	9	Maintain top 10
		NA	14	41	51	10% annual growth
Land Grant Mission	Public service expenditures	\$325M	\$245M	\$249M	\$253M	+\$245M
		2010-11	2011-12	2012-13	2013-14	Goal
Academic Excellence	Citations per faculty member	111	127	126	124	+125
		2000-05	2005-10	2010-15	2015-18	Goal
Operational Excellence	National scholarships awarded to students	31	52	75		+80 from 2015-2020
		FY11	FY12	FY13	FY14	Goal
Operational Excellence	Spending on leadership & oversight vs. mission and mission support (%)	NA	8.5%	8.6%	8.3%	Decrease over time
		7.43M	7.33M	7.61M	7.78M	Decrease over time
Operational Excellence	Sustainability—Metric tons of greenhouse gasses (2008 base level: 728,000)	NA	556,200	569,200	573,100	50% reduction from 2008 levels by 2021 (\$64,000)
		Aa1	Aa1	Aa1	Aa1	Maintain per Board policy
Athletics	Graduation Success Rate (GSR)	79.8%	83.1%	83.8%	86.4%	Maintain recent gains
		2001-04	2002-05	2003-06	2004-07	Goal



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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Board of Regents**

**October 9, 2015**

**AGENDA ITEM:** President’s Recommended 2015 Six-Year Capital Plan

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

*This is a report required by Board policy.*

**PRESENTERS:** President Eric W. Kaler  
Pamela Wheelock, Vice President, University Services  
Richard Pfutzenreuter, Vice President and Chief Financial Officer

## **PURPOSE & KEY POINTS**

The President’s recommended Six-Year Capital Plan (Capital Plan) includes major capital improvements planned for years 2016 through 2021. The Capital Plan includes projects to be funded with state capital support as well as projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships.

Year 1 of the plan (2016) outlines the projects that the University will be submitting to the state of Minnesota for consideration during the 2016 legislative session.

## **BACKGROUND INFORMATION**

Board of Regents Policy: *Board Operations and Agenda Guidelines* directs the administration to conduct capital planning with a “six-year time horizon, updated annually.” The Capital Plan sets priorities and direction for ongoing academic and capital planning efforts.

In September 2015, the Board reviewed the 2015 Six Year Capital Plan.

## **PRESIDENT’S RECOMMENDATION**

The President recommends that the Board approve the Six-Year Capital Plan for fiscal years 2016-2021.



## REGENTS OF THE UNIVERSITY OF MINNESOTA

### RESOLUTION RELATED TO

### THE UNIVERSITY'S SIX-YEAR CAPITAL PLAN

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

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

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

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

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

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

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

### **Overview**

The *2015 Six-Year Capital Plan* for the University of Minnesota establishes the University's capital requests to be submitted to the State for consideration; sets priorities and direction for continued capital project and academic planning efforts; identifies the impact of additional University debt; assigns responsibility for capital fundraising; and forecasts additional building operational costs. The plan is updated on an annual basis, and approved by the Board of Regents.

The President's recommended *2015 Six-Year Capital Plan* includes:

- 2016 state capital request
- Future state capital requests for 2017 through 2021
- Major projects scheduled to be financed with University resources during the period FY2016 through FY2021

### **Capital Process Leadership**

The development of the University's overall capital improvements plan is guided by the Capital Strategy Group (CSG) convened by the Vice President University Services. The CSG includes:

- Senior Vice President for Academic Affairs and Provost
- Vice President, Health Sciences and Medical School Dean
- Vice President, Research
- Vice President, University Services
- Vice President and Chief Financial Officer
- Special Assistant to the President, Government and Community Relations (ex officio)

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

The role of this group is to provide overall leadership and strategy development for institutional capital issues, including:

- Establishing strategic capital goals for the institution
- Integrating academic planning with physical and financial planning
- Prioritizing competing requests for capital funding
- Reviewing the financial parameters of the overall capital plan
- Developing a six-year capital plan recommendation to the President
- Establishing capital and space allocation policies (under development)

The routine management of capital process and project issues is addressed by the Capital Oversight Group (COG) which includes the Senior Vice President for Academic Affairs and Provost, Vice President for University Services, and the Vice President and Chief Financial Officer. This group is charged with coordinating routine activities associated with the University's capital planning, capital budget approvals, financing, communications, and construction activities.

## Planning Process

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

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

- *Financial parameters* - The University reviews state economic forecasts, Minnesota Management and Budget debt capacity estimates and financial reports, past trends, and budget instruction documents to help shape the size of the overall capital plan relative to the State bonding bill. The University also projects its debt capacity annually and builds the capital plan in adherence to the debt guidelines expressed in Board of Regents policy. Lastly, the University evaluates its capacity to fundraise for specific projects.
- *Timing and sequencing of projects* – Many capital projects depend upon other capital project “dominoes.” For example, Pillsbury Hall, a future home for College of Liberal Arts programs, cannot be renovated until Earth Sciences are moved out of the building and into a renovated Tate Lab, which in turn had to wait until Physics and Nanotechnology was completed.
- *Impact on academic programs (both research and instructional)* – The University manages the level of disruption that can be absorbed while still maintaining the operation of its research and teaching. Because the University does not close, renovations require “swing space” for programs to continue to operate and the institution needs to maintain a level of functional classrooms.
- *Health, safety, and regulatory requirements* – The University needs to maintain the health and safety of all its students, faculty, and staff, regardless of the program. These issues require some projects to be included in the capital plan.
- *Geographic Distribution* – The University is a system with programs and facilities across the State of Minnesota. Plans reflect the need to balance investment across the institution.

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

The capital improvement plan is built around four primary stages of project development, including a) Proposal/Project Definition; b) Planning and Feasibility; c) Resource Acquisition; and d) Implementation (Design and Construction). Projects included in the Six-Year Capital Plan are eligible to begin predesign, an exploratory process rooted in design and cost estimating that results in physical solutions to space and facility problems. Projects in the Six-Year Capital Plan that require State funding are submitted to the State for consideration during the bonding process. Projects are eligible to begin fundraising once the predesign process is substantially complete.

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

### **Project Costs**

Project costs included in the Six-Year Capital Plan are order-of-magnitude estimates only because programming and predesign studies for each project have not been completed. Projections are based on square foot costs recently experienced with comparable building and space types at the University, applied to the estimated square footage of each project. Project costs are represented in 2015 dollars; the 2016 projects have been escalated to midpoint of construction as required for submission to the State as part of the University's capital request. Beyond the 2016 year, cost escalation for inflation has not been included because of the uncertainty of construction inflation. When programming is completed and predesign studies are prepared for projects at the appropriate time, based on their position within the Six-Year Capital Plan, more accurate cost figures will be inserted into the plan when it is updated annually.

### **Areas of Focus for the 2015 Six-Year Capital Plan**

The 2015 Six-Year Capital Plan is largely a continuation of previously expressed priorities updated to reflect the outcome of the 2015 capital request to the State.

The 2015 Six-Year Capital Plan was designed to further the following objectives:

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

The University completed a strategic plan for the Twin Cities campus since the adoption of the 2014 Six-Year Plan. The plan articulated a new, inspirational vision: “[to] be preeminent in solving the grand challenges of a diverse and changing world.” In pursuit of this vision, the University will:

- Leverage its breadth and depth to capitalize on its exceptional students, faculty, staff, and location to generate and disseminate new knowledge and insights

- Create an educated populace able to identify, understand, and solve demanding problems
- Leverage divergent paths of knowledge and creativity to address grand challenges
- Partner with communities and the people of the State of Minnesota to benefit the common good

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

- *Goal 1 - Build an exceptional University where grand societal challenges are addressed.*
- *Goal 2 - Support excellence and, with intention, reject complacency.*
- *Goal 3 - Establish a culture of reciprocal engagement, capitalizing on our unique location.*
- *Goal 4 - Aggressively recruit, retain, and promote field shaping researchers and teachers.*

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

Four key initiatives designed to advance strategic plan goals are embedded in the updates to the Six-Year Capital Plan.

- Removal of buildings rated as *Critical* by the Facility Condition Assessment (FCA) - Currently, about one third of the buildings (7.7 million square feet) on the Twin Cities campus alone are rated critical or poor in the FCA. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is in conflict with our goal of being an “exceptional University”. This plan puts a strong emphasis on fixing or replacing some of our worst buildings. Higher Education Asset Preservation and Replacement (HEAPR) funding remains at the core of this strategy. Proposed investments involving Pillsbury, Child Development, Mayo Building, Biological Sciences Greenhouse, and several yet to be selected critical facilities are all designed to advance this strategic goal.

A key component of the University’s broader capital investment planning and HEAPR prioritization processes is the development of a building-by-building strategy. Under this initiative, Facilities Management is working to identify needs in each of the University’s 916 buildings, and to classify them as “keep up / catch up”, “sustain”, or “dispose” based on a combination of factors including facility condition, historic consideration, programmatic relevance, and adaptability. With this information, the University and its colleges and departments can plan investments and prioritize projects accordingly. The effort is nearly complete for supported buildings on the Twin Cities campus, and will be expanded to system campuses at a future date.

- Advancing the Health Sciences – This plan proposes three large investments in improving the educational and clinical research spaces for the Medical School and the other colleges of the Academic Health Center (AHC). Phase I and II involve renovation and improved utilization of existing space in the AHC plus some new construction for an integrated Health Sciences Education Facility and the construction of a new Clinical

Sciences Facility envisioned in the \$10 million of funding provided to the University by the State as an outcome of the 2015 session. A proposed Phase III would seek modern replacement space for programs currently housed in the Mayo Building, a complex of individual former hospital buildings constructed between 1920 and 1950 that are well past their useful life. The goal of this sequence of projects is to make significant progress towards the University's goal of decommissioning the Mayo Building while advancing the quality and capability of the University's health science programs in education, research, and clinical care.

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

The State provided funding to replace the Veterinary Isolation Facility in the 2015 session. The University is again requesting funds in 2016 to replace the obsolete and FCA critical Biological Sciences Greenhouse. Additional requests for FCA critical facility replacement and renovation projects are included in 2018 and 2020.

- Expanding capacity in STEM programs – Student demand for Science, Technology Engineering, and Math (STEM) programs as well as State performance measures related to STEM degrees has increased the need for additional laboratory facilities. Chemistry is a core component of most STEM programs and an inadequate supply of chemistry labs is restricting the University's ability to meet demand and move students through the necessary course sequences. The University received design funding for the UMD Chemistry and Advance Materials Science building in 2014 and has included the balance of the project on the 2016 Capital Request. The Plant Growth Research Facility and Academic and Student Experience Investment program in the 2016 Capital Request make investments in STEM related teaching and research laboratories on the UMC and UMTC campuses. The Six-Year Capital Plan also includes funding on the Twin Cities Campus for an Undergraduate Teaching Laboratory Facility (2018) and a Chemistry Research Facility (2020).

### **Project Descriptions**

Project descriptions can be found in Attachment 3.

The Six-Year Capital Plan (Attachment 2) also contains a list of *Other Projects Under Consideration*. These facility needs were identified through the Six-Year Capital Planning process as important investments based on collegiate and administrative unit priorities. The potential projects identified on the list are not sufficiently developed in terms of their

programmatic scope, funding or cost to be placed into a specific year of the plan, however they are expected to further refine their planning over the near term and the Board of Regents should expect further discussion or proposal(s) advancing to them for consideration.

2015 Six Year Capital Plan  
Project Description Report

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

### **Definitions**

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

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

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

### **Project Costs**

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

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

### 398 HEAPR

*Vice President:* Systemwide

*Campus:* Systemwide

*Facility:* Systemwide

*Total Cost:* \$100,000

*Description:* This request is for funds used system-wide to maximize and extend the life of the University's existing physical plant. Individual projects will fall into one of four broad categories – Health and Safety, Building Systems, Energy Efficiency, and Utility Infrastructure. The system-wide HEAPR advisory committee makes recommendations on individual projects to the Vice President for University Services using data from the Facility Condition Assessment and Building Code Deficiency Report. HEAPR funds do not require a one-third University funding match. Funding for the HEAPR program is included each year in the legislative request.

*RRC:* Systemwide

*RRC Contact:* Wheelock, P.

*Year:* 2016

*Stage:* Resource Acquisition

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### 403 St. Paul Interdisciplinary Laboratory

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* New Facility

*Total Cost:* \$46,000

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

*RRC:* Academic Affairs

*RRC Contact:* Hanson, K.

*Year:* 2018

*Stage:* Planning & Feasibility

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### 408 AHC Phase I: Health Science Education Facility

*Vice President:* Health Sciences

*Campus:* UMTC

*Facility:* Academic Health Center

*Total Cost:* \$100,000

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

*RRC:* Health Sciences

*RRC Contact:* Jackson, B.

*Year:* 2016

*Stage:* Resource Acquisition

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

### 410 Chemistry and Advance Materials Science

*Vice President:* Duluth Campus

*Campus:* UMD

*Facility:* New Facility

*Total Cost:* \$40,750

*Description:* This project will construct approximately 51,000 square feet of research laboratories, instructional laboratories, teaching space, offices, and meeting space for the Swenson College of Science and Engineering on the Duluth Campus. The building is conceived as three stories with a mechanical and electrical penthouse. The research laboratory space, consisting of flexible wet and dry labs with adequate utilities, environmental controls and modern safety accommodations, will serve the needs of evolving research and teaching pedagogy. This project was included in the 2014 capital request and received funding for predesign and design services.

*RRC:* Swenson College of Science and Engineering

*RRC Contact:* Black, L.

*Year:* 2016

*Stage:* Resource Acquisition

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### 411 Pillsbury Hall Renovation

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* Pillsbury Hall

*Total Cost:* \$33,000

*Description:* This project will completely renovate Pillsbury Hall, replacing obsolete science facilities with modern, flexible non-laboratory teaching, learning, and research spaces for College of Liberal Arts' humanities programs including the Department of English (which teaches nearly 6,000 students per year). The renovated space is anticipated to be divided approximately equally between classroom- and assembly-type space to support multiple modes of learning and alternative workplace office space. At nearly 60,000 gross square feet, the renovation is expected to maintain an equivalent amount of space when complete. The rehabilitation of Pillsbury Hall is expected to be consistent with the Secretary of the Interior's Standards for Preservation.

*RRC:* College of Liberal Arts

*RRC Contact:* Hanson, K.

*Year:* 2016

*Stage:* Resource Acquisition

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### 414 Academic Priority

*Vice President:* Rochester Campus

*Campus:* UMR

*Facility:* New Facility

*Total Cost:* \$45,000

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

*RRC:* Academic Affairs

*RRC Contact:* Lehmkuhle, S.

*Year:* 2020

*Stage:* Proposal

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

### 415 Contemporary Learning and Collections

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* TC Campus

*Total Cost:* \$40,000

*Description:* This project will address the collections needs of multiple colleges and the University Libraries by providing space for storage, preservation, regeneration, and characterization of essential resources that support research across the University system. Project planning will include an analysis of options to reconfigure stack space into areas that will engage faculty and students and support contemporary learning and scholarship.

*RRC:* Academic Affairs

*RRC Contact:* Hanson, K.

*Year:* 2017

*Stage:* Planning & Feasibility

---

### 418 Superblock Dining Replacement

*Vice President:* University Services

*Campus:* UMTC

*Facility:* New Facility

*Total Cost:* \$0

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

*RRC:* Housing & Residential Life

*RRC Contact:* Scheich, L.

*Year:* Under Consideration / Evaluation

*Stage:* Proposal

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### 425 Washington Ave Bridge and Plaza

*Vice President:* University Services

*Campus:* UMTC

*Facility:* Washington Avenue Bridge

*Total Cost:* \$0

*Description:* This project will restore or replace the Washington Avenue Bridge pedestrian enclosure and address circulation, sightlines, aesthetics and functionality of the Washington Avenue Bridge plaza area as a gathering place and event space.

*RRC:* Facilities Management

*RRC Contact:* Berthelsen, M.

*Year:* Under Consideration / Evaluation

*Stage:* Proposal

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

### 441 AHC Phase II: Clinical Science Facility

*Vice President:* Health Sciences

*Campus:* UMTC

*Facility:* Academic Health Center

*Total Cost:* \$100,000

*Description:* The Clinical Science Facility is the second of a three phased investment strategy in Academic Health Center facilities as defined by the 2015 Six Year Capital Plan. The facility will be designed to support clinical research and education that promotes new innovative models of care which are patient-centered, team-based, and which facilitate collaboration across the health professions. Specific program requirements and facility needs will be determined during strategic and predesign planning for the Academic Health Center in 2016-2017.

*RRC:* Health Sciences

*RRC Contact:* Jackson, B.

*Year:* 2018

*Stage:* Planning & Feasibility

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### 447 Plant Growth Research Facility

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* Plant Growth Facilities-West

*Total Cost:* \$6,600

*Description:* This project will provide a new 12,000 square foot greenhouse to the Plant Growth Facilities for the Biological Sciences Conservatory to replace and demolish the existing Biological Sciences Greenhouse on the St. Paul campus. The new greenhouse will be built similar to the neighboring structures, but will include aspects specific to the plant collection requirements. While the existing Plant Growth Facilities are set up for agricultural experimentation, the new greenhouse will be a specialized unit that serves the related educational missions necessary to ensure the State's agricultural future. Upon completion, plant specimens and program activities currently housed in the existing Biological Sciences Greenhouse will be moved to the new facility and the old greenhouse will be demolished.

*RRC:* Academic Affairs

*RRC Contact:* Hanson, K.

*Year:* 2016

*Stage:* Resource Acquisition

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### 448 10 Church Street SE Repurposing

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* 10 Church Street SE

*Total Cost:* \$39,000

*Description:* 10 Church Street is an FCA critical facility in a high visible and prominent public location. Following the completion of the new Bell Museum on the St. Paul campus, this project will renovate the existing facility to support the academic mission of the University.

*RRC:* Academic Affairs

*RRC Contact:* Hanson, K.

*Year:* 2019

*Stage:* Proposal

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

### 449 TBD

*Vice President:* Systemwide

*Campus:* Systemwide

*Facility:* Systemwide

*Total Cost:* \$36,000

*Description:* This project will support strategic investments in programmatic needs in multiple facilities that are not suitable candidates for whole building renovations. Investments will be advanced that are focused on learning spaces and student support services. This project will be a continuation of the proposed Strategic Facility Investments for the 2016 bonding bill.

*RRC:* Systemwide

*RRC Contact:* Multiple

*Year:* 2017

*Stage:* Planning & Feasibility

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### 451 Undergraduate Teaching Laboratory Facility

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* New Facility

*Total Cost:* \$42,000

*Description:* This project will provide state-of-the-art, energy efficient teaching laboratories, student collaboration spaces, and classrooms for teaching undergraduate chemistry laboratory courses. The new laboratories will replace and improve upon outdated facilities currently spread throughout multiple locations (including faculty research laboratories) in Smith and Kolthoff Halls. Adequate laboratory space is a limiting factor in the University's ability to meet the demand for STEM related programs.

*RRC:* Academic Affairs

*RRC Contact:* Hanson, K.

*Year:* 2018

*Stage:* Planning & Feasibility

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### 452 Research and Outreach Center Investments

*Vice President:* Systemwide

*Campus:* ROCs & Stations

*Facility:* Systemwide

*Total Cost:* \$6,000

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

*RRC:* Systemwide

*RRC Contact:* Buhr, B.

*Year:* 2018

*Stage:* Planning & Feasibility

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

### 454 AHC Phase III: Mayo

*Vice President:* Health Sciences

*Campus:* UMTC

*Facility:* Academic Health Center

*Total Cost:* \$90,000

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

*RRC:* Health Sciences

*RRC Contact:* Jackson, B.

*Year:* 2020

*Stage:* Proposal

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### 455 Child Development Replacement

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* New Facility

*Total Cost:* \$21,000

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

*RRC:* College of Education and Human Development

*RRC Contact:* Quam, J.

*Year:* 2018

*Stage:* Planning & Feasibility

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### 456 Chemistry Research Laboratory Investment

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* TC Campus

*Total Cost:* \$30,000

*Description:* This project will renovate the antiquated teaching labs in Smith and Kolthoff Halls to state-of-the-art energy efficient research space needed for new faculty in the chemistry department. The project will improve lab bench, equipment and research support spaces and create opportunity for more specialized research experimentation. It will accommodate a greater number of faculty and graduate assistants needed to support the growing undergraduate enrollment in Chemistry.

*RRC:* College of Science and Engineering

*RRC Contact:* Crouch, S.

*Year:* 2020

*Stage:* Proposal

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

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### 457 St. Paul Critical Building Renovation

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* TC Campus

*Total Cost:* \$50,000

*Description:* This project will renovate a facility in critical condition on the St. Paul campus.

*RRC:* College of Food, Agricultural and Natural Resource Sciences

*RRC Contact:* Buhr, B.

*Year:* 2020

*Stage:* Proposal

---

### 459 Pioneer Hall Renovation or Replacement

*Vice President:* University Services

*Campus:* UMTC

*Facility:* TC Campus

*Total Cost:* \$0

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

*RRC:* Housing & Residential Life

*RRC Contact:* Scheich, L.

*Year:* Under Consideration / Evaluation

*Stage:* Proposal

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### 461 Admissions Welcome Center

*Vice President:* Academic Affairs

*Campus:* UMTC

*Facility:* TC Campus

*Total Cost:* \$0

*Description:* This project will explore options for consolidating freshman, transfer and international student admissions into a single more publicly accessible location.

*RRC:* Academic Affairs

*RRC Contact:* Hanson, K.

*Year:* Under Consideration / Evaluation

*Stage:* Proposal

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Description Report

### 466 Academic and Student Experience Investments

*Vice President:* Systemwide

*Campus:* Systemwide

*Facility:* Systemwide

*Total Cost:* \$24,000

*Description:* This request is for funds to make targeted strategic investments in modernizing existing teaching, research, outreach and student support spaces on the University's Duluth, Morris, Crookston and Twin Cities campuses. Similar to appropriations for laboratory renovations in 2008 and 2010, this request is intended to update individual spaces that will not otherwise be improved through whole building renovations. Funds will be allocated to each campus to advance high priority projects focused on learning spaces, student support services and research laboratories.

*RRC:* Systemwide

*RRC Contact:* Multiple

*Year:* 2016

*Stage:* Resource Acquisition

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### 468 Critical Facilities Renewal

*Vice President:* Systemwide

*Campus:* UMTC

*Facility:* Systemwide

*Total Cost:* \$45,000

*Description:* This project will be defined in a future plan when the status of previous legislative funding requests are known. The project will be selected to address a critical FCA condition facility. Currently, about one third of the buildings (7.7 million square feet) on the Twin Cities campus alone are rated critical or poor in the FCA. Still, students study and live in those buildings, staff works in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an "exceptional University".

*RRC:* Systemwide

*RRC Contact:*

*Year:* 2019

*Stage:* Proposal

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### 470 TBD

*Vice President:* Systemwide

*Campus:* Systemwide

*Facility:* System Campuses

*Total Cost:* \$45,000

*Description:* This project will be defined in a future plan when the status of previous legislative funding requests are known.

*RRC:* Systemwide

*RRC Contact:* Multiple

*Year:* 2021

*Stage:* Proposal

2015 Six Year Capital Plan  
Project Funding Report

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Funding Report

### **Definitions**

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

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

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

### **Project Costs**

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

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Funding Report

**2016**

Stage: Resource Acquisition

### State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
398	HEAPR	Systemwide	\$100,000	\$100,000	\$0
410	Chemistry and Advance Materials Science	UMD	\$40,750	\$27,167	\$13,583
408	AHC Phase I: Health Science Education Facility	UMTC	\$100,000	\$66,667	\$33,333
447	Plant Growth Research Facility	UMTC	\$6,600	\$4,400	\$2,200
466	Academic and Student Experience Investments	Systemwide	\$24,000	\$16,000	\$8,000
411	Pillsbury Hall Renovation	UMTC	\$33,000	\$22,000	\$11,000
			\$304,350	\$236,234	\$68,116
FY Total:			\$304,350	\$236,234	\$68,116
Running Total:			\$304,350	\$236,234	\$68,116

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Funding Report

2017

Stage: Planning & Feasibility

### State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
401	HEAPR	Systemwide	\$50,000	\$50,000	\$0
415	Contemporary Learning and Collections	UMTC	\$40,000	\$26,700	\$13,300
449	TBD	Systemwide	\$36,000	\$24,000	\$12,000
			\$126,000	\$100,700	\$25,300
		FY Total:	\$126,000	\$100,700	\$25,300
		Running Total:	\$430,350	\$336,934	\$93,416

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Funding Report

**2018**

Stage: **Planning & Feasibility**

### State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
399	HEAPR	Systemwide	\$100,000	\$100,000	\$0
403	St. Paul Interdisciplinary Laboratory	UMTC	\$46,000	\$30,667	\$15,333
441	AHC Phase II: Clinical Science Facility	UMTC	\$100,000	\$66,667	\$33,333
455	Child Development Replacement	UMTC	\$21,000	\$14,000	\$7,000
452	Research and Outreach Center Investments	ROCs & Stations	\$6,000	\$4,000	\$2,000
451	Undergraduate Teaching Laboratory Facility	UMTC	\$42,000	\$28,000	\$14,000
			\$315,000	\$243,334	\$71,666
FY Total:			\$315,000	\$243,334	\$71,666
Running Total:			\$745,350	\$580,268	\$165,082

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Funding Report

**2019**

Stage: Proposal

### State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
402	HEAPR	Systemwide	\$50,000	\$50,000	\$0
448	10 Church Street SE Repurposing	UMTC	\$39,000	\$26,000	\$13,000
468	Critical Facilities Renewal	UMTC	\$45,000	\$30,000	\$15,000
			\$134,000	\$106,000	\$28,000
		FY Total:	\$134,000	\$106,000	\$28,000
		Running Total:	\$879,350	\$686,268	\$193,082

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Funding Report

**2020**

Stage: Proposal

### State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
446	HEAPR	Systemwide	\$100,000	\$100,000	\$0
414	Academic Priority	UMR	\$45,000	\$30,000	\$15,000
454	AHC Phase III: Mayo	UMTC	\$90,000	\$60,000	\$30,000
456	Chemistry Research Laboratory Investment	UMTC	\$30,000	\$20,000	\$10,000
457	St. Paul Critical Building Renovation	UMTC	\$50,000	\$33,300	\$16,700
			\$315,000	\$243,300	\$71,700
		FY Total:	\$315,000	\$243,300	\$71,700
		Running Total:	\$1,194,350	\$929,568	\$264,782

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Funding Report

**2021**

Stage: Proposal

### State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
467	HEAPR	Systemwide	\$50,000	\$50,000	\$0
470	TBD	Systemwide	\$45,000	\$30,000	\$15,000
			\$95,000	\$80,000	\$15,000
		FY Total:	\$95,000	\$80,000	\$15,000
		Running Total:	\$1,289,350	\$1,009,568	\$279,782

# UNIVERSITY OF MINNESOTA

## 2015 Six Year Capital Plan - Project Funding Report

### *Under Consideration / Evaluation*

Stage: Proposal

#### University Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
461	Admissions Welcome Center	UMTC	\$0	\$0	\$0
459	Pioneer Hall Renovation or Replacement	UMTC	\$0	\$0	\$0
418	Superblock Dining Replacement	UMTC	\$0	\$0	\$0
425	Washington Ave Bridge and Plaza	UMTC	\$0	\$0	\$0
			\$0	\$0	\$0
		FY Total:	\$0	\$0	\$0
		Running Total:	\$1,289,350	\$1,009,568	\$279,782

# 2015 Six Year Capital Plan

Board of Regents  
October 9, 2015



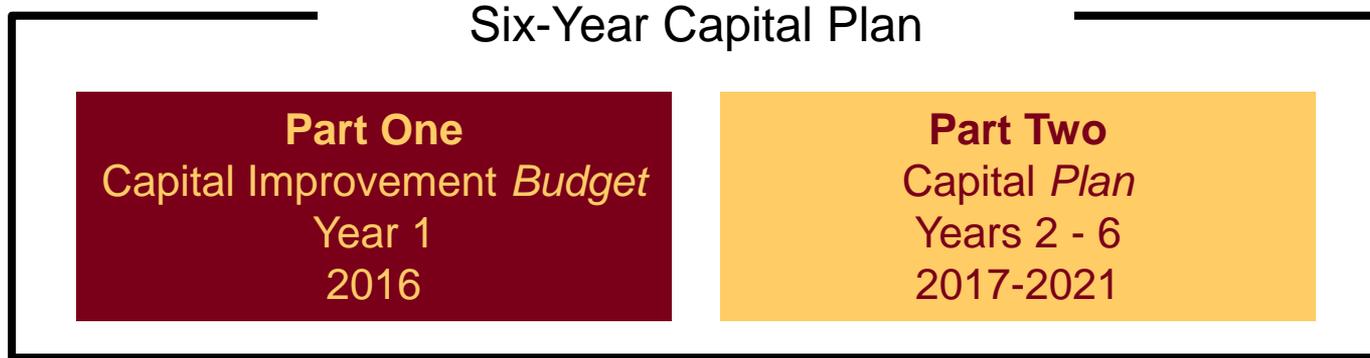
UNIVERSITY OF MINNESOTA

**Driven to Discover<sup>SM</sup>**



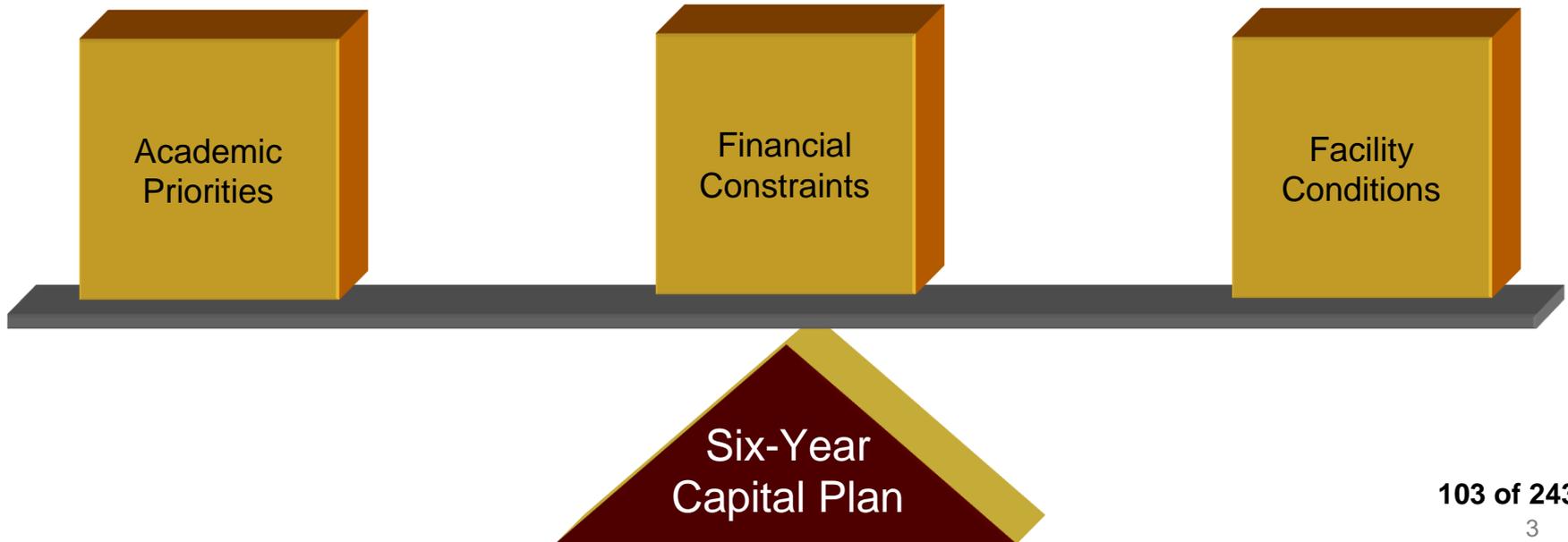
# What is the Six-Year Capital Plan?

- Board of Regents Policy directs the administration to develop a capital budget with a “six-year time horizon, updated annually”





# Balancing Competing Priorities





# Balancing Competing Priorities





# Setting Academic Priorities

- Each year Vice Presidents, Chancellors, and Deans are asked to identify their most important program priorities and the facility improvements necessary to support those programs as part of the budget process
- Academic leadership establishes the priorities for each college and campus





## Alignment with 2014 Strategic Plan

- Build an exceptional University where grand societal challenges are addressed
- Support excellence and, with intention, reject complacency
- Establish a culture of reciprocal engagement, capitalizing on our unique location
- Aggressively recruit, retain and promote field-shaping researchers and teachers



# Six Year Plan Objectives

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





## Strategic Emphasis

- Renovate or Remove FCA Critical buildings
- Advance the Health Sciences
- Modernize Saint Paul campus research laboratories
- Expand capacity in STEM programs





## Plan Elements

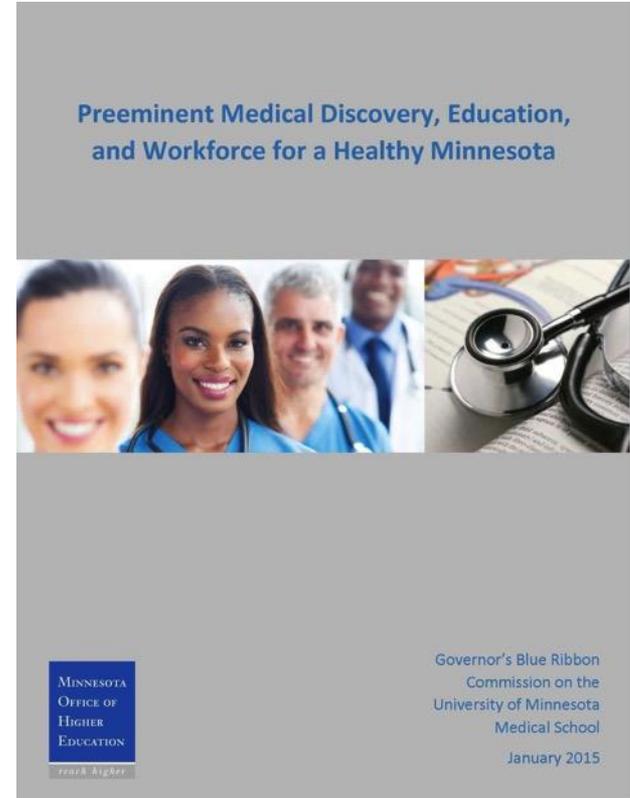
- Renovate / Remove FCA Critical Buildings
  - HEAPR
  - Plant Growth
  - Pillsbury Hall
  - Child Development
  - 10 Church
  - Critical Facilities renewal placeholders





# Plan Elements

- Advance the Health Sciences
  - Phase I: Health Science Education
  - Phase II: Clinical Science
  - Phase III: Mayo





## Plan Elements

- Modernize Saint Paul Campus Research Laboratories
  - Academic and Student Experience Investments
  - Saint Paul Interdisciplinary Laboratory
    - Flexible labs designed to support interdisciplinary research for three colleges
  - Critical Building Renovation





## Plan Elements

- Expand Capacity in STEM programs
  - Duluth: Chemistry and Advanced Materials Science Building (CAMS)
  - Academic and Student Experience Investments (system)
  - Undergraduate Teaching Laboratory Facility
  - Chemistry Research Laboratory Investment





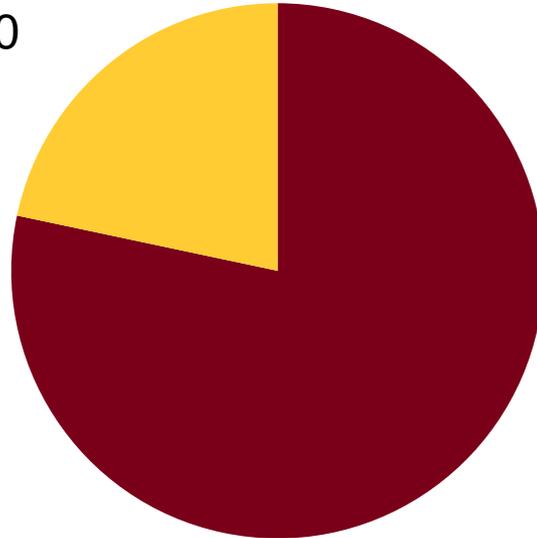
## Other Projects Under Consideration

- The projects on this list:
  - are insufficiently developed in terms of their programmatic needs at this time
  - are key investments based on collegiate and academic priorities
  - may need further definition and/ or development before they advance
- This list of investments should be considered as upcoming capital projects



# Six-Year Capital Improvement Plan: \$1,288,350,000

\$279,449,000  
22%



\$1,008,901,000  
78%

■ State  
■ University



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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Board of Regents**

**October 9, 2015**

**AGENDA ITEM:** President’s Recommended 2016 State Capital Request

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** President Eric W. Kaler  
Pamela Wheelock, Vice President, University Services  
Richard Pfutzenreuter, Vice President and Chief Financial Officer

## **PURPOSE & KEY POINTS**

Board of Regents Policy: *Reservation and Delegation of Authority* requires the Board to approve the University’s legislative capital request before it is submitted for consideration by the Governor and the legislature.

The 2016 request contains six projects:

1. Higher Education Asset Preservation and Replacement (HEAPR) funds
2. Chemistry and Advanced Materials Science Building (Duluth Campus)
3. Health Science Education Facility (Twin Cities campus)
4. Plant Growth Research Facility (Twin Cities campus, St. Paul)
5. Academic and Student Experience Investments (system-wide)
6. Pillsbury Hall Renovation (Twin Cities campus)

The Plant Growth Research Facility, replacing the current Biological Sciences greenhouse, was included in the University’s 2014 and 2015 legislative capital request but was not funded. The Chemistry and Advanced Materials Science Building was awarded \$2.25 million in funds in the 2014 legislative session for predesign and design. The University received \$10 million in the 2015 session for predesign and design of the Health Sciences Education Facility.

## **BACKGROUND INFORMATION**

In September 2015, the Board reviewed the 2016 State Capital Request.

## **PRESIDENT’S RECOMMENDATION**

The President recommends approval of the 2016 State Capital Request.



**REGENTS OF THE UNIVERSITY OF MINNESOTA**

**RESOLUTION RELATED TO THE**

**2016 STATE CAPITAL REQUEST**

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Regents approves the University's 2016 State Capital Request to the State of Minnesota in the amount of \$304,350,000 consisting of \$236,234,000 from the State of Minnesota and \$68,116,000 from the University of Minnesota.

2016 State Capital Request  
Project Summaries

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### Higher Education Asset Preservation and Replacement

#### At a Glance

Campus:	Systemwide	2016 Total Funds:	\$100,000
Priority:	1	State Request Funds:	\$100,000
Total Project Cost:	\$100,000	University Funds:	\$0

Project Summary: This request is for funds to renew existing campus facilities and infrastructure in accordance with Minnesota Statutes, section 135A.046.

#### Project Description

The purpose and use of Higher Education Asset Preservation and Replacement (HEAPR) funds is defined in statute 135A.046 Asset Preservation and Replacement. Funds are intended to preserve and renew existing campus facilities by funding five kinds of projects: Accessibility, Building Systems (e.g. exterior envelope, mechanical, and electrical systems), Energy Efficiency, Health and Safety (e.g. hazardous material abatement, building code compliance), and Infrastructure. HEAPR funds are used throughout the University of Minnesota system. Funds are allocated to campuses and research stations based on facility need and overall quantity of space. The University regularly reports on the status of its HEAPR funding to Minnesota Management and Budget and the Legislature.

#### Project Rationale

HEAPR funds are essential in supporting the teaching, research, and service mission of the University. The University's mission will be compromised without continued, sustained reinvestment in buildings and infrastructure. The University's capital budget principles emphasize investment in existing facilities and infrastructure to extend useful life and to ensure the health, safety, and well-being of building occupants. Individual projects to be funded with HEAPR have been identified and prioritized through the University's Facility Condition Assessment (FCA) process. The FCA is a comprehensive systemwide evaluation of the condition of the University of Minnesota's campus facilities and infrastructure portfolio. FCA data is used to triage existing buildings into those that need long-term investments, those that need short-term investments, and those where no investment is required, in alignment with academic priorities.

HEAPR funds are used throughout the University of Minnesota system and are allocated to campuses and research stations based on facility need and overall space. They are essential in supporting the teaching, research, and service mission of the University. Funds keep people safe and make the campuses accessible for all Minnesotans. The value of the State's past investments is maximized by extending the functionality and useful life of existing buildings. HEAPR dollars are flexible, allowing the University to respond quickly to emergencies and to respond to unique opportunities. Regulatory compliance items, e.g. elevators, storm water and building codes, and other projects that are generally smaller than traditional capital request projects are funded with HEAPR allocations. These projects move faster, put people to work quicker, and provide different firms an opportunity to participate in design and construction at the University. HEAPR projects are green, since renewing an existing facility is more sustainable than new "green" construction.

#### Previous Appropriations for this Project

The University includes HEAPR in each capital request. The University received \$50 million in 2012, no appropriation in 2013, \$42.5 million in 2014 and no appropriation in 2015.

#### Current Project Status

Varies by project

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### Chemistry and Advanced Materials Science Building

#### At a Glance

Campus:	U of M - Duluth Campus	2016 Total Funds:	\$40,750
Priority:	2	State Request Funds:	\$27,167
Total Project Cost:	\$43,000	University Funds:	\$13,583

Project Summary: This request is for funds to construct, furnish and equip a new science and engineering laboratory building on the Duluth campus.

#### Project Description

This project will construct approximately 51,000 square feet of research laboratories, instructional laboratories, teaching space, offices, and meeting space for the Swenson College of Science and Engineering on the Duluth Campus. The building is conceived as three stories with a mechanical and electrical penthouse. The research laboratory space, consisting of flexible wet and dry labs with adequate utilities, environmental controls and modern safety accommodations, will serve the needs of evolving research and teaching pedagogy.

#### Project Rationale

The Duluth campus is committed to supporting programs that work to expand the State's Science, Technology, Engineering, and Math (STEM) workforce, in addition to creating an inclusive campus climate through curricula and programs that prepare all students to be successful contributing members of diverse and global communities. Scholarship and research, both basic and applied, are foundations for new discoveries and knowledge, and for economic growth.

The proposed new chemistry and materials science facility will provide much needed new facilities for the Department of Chemistry and Biochemistry and advance an emergent Material Science and Engineering program. The campus has a need for additional upper division or advanced instructional labs in which students receive training on modern instrumental, experimental, and computational techniques. To accomplish this, laboratories need to have both student work spaces and instructional support areas. As new faculty are hired due to retirements in the next 5-10 years, larger and more instrument-rich research programs will be established requiring more research space.

Attracting high quality students in the STEM fields, as well as excellent faculty, who seek a collaborative environment to conduct leading-edge research and teach in interdisciplinary areas, will lead to increased external funding, economic growth and competitiveness, and greater technology- and knowledge- transfer to the state and region. The new research and education programs in material science and engineering will certainly broaden the impact that UMD and the Swenson College of Science and Engineering have on regional and local industries. To achieve these outcomes the campus needs modern laboratory space and rooms with specialized uses (instrument rooms, cold rooms, autoclave room, etc).

The existing Chemistry building was the first building constructed at UMD in 1948, and was not designed to be dedicated to Chemistry. Utility infrastructure is outdated, frequently in need of repair, and cannot support 21st century science. This building has numerous deficiencies including a lack of adequate eyewashes and showers, lack of chemical storage space, rusty and poorly ventilated under the hood storage, very old and poorly designed labs, lack of adequate wall space for chemical storage cabinets and gas cylinders, lack of adequate supply of wall or bench mounted electrical outlets, and water leaks. In addition, assessments have noted corroded gas lines and gas valves, poor air handling systems, and an elevator which is often out of service. Many of these have the potential to compromise the health and safety of building occupants.

#### Previous Appropriations for this Project

The University received an appropriation of \$1.5 million in 2014 to predesign and design a new facility to meet the research and undergraduate instruction needs of the Swenson

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### **Chemistry and Advanced Materials Science Building**

College of Science and Engineering on the Duluth campus. 2014 total funding was \$2.25 million.

#### **Current Project Status**

Schematic Design In Progress

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### AHC Phase I: Health Sciences Education Facility

#### At a Glance

Campus:	U of M - Twin Cities Campus	2016 Total Funds:	\$100,000
Priority:	3	State Request Funds:	\$66,667
Total Project Cost:	\$100,000	University Funds:	\$33,333
Project Summary:	This request is for funds to complete design, renovate, construct, furnish and equip education facilities to meet the needs of the Medical School and Academic Health Center on the Twin Cities campus.		

#### Project Description

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

The legislative and executive commitment in the 2015 session to address aging and obsolete facilities with a major new investment in health education facilities will increase utilization, flexibility and focus on the interdisciplinary approaches will help a renewed vibrant academic clinical environment, innovation and ground-breaking programs.

#### Project Rationale

The University is home to Minnesota's only public medical school in addition to health science schools for dentistry, public health, pharmacy, nursing and veterinary medicine. The University's Academic Health Center (AHC) offers 62 accredited professional degrees, educates 6,400 students, and plays a key role in educating Minnesota's health care workforce, with two-thirds of the state's health professionals educated in the AHC. The health of Minnesota families and the economic vitality of the state depend on access to well-trained health providers, innovative health discoveries, quality health care and accessible public health programs.

Today, as Minnesotans live longer and demand for care of an aging population increases and disparities persist in access and in the state's healthcare workforce, health care requires an interdisciplinary approach to care delivery along a full continuum of primary to specialized care. This change in health care delivery calls for a full integration of health education/training, research, and clinical care. In order to meet future workforce needs, inter-professional and team-based practices should be more integrated into the undergraduate, graduate and post graduate curricula.

Today's Medical School accreditation at the national level demands the school addresses the new model of care. The educational shift is reflected in a new curriculum, including an early introduction to the care of patients in the first and second year, as well as exposure to the health care "systems" of a clinic. Meeting these education and training obligations is increasingly difficult in aging and obsolete facilities built for a different era of health education. In order to assure that students and residents are prepared to meet Minnesota's future physician workforce needs investments must be made to strengthen and expand the Medical Center's educational programs and curriculum through the use of interprofessional team-based learning and care environments. Better and more integrated health professional education will lead to improved healthcare for all Minnesotans.

The poor condition of the University's educational facilities are undercutting the competitiveness of University programs. Almost all of the educational and training facilities for the

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### **AHC Phase I: Health Sciences Education Facility**

Medical School and other health professional schools are over 40 years old and are in need of major renovation and renewal or, simply, replacement. Accreditation bodies are citing deficient facilities in their reviews, student applicants are citing the poor educational facilities for their decision to enroll at other institutions, and student dissatisfaction with the educational facilities is high. Minnesota's situation is made worse by the fact that peer institutions have been making major investments in new and remodeled facilities.

### **Previous Appropriations for this Project**

The University received \$10 million in the 2015 session to plan two new facilities - an integrated health sciences education facility and a clinical research facility - and to predesign and start design on the integrated health sciences education facility.

### **Current Project Status**

Predesign In Progress

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### Plant Growth Research Facility

#### At a Glance

Campus:	U of M - Twin Cities Campus	2016 Total Funds:	\$6,600
Priority:	4	State Request Funds:	\$4,400
Total Project Cost:	\$6,600	University Funds:	\$2,200

Project Summary: This request for funds to design, construct, furnish and equip an addition to the plant growth facilities on the St. Paul campus and to demolish the existing Biological Sciences greenhouse.

#### Project Description

This project will provide a new approximately 12,000 square foot greenhouse addition to the Plant Growth Facilities for the Biological Sciences Conservatory to replace and demolish the existing Biological Sciences Greenhouse on the St. Paul campus. While the existing Plant Growth Facilities are set up for agricultural experimentation, the CBS Conservatory greenhouse will be a specialized unit that serves the related educational missions necessary to ensure the State's agricultural future.

The total cost for this project is estimated to be \$6,600,000. The new greenhouse will be located in the planned expansion area of the Plant Growth Facilities, as identified in the Predesign Study for Plant Growth Facilities Renovation, Replacement and Additions (1997). The new greenhouse will be built similar to the neighboring structures, but will include aspects specific to the plant collection requirements. The greenhouse for the Biological Sciences Conservatory will be furnished with modern temperature, humidity and lighting controls and monitored via the master greenhouse campus control system. Upon completion, plant specimens and program activities currently housed in the existing Biological Sciences Greenhouse will be moved to the new facility and the old greenhouse will be demolished.

#### Project Rationale

The College of Biological Sciences (CBS) offers an exceptional, nationally recognized educational experience. Replacement of the existing Biological Sciences Greenhouse is essential to meet increased demand for enrollment and to secure a strong return on investment in the rapidly growing life sciences. Today, 33 Faculty, 40 teaching assistants and four support staff teaching 13 courses, depend on the collections and services of the Biological Sciences Greenhouse. The annual enrollment for those courses is more than 1,600 students. The building has a strong outreach function as well, with regular visits from school groups, horticulture clubs, K-12 educators and the broader community.

The University of Minnesota's undergraduate biology program has garnered national attention due to its signature programs (e.g., Nature of Life), its leading edge curriculum, and its pioneering application and use of the active learning classroom. STEM education requires a living plant collection where extremes of diversity and adaptation are displayed and studied across a broad range of environments. A new and expanded conservatory will remove current constraints to increasing enrollment and enable students to conduct independently designed research. Student interest in the biological sciences is booming across the country. Currently, there are eighteen students who apply for every single seat in the CBS freshman class. Total student enrollment in CBS is anticipated to increase by up to 40% by the fall of 2018.

The Biological Sciences Conservatory is home to a biodiverse collection of plant species to assist current and future research, help preserve the Earth's plant diversity, as well as building an appreciation for the richness of plant life on our planet in both students and the public. Conservatory staff service the needs of classes, researchers, and the surrounding community through making both our plants and expertise available. The collection is one of the most diverse in the upper Midwestern United States, containing over 1,200 species of plants. The Conservatory cares for everything from rare and endangered plants, to invasive species, to plants that show developing economic potential, to clones of original genome

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### **Plant Growth Research Facility**

sequenced accessions. The material from this diverse living collection is leveraged for the maximum benefit for our students, scientists, and the public at large.

Through hands-on exposure to living plants within the Biological Sciences Conservatory, students in CBS, CFANS, and other colleges learn how opportunities for discovery and problem solving are rooted in the diversity of life. This education prepares university students to become the next generation of problem solvers in agriculture and food safety, environmental protection and restoration, as well as the production of natural and synthetic products for medical and non-medical uses.

The existing greenhouse is a fragile structure, costly to operate and rife with problems that are expensive to fix. Environmental, structural and functional deficiencies have resulted in escalating maintenance and repair costs, and serious safety issues. Failure of seals around large glass panes allows glass to shift and fall. High humidity levels, resulting in extensive cracking and spalling of the exterior concrete masonry unit kneewalls, and the freeze and thaw cycles have heightened the rate of deterioration of the greenhouse. This facility has the smallest footprint of any like buildings on the St. Paul campus but has the highest energy use and the second highest CO2 emissions. Gaps in the structure's foundation further compromise the plant collections and student projects as a result of insect migration.

Diverse and dynamic greenhouse displays are a highly effective means of communicating the university mission to the broader public. The Biological Sciences Conservatory will demonstrate with living examples how fundamental discoveries are translated into economic and environmental solutions for Minnesota. A new facility will breathe new life into a diverse encyclopedia of rare and spectacular plants by replacing an isolated greenhouse already deteriorated beyond repair with one that is energy efficient and integrated with existing facilities for teaching and research.

### **Previous Appropriations for this Project**

None

### **Current Project Status**

Pre-design

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### Academic and Student Experience Investments

#### At a Glance

Campus:	Systemwide	2016 Total Funds:	\$24,000
Priority:	5	State Request Funds:	\$16,000
Total Project Cost:	\$24,000	University Funds:	\$8,000
Project Summary:	This request is for funds to predesign, design, renovate, furnish and equip existing teaching, student support and research facilities on the Duluth, Morris, Crookston and Twin Cities campus.		

#### Project Description

This request is for funds to make targeted strategic investments in modernizing existing teaching, research, outreach and student support spaces on the University's Duluth, Morris, Crookston and Twin Cities campuses. Similar to appropriations for laboratory renovations in 2008 and 2010, this request is intended to update individual spaces that will not otherwise be improved through whole building renovations. Funds will be allocated to each campus to advance high priority projects focused on learning spaces, student support services and research laboratories.

Sample projects to be funded by the academic facility investment pool include:

- Renovation of obsolete biological sciences library space into modern laboratories
- Creation of new active learning classrooms, traditional classrooms, and small group study spaces
- Conversion of an old teaching kitchen at UMC into modern teaching and research space

#### Project Rationale

Learning spaces are at the heart of the University's teaching mission. To meet the needs of faculty and the expectations of students, the University must provide modern, technology-rich classrooms in order to optimize teaching and learning. Improved, up-to-date classrooms, instructional laboratories, and collaboration spaces are essential to attract the best and brightest students and remain competitive with other regional universities. The overall student experience at the University of Minnesota will be improved by enhancing the physical environment and adding modern classroom learning technologies.

Active Learning Classrooms (ALCs), a component of the programmatic request, are designed to foster interactive, flexible, student-centered learning experiences, and to operate using central teaching stations and student-provided laptops. ALCs offer cooperative learning environments that encourage student collaboration and peer teaching, the ability for instructors to interactively coach students during activities and new options for student interaction and class structure.

Modern research facilities are essential to the University's nationally-ranked basic and applied research programs. Research funding and national competitiveness depend upon an institution's researchers, and state-of-the-art laboratories are the foundation of the solid research program at the University of Minnesota. Updated facilities are critical to attract and retain top faculty and students and to obtain competitively awarded sponsored research grants. Without state-of-the-art laboratories in which to conduct their research, faculty will choose other institutions with better facilities.

#### Previous Appropriations for this Project

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dollars in thousands

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# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### Academic and Student Experience Investments

None

### Current Project Status

Varies by Project

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### Pillsbury Hall Renovation

#### At a Glance

Campus:	U of M - Twin Cities Campus	2016 Total Funds:	\$33,000
Priority:	6	State Request Funds:	\$22,000
Total Project Cost:	\$33,000	University Funds:	\$11,000

Project Summary: This request is for funds to predesign, design, renovate, furnish and equip historic Pillsbury Hall on the Minneapolis campus.

#### Project Description

This project will completely renovate Pillsbury Hall, replacing obsolete science facilities with modern, flexible non-laboratory teaching, learning, and research spaces for College of Liberal Arts' humanities programs including the Department of English (which teaches nearly 6,000 students per year). The renovated space is anticipated to be divided approximately equally between classroom- and assembly-type space to support multiple modes of learning and alternative workplace office space. At nearly 60,000 gross square feet, the renovation is expected to maintain an equivalent amount of space when complete. The rehabilitation of Pillsbury Hall is expected to be consistent with the Secretary of the Interior's Standards for Preservation.

#### Project Rationale

Pillsbury Hall is the second oldest and one of the most iconic building on campus and is a key component of a sequenced plan: (1) relocating the Department of Physics from Tate Laboratory to its new building, (2) relocating the Department of Earth Sciences (formerly Geology and Geophysics) from Pillsbury Hall to a renovated Tate Laboratory, (3) relocating the Department of English from Lind Hall to a renovated Pillsbury Hall, and (4) freeing up Lind Hall for other use.

While Pillsbury Hall is no longer adaptable to modern science research or teaching, it plays a significant role in the East Bank humanities district, which encompasses Folwell, Jones, Nicholson, Nolte, Pillsbury and Scott halls. Recent and planned investments in these buildings all built between 1889 and 1935 on the historic knoll – locate the humanities in proximity, thus creating synergies and collaborations among them, while preserving the University's historic assets for future generations. The renovated Pillsbury Hall is planned to house the Department of English (as the major tenant) and the College of Liberal Arts Minnesota Engagement Lab, focused on research teaching and public service.

English teaches nearly 6,000 students per year, generating about 20,000 student credit hours of non-English major instruction each year and teaching the core skills of liberal education – close reading, textual analysis, and scholarly and creative writing to the entire undergraduate student body. In 2014, English had 627 undergraduate majors, 36 MFA students in the Creative Writing Program, and 77 MA/PhD students in the Literature Program. It is the most popular humanities major on campus with high national rankings.

The new Pillsbury Hall will also be home to the Minnesota Engagement Lab (MEL). MEL is planned to be an innovative and technologically equipped humanities engagement lab where scholars, students, and community members will address challenges facing Minnesota citizens through focused projects, such as rural and urban access to food resources, histories of Minnesota immigrant institutions and neighborhoods, and literature and literacy services to communities. The high-tech interactive spaces will advance the University's and CLA's goals of integrating research, teaching, and public service about the human condition, producing future leaders who will use the knowledge, skills, and collaboration they learned here to build vibrant communities.

# UNIVERSITY OF MINNESOTA

## 2016 State Capital Request - Project Summaries

### **Pillsbury Hall Renovation**

The other feature of Pillsbury Hall will be spaces for production and presentation activities. Production spaces will be equipped with technologies that enable journal editing, video making, digital storytelling, website building, and web-based research. Flexible presentation spaces will host a wide variety of events convened annually by English and other humanities departments.

### **Previous Appropriations for this Project**

None

### **Current Project Status**

Pre-design In Progress

# 2016 State Capital Request

Board of Regents  
October 9, 2015



UNIVERSITY OF MINNESOTA

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# Timeline

- September
  - Board of Regents review of the 2016 State capital request
- August - October
  - State capital bonding tours
- October
  - Board of Regents approval of the 2016 State capital request
- January
  - Governor's capital investments recommendation
- March
  - Legislature reconvenes
- May - June
  - Board of Regents action on FY2017 capital budget



# Financial Summary

Request  
(dollars in millions)

Location	Project	Total	State	U of MN
SYSTEM	HEAPR	\$100.0	\$100.0	\$0.0
UMD	Chemistry and Advanced Materials Science	\$40.8	\$27.2	\$13.6
UMTC	AHC Phase I: Health Science Education Facility	\$100.0	\$66.7	\$33.3
UMTC	Plant Growth Research Facility	\$6.6	\$4.4	\$2.2
SYSTEM	Academic and Student Experience Investments	\$24.0	\$16.0	\$8.0
UMTC	Pillsbury Hall Renovation	\$33.0	\$22.0	\$11.0
<b>Total:</b>		<b>\$304.4</b>	<b>\$236.3</b>	<b>\$68.1</b>

# Higher Education Asset Preservation and Replacement (HEAPR)

Systemwide

\$100,000,000 project funds

\$100,000,000 state share



## Project Description

- *HEAPR funds maximize and extend the life of the University's existing inventory of buildings and facilities, sustaining prior U of M and State building investments.*
- *Individual projects fall into one of four categories: health and safety, utility infrastructure, building systems, energy efficiency.*

## Project Rationale

- The University's mission will be compromised without continued, sustained investment in buildings and infrastructure.
- Strategic investments targeted to mission critical buildings will improve energy efficiency and reduce long term operating cost.
- This project was identified in each year of the Six Year Plan.

# Chemistry and Advanced Materials Science Building

Duluth campus

\$40,750,000 project funds

\$27,167,000 state share



## Project Description

- *This request is for funds to construct, furnish and equip a new science and engineering laboratory building on the Duluth campus.*
- *This project will construct approx. 51,000 sf of research labs, instructional labs, teaching space, offices, and meeting space for the Swenson College of Science and Engineering.*

## Project Rationale

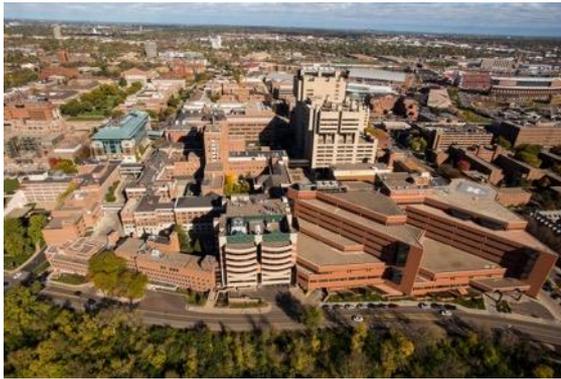
- Current facilities are not appropriate for renovation of instrument-rich, intensive use research activity. However, some of the current spaces can be renovated for less intensive uses.
- A new building located close to Chemistry and other Life Sciences based activity will advance leading research and interdisciplinary teaching.
- This project was included in the 2014 state capital request and received an appropriation of \$1,500,000 for predesign and design.

# AHC Phase I: Health Science Education Facility

*Twin Cities campus*

\$100,000,000 project funds

\$66,667,000 state share



## Project Description

- *This request is to complete design, renovate, construct, furnish, and equip education facilities to meet the needs of the Medical School and AHC.*
- *This project will modernize and expand the University's medical and health science learning facilities including classrooms, simulation centers, collaboration space, and an advanced biomedical library.*

## Project Rationale

- Aging facilities undercut the competitiveness of academic programs.
- Changes in health care delivery call for a full integration of health education, research, and clinical care.
- The health of Minnesota families and the economic vitality of the state depends on access to well-trained health providers and innovative health discoveries.

## Plant Growth Research Facility

*Twin Cities campus*

\$6,600,000 project funds

\$4,400,000 state share



## Project Description

- *This request for funds to design, construct, furnish, and equip an addition to the plant growth facilities on the Saint Paul campus and to demolish the existing Biological Sciences greenhouse.*
- *This project will provide a new 12,000 square foot greenhouse addition to the Plant Growth Facilities for the Biological Sciences Conservatory*

## Project Rationale

- Leadership in teaching and research must be strengthened by replacing obsolete facilities.
- STEM education requires a living plant collection where extremes of diversity and adaptation may be studied.
- The Biological Sciences Conservatory houses one of the most diverse plant collections in the upper Midwest, with over 1,200 species of plants.
- This project was included in the 2014 and 2015 state capital requests.

# Academic and Student Experience Investments

## Systemwide

\$24,000,000 project funds

\$16,000,000 state share



## Project Description

- *This request is for funds to make targeted strategic investments in teaching, research and student experience spaces on the Crookston, Duluth, Morris, and Twin Cities campuses.*
- *Project funds will be allocated as follows:*
  - \$4 million to Crookston
  - \$4 million to Duluth
  - \$4 million to Morris
  - \$12 million to Twin Cities

## Project Rationale

- The University must provide modern, technology-rich classrooms in order to optimize teaching and learning and to attract the best and brightest students.
- Updated facilities are critical to attract and retain top faculty and students and to obtain competitively awarded research grants.

# Pillsbury Hall Renovation

*Twin Cities campus*

\$33,000,000 project cost

\$22,000,000 state share



## Project Description

- *This request is for funds to predesign, design, renovate, furnish, and equip historic Pillsbury Hall on the Minneapolis campus.*
- *This project will renovate nearly 60,000 gross square feet for classrooms, assembly space, and alternative workplace office space.*

## Project Rationale

- Pillsbury Hall is once of the oldest and most iconic buildings on campus and is listed on the National Register of Historic Places.
- The building is no longer suited to modern science and engineering research and teaching.
- Renovation for English, teaching, and other functions will strengthen adjacencies among humanities programs engaged in preparing students for 21st century careers.
- This project was included in the Six Year Plan in 2016.



# Resolution

- **WHEREAS**, the Board of Regents has directed the administration to annually submit a capital improvement budget and a six-year capital improvement plan in support of the University's strategic priorities; and
- **WHEREAS**, the Board of Regents recognizes the importance of sustaining and improving the University's facilities in support of teaching, research, and outreach; and
- **WHEREAS**, the administration has developed a capital planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is realistic;
- **NOW, THEREFORE, BE IT RESOLVED**, that the Board of Regents approves the University's 2016 State Capital Request to the Minnesota Legislature in the amount of \$304,350,000 consisting of \$236,234,000 from the State of Minnesota and \$68,116,000 from the University of Minnesota.



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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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Board of Regents

October 9, 2015

**AGENDA ITEM:** Update on UMTC Strategic Plan Implementation

Review       Review + Action       Action       Discussion

This is a report required by Board policy.

**PRESENTERS:** President Eric W. Kaler  
Karen Hanson, Senior Vice President for Academic Affairs and Provost

## PURPOSE & KEY POINTS

This presentation will provide an overview of [strategic plan implementation](#) since approval by the Board last year, discuss priorities for the coming year, and highlight significant progress across goal areas, focusing on collaborative work with faculty to integrate grand challenges into curriculum and research.

The emphasis on grand challenges is a cornerstone of the plan, which is a 10-year strategic framework for advancing the quality, impact, and reputation of the University. The plan is grounded in the University's strengths and opportunities as Minnesota's globally engaged, land-grant research university. The aim is to sustain and advance an exceptional institution that fulfills its distinctive responsibilities, and addresses critical societal challenges through transformative research, outstanding education, meaningful outreach, and productive collaboration.

## Implementation Priorities and Progress Under Way

Implementation of the plan began in October 2014, with a focus on campus-wide integration and alignment, building a framework for sequenced priorities and sustained progress, and quick wins across four goals:

1. *Support excellence and reject complacency* – Build on strengths to create an invigorated campus culture of ambition, challenge, exploration, and innovation.
2. *Leverage breadth and depth to take on society's grand challenges through research, teaching, creative work, and curriculum* – Marshal research and creative capacity so that faculty, staff, and students can successfully address the most pressing and complex challenges of the state, nation, and world.
3. *Recruit, retain and promote field-shaping researchers and teachers* – Enhance opportunities to attract and retain field-shaping researchers and teachers from diverse disciplines and backgrounds, to advance institutional impact.

4. *Capitalize on location and global reach to build a culture of reciprocal engagement* – Expand campus-community partnerships that benefit the state and its students, and deepen Minnesota’s connections to communities around the globe.

The annual compact and budget planning meetings are key to negotiating shared accountability and responsibility for academic directions and strategic investment priorities. In the compact process, each school, college, and administrative unit is asked to identify opportunities it wants to pursue and outline a plan to reallocate resources for these priorities. This process helps clarify the direction of each unit and to align investments with unit priorities, institutional mission and goals, and the four plan goals.

The strategic plan is a key driver of work plans in the administrative units with responsibility for undergraduate education, graduate/professional education, faculty and academic affairs, and student affairs. These units have advanced a number of “quick wins” across all four goal areas, in accordance with action steps outlined in the plan. This process has involved collaboration with deans, senior academic and administrative leaders, faculty and student governance, a campus-wide Strategic Plan Continuity Team, and multiple administrative units, including equity and diversity, human resources, research, and public engagement; as well as with the University of Minnesota Foundation and the University of Minnesota Alumni.

Actions taken in the past year have also strengthened support for the work of department chairs, advanced prospects for cluster hiring, and promulgated strategies for increasing the diversity of faculty candidate pools. Efforts are under way to ensure that policies connected with faculty review and development appropriately support interdisciplinary and community-engaged scholarship, in addition to disciplinary scholarship and inquiry. New faculty orientation is also being aligned with faculty development programs.

Realizing this vision depends on progress in all four goal areas, and there has been some attention to all broad areas of the plan. Still, the accomplishments of the first year and goals for year two underscore the importance of curricular and research goals as key components of the larger transformational vision of a more nimble, integrative, and vitally engaged research university.

### **Curriculum and Grand Challenges Courses**

Working with deans and faculty, the Office for Undergraduate Education has launched Grand Challenges curricular innovations that will enhance learning and career pathways for students. This curriculum addresses important global issues and helps develop a foundational set of knowledge, skills, and values that can be applied across a range of challenges. [Several courses are being offered this fall](#), on issues ranging from global hunger to fracking to reconciliation and justice. Each course involves team-teaching, to provide cross-disciplinary perspectives on these difficult problems.

The undergraduate-level courses are constructed to fulfill one of the liberal education theme requirements: civic life and ethics, diversity and social justice, environment, global perspectives, technology and society. This approach to course development is an adaptation of one that has been successfully employed in the University Honors Program. These new courses will, in turn, also serve as models for future trans-disciplinary curricular efforts.

Grand-challenges course proposals continue to be invited from both freshman-admitting colleges and professional schools. Grand challenges minors and other curricular innovations are also being advanced, including the construction of a series of one-credit courses that will add perspective and expertise on a specific grand challenge across a student’s program.

## Grand Challenges Research

The Grand Challenges Research Strategies Team, led by 30 distinguished faculty members, issued a “[Call for Ideas](#)” for the grand challenge research priorities that could be embraced as institutional priorities. One expectation is that these priorities would be in areas where there is already robust interdisciplinary work and distinctive potential for success. The initial submission round ended in late June and the second in late August. The team received 130 submissions, representing a wide-range of disciplines, and more than 350 faculty were identified as leads or co-leads, with many more identified as potential contributors.

The submissions have been grouped into five broad themes:

1. How will we ensure just and equitable societies?
2. How will we foster human potential and wellbeing across the life course in a diverse and changing world?
3. How will we advance human health?
4. How will we develop sustainable cities and resilient communities in a world of climate change?
5. How will we secure food, water, and energy today and for the future?

Faculty, staff, and students have been invited to campus forums, scheduled for this month, to integrate and develop specific ideas suggested in the original submissions. The goal is to clarify the “grand challenge” projects and also to foster connections among researchers who have common interests but who may approach research topics from differing perspectives.

The campus discussions will help the strategies team shape final recommendations to the president and provost. Those recommendations will identify areas of research strength where the University is especially well positioned to address a grand challenge. Short summaries of all of the submitted ideas will be posted on the [Strategic Planning site](#) by October 2.

Another important aim of these forums is to connect and stimulate conversation among researchers across the institution, to enhance opportunities for interdisciplinary and integrative research. The strategic plan makes clear that the campus will continue to pursue and support basic research, disciplinary scholarship, and creative activity.

## Focused Framework for Sustained Progress

The work of year one has yielded specific campus accomplishments and has been productive in shaping a plan for sustained progress. Action steps must be sequenced, but it is crucial to sustain momentum across all plan goals to keep the University moving on a path toward transformational improvement.

Given the focus of the plan on reinvigorating the core academic mission, colleges and departments will be key drivers of success. Deans, department heads, and chairs have been involved in shaping priorities, both through compact planning and in other work sessions throughout the past year. At the same time, the priorities and efforts of central offices must be aligned with the plan. Leadership and accountability must be both bottom-up and top-down.

The implementation framework for year two emphasizes campus engagement with plan goals and broadening accountability for driving progress. This includes establishing a slate of operational goals that detail action steps, desired outcomes, and timelines, with leads designated for each area. The framework includes attention to each of the four plan goals, but there are interconnections across these areas. The priorities of year two will reflect extensive consultation and groundwork

undertaken throughout the past year. This will include priorities identified by deans, areas where significant efforts are underway, and opportunities to build on quick wins from the past year. The strategic plan will continue to drive academic and financial planning, including resource allocations. Finally, an important priority in year two is to actively strengthen alignment and synergies between the campus plan and partnerships with the University of Minnesota Foundation and the University of Minnesota Alumni Association. It is crucial to the success of the plan to engage external constituents and alumni to build a stronger University.

## **BACKGROUND INFORMATION**

The President outlined goals for a strategic plan for the Twin Cities campus at the September 2013 Board meeting, embracing an overall goal of increasing the University's impact and reputation. The Board received updates on the plan in October 2013, December 2013, March 2014, and September 2014. The ASA Committee also received an update in June 2014.

At its October 2014 meeting, the Board approved the plan.

In March 2015, the Board received an update on implementation, and information on the development of a framework to track progress and gauge effectiveness of the plan. This framework is aligned with the University's metrics framework.

# Update on UMTC Strategic Plan Implementation

Board of Regents Meeting

October 9, 2015



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# TODAY'S DISCUSSION

- Update on implementation of the Twin Cities campus strategic plan
  - Karen Hanson, Senior Vice President for Academic Affairs and Provost
  - Raymond D. Duvall, Professor of Political Science;  
Chair, Provost's Grand Challenges Research Strategies Team
  - Jason Hill, Associate Professor of Bioproducts and Biosystems Engineering;  
Grand Challenges Curriculum Faculty Member



# Our Strategic Vision and Goals

- Four broad strategic goals
- Deep goal is institutional invigoration & excellence

Build an exceptional University addressing grand societal challenges; leverage our research & curricular strengths

Embrace excellence & reject complacency

***Preeminent in Solving the Grand Challenges of a Diverse and Changing World***

Recruit and retain field-shaping researchers & teachers

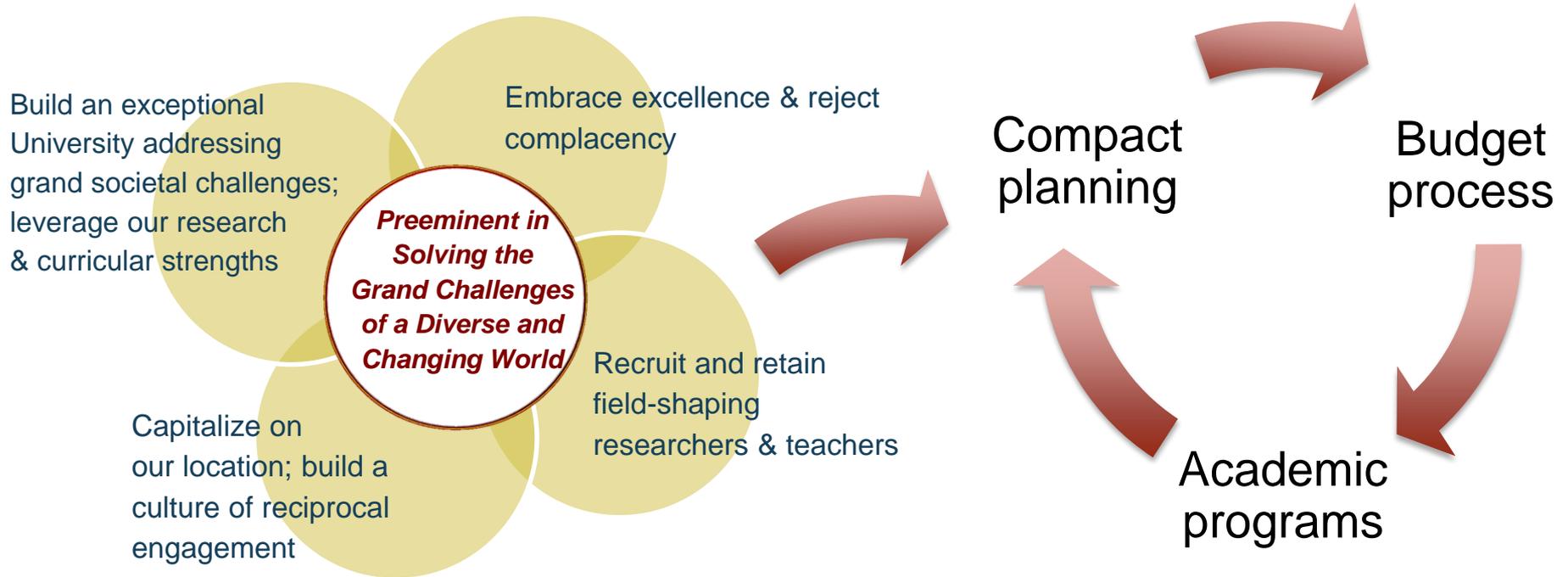
Capitalize on our location; build a culture of reciprocal engagement

# Strategic Framework

The plan is a focused framework for accelerating advancement in strategic areas **to invigorate the University's core academic mission**, building on the signal strengths and opportunities we have as Minnesota's globally engaged land-grant research university.



# Integrating the Plan Across Campus



# Implementation Steps, Year 1

- Integrate into University planning and academic activities, metrics
- Bottom up and top down; align central offices; build essential collaborations with deans, chairs and other key partners
- Quick wins across goal areas, groundwork for larger gains
- Jump-start Grand Challenges curriculum and research



# Implementation Steps, Year 2

- Strengthen participative leadership and accountability
- Continue to make SP the driver for academic planning; tighten alignment with other strategic/operational plans
- Focused slate of priorities to sequence and drive progress
- Expanded campus engagement and communication



# Integrating Grand Challenges

- Central to our vision of a more integrative, vitally engaged U
- Grand Challenges Curriculum:
  - Students develop a foundational set of knowledge, skills, and values
  - Fall 2015 launch of courses; minors also under development
- Grand Challenges Research:
  - Identify exceptional strengths, expand collaborations for greater impact
  - Broad campus engagement



# Grand Challenges Course Topics, Fall 2015

- **Beyond War and Atrocity: Reconciliation and Justice**  
Alejandro Baer (Sociology; Ctr. for Holocaust & Genocide Studies); Catherine Guisan (PoliSci)
- **Can We Feed the World Without Destroying It?**  
Jason Hill (Bioproducts & Biosystems Engin.; Inst. on Environment), David Tillman (Ecology, Evolution & Behavior)
- **Seeking Solutions to Complex Global Health Issues**  
Mac Farnham (VetMed), Cheryl Robertson (Nursing)
- **The Fracking Boom: Promises & Challenges of the Hydrocarbon Renaissance**  
Bruce Braun (Geography, Environment & Society), Maximiliano Bezada Vierma (Earth Sciences)
- **Global Venture Design: What Impact Will You Make?**  
Julian Marshall (Civil, Environmental, & Geo-Engin.), Fred Rose (Institute on Environment)



# Grand Challenges Research

- Provost's GC Research Strategies Team, 30 distinguished faculty, broad campus engagement
- Build on many U strengths, local relevance and global impact, land grant mission, link to student learning, engagement, etc.
- Builds on investments and efforts already begun with MNDrive
- Fall 2015 Campus Forums based on ideas from 350+ faculty >



# GC Research Forums—Discussion Themes

*Discussion themes for fall 2015 forums overarch multiple ideas from faculty:*

- How will we advance human health?
- How will we develop sustainable cities and resilient communities in a world of climate change?
- How will we ensure just and equitable societies?
- How will we foster human potential and well-being across the life course in a diverse and changing world?
- How will we provide secure food, water, and energy today and for the future?



*“Poverty. Social inequality. Religious intolerance. Hunger. Climate change. Disease. Those are among the most serious and intractable problems we face. ...*

Few organizations have the historic mission or the public charge ... or the expertise across a range of disciplines, the resources, the ambition to tackle these Grand Challenges.

**But we do.**

Our great University overflows with unique promise that drives the economy, culture, and innovation of the state of Minnesota. ...

**The Grand Challenges are ours—all of ours—to solve. And I want this University to be known as a leader in meeting these challenges, in our teaching, our curriculum, and in research, and public engagement.”**

*—President Eric W. Kaler, State of the University 2014*





# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Board of Regents**

**October 9, 2015**

**AGENDA ITEM:** Primer on the Minnesota Open Meeting Law

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** William P. Donohue, General Counsel  
Tracy M. Smith, Deputy General Counsel

## **PURPOSE & KEY POINTS**

This primer is designed to educate the Board about the Open Meeting Law (OML) including its purposes, notice requirements, provision for closure of meetings, and consequences of non-compliance.

## **BACKGROUND INFORMATION**

The Board of Regents bylaws have for many years provided that the Board will conduct its meetings in accordance with the OML. The Board has suspended that bylaw on only one occasion, which resulted in litigation and ultimately led to the decision of the Minnesota Supreme Court in *Star Tribune Co. v. University of Minnesota Board of Regents* 683 N.W.2d 274 (Minn. 2004). This decision concluded that the Board was a public body and therefore subject to the OML.

# Primer on Minnesota Open Meeting Law Minn. Stat. Ch.13D

October 9, 2015



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# The Open Meeting Law (OML) Requires that:

“All meetings, including executive sessions must be open to the public

...

(b) of a governing body of a

...

(6) . . . public body”

# Minnesota Supreme Court

- In 2004 the Minnesota Supreme Court found the University to be a public body and held “that the University is subject to the terms of the Open Meeting Law.” *Star Tribune et al. v. University of Minnesota Board of Regents*, 683 N.W.2d 274,281 (2004)
- The court also rejected the University’s argument that its autonomy excused it from compliance with the Open Meeting Law. *Id.* at 290

# OML Exemptions

- The OML exempts from its coverage the following:
  - Meetings of the Commissioner of Corrections
  - State agencies, boards, or commissions that are exercising a quasi-judicial function in disciplinary proceedings
  - Public bodies exempted by another law

## OML Exemptions, cont.

- For the Board of Regents the disciplinary proceeding exemption applies to tenure revocation hearings before the Board of Regents under the *Faculty Tenure* policy (Tenure Code)

# What is a *Meeting* of a Public Body?

- Not defined in the OML
- MN Supreme Court's definition
  - “Quorum rule” – *Moberg v. Independent School District No. 281*, 336 N.W.2d 510, 518 (Minn. 1983)
    - Gathering of a quorum of the public body, or a quorum of a committee, subcommittee, etc.
    - Transacting public business
- Chance or social gatherings are not meetings
  - *St. Cloud Newspapers v. District 742 Community Schools*, 332 N.W.2d 1, 7 (Minn. 1983)

# What are *Serial Meetings*?

- Not discussed in OML; courts yet to definitively decide
  - “... serial meetings in groups of less than a quorum for the purposes of avoiding public hearings or fashioning an agreement on an issue may also be found to be a violation of the statute ... .” *Moberg v. Independent School District No. 281*, 336 N.W.2d 510, 518 (Minn. 1983)

# Notice Requirements for Meetings

Minn. Stat. § 13D.04, Subd. 1

## Regular Meetings

- Keep a schedule of regular meetings on file
- If the public body decides to hold a regular meeting at a time and place different from its regular schedule it must give additional notice

# Special Meetings

Minn. Stat. § 13D.04, Subd. 2

At least 3 days before a special meeting:

- Written notice of the date, time, place and purpose of the meeting posted on the “principal bulletin board” of the public body
- Mail or otherwise deliver notice to those who have requested it

# Emergency Meetings

Minn. Stat. § 13D.04, Subd. 3(e)

- A special meeting called because of circumstances that in the judgment of the public body require immediate consideration
- No specific time requirement for notice
- Good faith effort to notify media
  - Written request
  - Provided a telephone number
  - Notice is provided as soon as reasonably practicable

# Closed Meetings

Minn. Stat 13D.04, Subd. 5

- The same notice requirements apply to closed meetings
- At the outset of a closed meeting the public body must:
  - Provide the grounds for closing the meeting
  - Describe the subject to be discussed
- All closed meetings except those closed for attorney-client privilege must be recorded.

# Meetings that Must be Closed

Minn. Stat. § 13D.05, Subd. 2

- Portions of meetings that discuss the following:
  - Alleged victims or mandated reporters of:
    - Criminal sexual conduct
    - Domestic violence
    - Maltreatment of minors or vulnerable adults
  - Active criminal investigations
  - Law enforcement misconduct

# Meetings that Must be Closed, cont.

Minn. Stat. § 13D.05, Subd. 2

- Nonpublic educational data, health data, medical data or mental health data
- An individual's medical records

# Disciplinary Charges Against an Individual

Minn. Stat. § 13D.05(b)

- A public body must close a meeting for consideration of disciplinary charges against an individual subject to its authority
- The meeting must be open at the request of the individual

# Meetings that May be Closed

- Meetings re: labor negotiations – Minn. Stat. § 13D.03
- Performance evaluations – Minn. Stat. § 13D.05, Subd. 3(a)
- Certain property transactions – Minn. Stat. § 13D.03, Subd. 3(c)
  - Asking price
  - Review of confidential appraisals
  - Develop offer or counter offers
- Certain security matters – Minn. Stat. § 13D.05, Subd. 3(d)

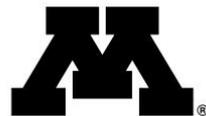
# Closure for Attorney-Client Privilege

- Closure for purposes of the attorney-client privilege is authorized by statute
  - Minn. Stat. § 13D.05, Subd. 3(b)
- No definition in statute, but courts have limited closures to threatened or pending litigation when the purposes of the attorney-client privilege, balanced against those of the OML, dictate the need for absolute confidentiality

# Penalties for Violating the OML

Minn. Stat. § 13D.06

- Intentional violation - Subd. 1
  - Personal liability - \$300 fine
- Three intentional violations – Subd. 3
  - Forfeit office (*Claude et al. v. Collins et al.*, 518 N.W. 2d 836 (Minn. 1994) (Hibbing City Council))
- Court may award attorney fees up to \$13,000 – Subd. 4



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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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Board of Regents

October 9, 2015

**AGENDA ITEM:** M Health Letter of Intent

Review

Review + Action

Action

Discussion

*This is a report required by Board policy.*

**PRESENTERS:**

President Eric W. Kaler

Richard Pfutzenreuter, Vice President and Chief Financial Officer

Brooks Jackson, Vice President for Health Sciences and Dean of the Medical School

Bobbi Daniels, CEO, UM Physicians and Vice Dean, Clinical Affairs, Medical School

**PURPOSE & KEY POINTS**

The purpose of this item is to review and approve a non-binding letter of intent (LOI), to be signed by the University of Minnesota (University), University of Minnesota Physicians (UMP), and Fairview Health Services (Fairview), signaling agreement to enter into a process to develop definitive agreements that will combine Fairview and UMP into a single, integrated academic health system. It is expected that those agreements will be brought to all three boards for approval in 2016.

The LOI sets forth the proposed basic terms of the creation of a single, integrated academic health system, which will be composed of the entirety of UMP and the Fairview system, including hospitals, clinics, primary and specialty care services, other care continuum services, retail and specialty pharmacies, pharmacy benefit management services, rehabilitation centers, and hospice and home health care programs. The LOI outlines the mutual goals of both parties and the identified characteristics of a world-class integrated academic health system. It states that Fairview, UMP, and the University will negotiate in good faith and develop written definitive agreements for signature by March 31, 2016.

The next phase of discussions between the University, UMP, and Fairview will be based on a set of core principles that concern governance and organizational structure, clinical practice and physician leadership, management and operations, and financials. Those principles will be articulated during the Board's discussion.

By combining these organizations, the integration will strengthen the shared academic mission to improve health, discover new cures and treatments, and educate the health workforce. It will also help elevate the Medical School; deliver market leading clinical quality, service, efficiency and growth; and strengthen the University's place in the Minnesota's health care marketplace.

## **BACKGROUND INFORMATION**

- In 1997, the University Hospital was sold to Fairview Health Services and the University of Minnesota Physicians was founded.
- In May 2013, the Board approved the formation of a University-Fairview integrated structure, currently called University of Minnesota Health.
- In February 2014, the Board approved a naming agreement for the integrated structure, M Health.
- In October 2014, the Board received an update on M Health.

## **PRESIDENT'S RECOMMENDATION**

The President recommends approval of the letter of intent outlining a vision to create a single, integrated academic health system.

– REVISED –



**REGENTS OF THE UNIVERSITY OF MINNESOTA  
RESOLUTION RELATED TO  
UNIVERSITY OF MINNESOTA HEALTH LETTER OF INTENT**

**WHEREAS**, the University of Minnesota (“University”), the University of Minnesota Physicians (“UMP”), and Fairview Health Services (“Fairview”) have a mutual goal to form an integrated academic health system, dedicated to high quality patient care, leading edge research, and the training of tomorrow’s workforce;

**WHEREAS**, in 2013 the University and Fairview formed an integrated structure to streamline care, reduce confusion in the market, and generate additional revenues for the Medical School;

**WHEREAS**, the parties’ goal now is to integrate wholly, ensuring consistent, affordable, high-quality patient care across the system, market leading quality and service, efficiency and growth, creation of new knowledge and translation of that knowledge, a strengthened commitment to training the next generation of health care providers and elevation of the stature of the University’s Academic Health Center and the new Integrated Academic Health System;

**WHEREAS**, this integrated academic health system is an important step toward ensuring success of the tripartite mission and becoming a world class Medical School and a world class health system;

**WHEREAS**, the integrated academic health system would include Fairview and all its affiliates and subsidiaries and the entirety of UMP;

**WHEREAS**, the University, UMP, and Fairview have negotiated a set of principles on which to develop a new integrated academic health system and a non-binding letter of intent to begin formal development of definitive agreements to be completed by March 31, 2016;

**WHEREAS**, this letter of intent was approved by the University of Minnesota Physicians board on September 30, 2015 and by the Fairview Health Services board on October 2, 2015;

**NOW, THEREFORE, BE IT RESOLVED**, that the president and the vice president for health sciences are hereby authorized to sign a non-binding letter of intent and to enter into development of definitive agreements reflecting the parties' obligations and commitments related to the development and operation of an integrated academic health system;

**BE IT FURTHER RESOLVED**, that those definitive agreements are subject to approval of the Board of Regents as well as the University of Minnesota Physicians board and the Fairview Health Services board.

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
<b>Governance / Organizational Structure</b>	
1. Board membership	<p>The Board composition of the integrated academic health system (“IAHS”) will be based upon defined competencies and expertise necessary to achieve the aggregate mission and vision of the enterprise.</p> <p>Based on identified competencies, the University of Minnesota (“UMN”) Board of Regents will be granted the right to appoint 50% of board seats with remaining 50% of board seats filled by a Fairview/community nominating committee.</p> <p>UMN VP Health Sciences will serve as <i>ex officio</i>, voting director and will be counted as one of the seats appointed by UMN for purposes of calculating the 50% appointment. The CEO of IAHS will serve as an <i>ex officio</i>, non-voting director.</p> <p>With the exception of the VP Health Sciences and CEO of the IAHS, board seats may not be filled by an employee of either the UMN or the IAHS nor may be filled by medical staff. Practicing physicians will be engaged in committees of the board.</p>
2. Board leadership	<p>The IAHS board Chair and Vice-Chair positions will rotate between UMN appointed board members (e.g. VP of Health Sciences) and Fairview/community appointed board members. For the initial term, the IAHS Board will be led by co-chairs involving a UMN appointed board member and Fairview/community appointed board member.</p>
3. Board committee membership: Executive and Finance	<p>The UMN VP Health Sciences or another UMN appointed board member will alternate as chair/vice chair of the Executive and Finance Committees of the IAHS board (with Fairview/community appointed Finance Committee chair off-cycle to board chair).</p> <p>Executive Committee and Finance Committee will have equal representation of UMN and Fairview/community appointees.</p> <p>The UMN VP Health Sciences will be included as <i>ex officio</i> voting on Executive and Finance Committee.</p>
4. Single CEO for the IAHS	<p>The hiring of CEO of the IAHS will require supermajority (three-quarters) of IAHS board. The CEO may be terminated by a simple majority of the board.</p> <p>If at least 50% of board members have concerns about CEO performance, a formal process shall be initiated whereby the Executive Committee will review and subsequently provide a non-binding recommendation to the IAHS board.</p>

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
	<p>CEO compensation will be at risk for achievement of IAHS goals and objectives. Significant portion of CEO bonus will require achievement of academic goals.</p> <p>To hire the inaugural CEO of the IAHS, the CEO search will be structured as follows:</p> <ul style="list-style-type: none"> <li>• The CEO search committee will be formed with a 50/50 balance of Fairview and UMN representation;</li> <li>• The CEO job description will be rewritten to reflect the broader goals/needs of the IAHS and will include qualifications and required leadership skills and approved by the parties;</li> <li>• A CEO search firm will be jointly retained by Fairview and UMN, with each bearing responsibility for 50% of the search firm’s expenses. The CEO search firm will meet with the newly reconstituted search committee at the beginning of the engagement to ensure alignment of goals and expectations.</li> </ul> <p>The CEO of the IAHS will be selected by the new IAHS board, as soon as possible after the IAHS board is formed.</p>
5. Academic mission integral to IAHS	Clinical care, research, training and education will be integral to the mission and vision of the IAHS. The IAHS CEO and Chair or Vice Chair, as applicable, will be consulted on the appointment of the UMN VP of Health Sciences.
6. Affiliation agreement	The parties will determine what, if any, legacy affiliation agreement provision are not superseded by provisions in the new transaction agreement.
7. IAHS Board authority	The goal of the definitive agreement is to ensure that the IAHS board retains independent authority to govern the IAHS. To the extent necessary, the definitive agreement will define reserved powers to the UMN Board of Regents.
8. Reorganization structure and scope	<p>Fairview and UMPhysicians will be restructured into a single, combined enterprise that includes all components of the current Fairview/UMPhysicians care continuum and draw from the best of each organization including maintaining demonstrated administrative expertise, e.g., specialty care billing and coding, etc. ACC operations will be developed and operated in a manner consistent with the ACC Master Agreement unless agreed otherwise.</p> <p>The newly formed IAHS parent structure will retain and leverage the current Fairview Health Services Tax Identification Number. The current Fairview legal</p>

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
	<p>entity will change its corporate name to “University of Minnesota Health” under terms of new branding agreement with UMN.</p> <p>UMPhysicians and Fairview Medical Group operations will be managed as a combined group practice organization and will be fully integrated with the overall hospital/clinic operations of the IAHS. Governance of the physician practice will be located at the IAHS board level.</p> <p>The tax ID number and elements of the corporate structure of UMPhysicians will be retained within the IAHS as necessary to enable compliance with common paymaster rules, etc. to support the combined physicians clinical practice.</p> <p>The parties will seek to maximize financial benefit via operational efficiencies and mitigate the transaction cost of reorganization but the parties are committed to spending resources necessary to ensure successful integration.</p>
9. Control provisions with key partnerships	The integration will be structured to avoid any change in control provisions with current joint venture partnerships of either Fairview or UMPhysicians, unless mutually agreed upon.
10. Mutual benefits of integration	The actual integration and communication will be designed to emphasize the mutual benefits of reorganization and not be positioned as either (1) a Fairview takeover of UMPhysicians or (2) a University takeover of Fairview. The best capabilities of UMPhysicians and Fairview will be retained to ensure a high functioning health system.
11. IAHS to operate as a system	The IAHS will commit to operating as a system (not as a holding company), leveraging clinical and administrative economies of scale across the care continuum and development of common policies, procedures and metrics, as necessary to facilitate operation of the new system as an academic health system.
<b>Clinical Practice and Physician Leadership</b>	
12. Strong provider voice in IAHS operations	Physicians will have a strong voice in operations of the IAHS and the operating model will be designed to actively engage both community and academic physicians at multiple levels, including appointment to senior leadership positions and membership on key management committees, particularly related to clinical practice (including quality and outcomes, risk management, payor contracting and IT) as well as membership on finance, marketing and human resources management committees. Other leaders

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
	and staff will have strong experience in physician group operations (particularly clinical operations, billing/coding, physician-related risk management and IT) and/or broader health system operations.
13. Clinical leadership	<p>The IAHS aspires to have clinical leaders who have a demonstrated successful track record and a national reputation of developing, delivering and leading advances in their field that have changed the practice of medicine. Clinical leaders will be both faculty and non-faculty.</p> <p>In order to become a top academic health system it is critical that clinical leadership is one that can develop and implement leading advances in health care in addition to optimizing the current standard of care.</p> <p>Appointment to service line positions requires the mutual consent of the IAHS CEO and UMN VP Health Sciences. Establishment of new service lines also requires mutual consent of the IAHS CEO and UMN VP Health Sciences.</p>
14. Physician reporting relationships	<p>The IAHS CEO and lead physician of the combined physician group practice may initiate and/or terminate clinical employment of any physician (except as stated below), provided that termination of common paymaster faculty includes consultation with the applicable Chair or UMN VP Health Sciences, subject to respecting the existing policies and contractual obligations of UMPhysicians and the Medical School.</p> <p>Initiating and/or terminating the clinical employment of a group (multiple physicians within a similar specialty) of common paymaster faculty, a department chair, a division leader and a service line leader requires the mutual consent of the IAHS CEO and UMN VP Health Sciences, unless there are serious clinical practice/code of conduct issues in which case the health system disciplinary process will prevail.</p>
15. Physician work outside the system	<p>Parties will analyze outmigration of all physician referrals and develop an agreed upon methodology to determine criteria for all physicians to work outside of the system.</p> <p>Ability of physicians to work outside the system will consider clinical demands of IAHS, clinical impact and market opportunities of the integrated health system as well as academic needs of the Medical School/Academic Health Center.</p> <p>IAHS will recognize the importance of physicians to retain and enhance relationships outside of system and</p>

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
	<p>faculty’s obligations to ensure Medical School outreach responsibilities are satisfied in addition to providing sufficient training, educational and clinical opportunities. Consultation will be obtained from the VP of Health Sciences.</p> <p>New relationships will require approval of lead physician in accordance with the agreed-upon methodology/criteria set forth in the definitive agreements.</p>
16. Leadership of combined physician group practice	<p>The lead physician of the IAHS group practice will be a faculty member with solid line to IAHS CEO for group practice administrative and clinical responsibilities and dotted line to UMN VP of Health Sciences for academic responsibilities as the Vice Dean for clinical affairs in the medical school.</p> <p>The IAHS CEO and UMN VP of Health Sciences will jointly develop and agree on the job description of the lead physician of the group practice, jointly recruit and mutually agree on the appointment of the lead physician of the group practice.</p>
17. Management of faculty activity	<p>Clinical and academic work of faculty cannot be siloed but must be managed by the Department Chairs or their designees and the lead physician as a collective body of work between the IAHS and the UMN Academic Health Center, including total compensation as outlined elsewhere in the document. The intent is to assure that both the medical school and IAHS needs are met.</p> <p>Clinical research will be supported and expanded throughout the IAHS. UMN department chairs retain authority over research and education, consistent with Academic Health Center policies and practices and applicable system policies and procedures agreed to by the UMN VP Health Sciences.</p>
18. Sponsored research grants	Sponsored research grants will be administered through UMN unless otherwise required.
<b>Management and Operations</b>	
19. IAHS master brand	<p>The University of Minnesota Health (“M Health”) brand will serve as the master brand of the IAHS and the definitive agreements will outline agreed upon brand architecture parameters for the broader enterprise. The goal of the definitive agreement is to provide the IAHS with the ability to use the brand in or associated with the delivery of health care or related services by the IAHS and its wholly owned affiliates. The IAHS will not be unreasonably restrained in the use of the brand provided that such use is for health care related purposes. Oversight and process regarding use of the</p>

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
	brand also will be detailed in the definitive agreement, including powers reserved to the UMN Board of Regents.
20. Academic background of key leaders	<p>It is strongly preferred that the IAHS CEO shall have a demonstrated and successful track record of leadership in a comparable academic health system to successfully lead the IAHS to achieve status equivalent to our aspirational peer organizations.</p> <p>It is strongly preferred that the IAHS CEO be an academic physician or an otherwise qualified academic leader. The head of the combined physician group must have academic health experience.</p>
21. Senior executive team	<p>The IAHS CEO will select the senior executive team of the IAHS and will retain authority to hire and fire senior executive team members. Job descriptions of all key senior management positions will be reviewed and revised as necessary to assure consistency with the mission and vision of the IAHS. UMN VP Health Sciences to be actively engaged in determining the experience and accountabilities of appropriate system leadership roles.</p> <p>The parties will define the management structure as well as the process for how individuals will be recruited/placed in roles prior to the transaction effective date.</p> <p>Senior management compensation to be at risk for achievement of IAHS goals and objectives, including academic goals and the advancement of the stature of the Medical School and UMN Academic Health Center.</p>
22. Formation of academic health system integration and physician alignment councils	<p>An Academic Health System Integration Council will be formed to help integrate the clinical and academic enterprise. The Council will include the IAHS CEO and UMN VP Health Sciences.</p> <p>A Physician Alignment Council consisting of Fairview Medical Group, UMPhysicians, Fairview Physician Associates and other independent physicians will be formed to provide input to the clinical enterprise, including network strategy and operations.</p>
23. System-wide philanthropy	Philanthropy efforts using the M Health brand will be performed by University of Minnesota Foundation (“UMF”). Such efforts may be administered through a fundraising agreement or other arrangement between UMF and the IAHS. As part of the definitive agreement process, work will be done to identify the strengths of the current Fairview Foundation and ensure that those strengths are leveraged appropriately to benefit the IAHS.

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
24. Independent physician groups	Success of the IAHS will require close and effective relationships with independent physician groups.
Financial	
25. Academic support and clinical expense reimbursement	<p>The IAHS will provide continuing funding to the University of Minnesota Medical School to support the development and on-going operation of the academic mission to advance research and education programs and provide a source for strategic program investments.</p> <p>The academic support funding will consist of a minimum, guaranteed annual amount (“Baseline Academic Support”) and additional annual funding available based upon achievement of agreed upon goals and financial performance of the IAHS (“Variable Academic Support”).</p> <ul style="list-style-type: none"> <li>• <b>Baseline Academic Support:</b> The definitive agreements will commit IAHS to provide Baseline Academic Support to the University of Minnesota Medical School which is the sum of: i.) The academic support provided by University of Minnesota Physicians (defined to include the Dean’s Tax and Academic Transfers, in a mutually agreed upon period preceding the integration date (“UMPhysicians Historic Support”) and, ii.) The guaranteed fixed academic support to which Fairview is obligated under the MHealth Academic Support Agreement (“Fairview Support”). The Baseline Academic Support shall be annually increased by the most current consumer price index for all urban consumers (CPI-U) published by the Bureau of Labor Statistics. The methodology of calculating Baseline Academic Support will be set forth in the definitive agreements, but in no event shall such method result in Baseline Academic Support in any year following integration which is less than what would have been the total of UMPhysicians Historic Support and Fairview Support, unless otherwise agreed to pursuant to the paragraph below.</li> <li>• <b>Variable Academic Support:</b> The definitive agreement will further outline a mechanism for the University of Minnesota Medical School to earn additional annual Variable Academic Support based on the IAHS achievement of agreed upon goals and system-wide consolidated financial performance. To ensure</li> </ul>

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
	<p>that financial performance expectations are aligned between IAHS executives and the academic mission of IAHS and the Medical School, the financial performance measure(s) used to achieve variable academic support will be consistent with the financial measures which are used in the IAHS executive incentive compensation plan.</p> <p>Baseline Academic Support, and the opportunity to earn Variable Academic Support, will continue throughout the term of the affiliation, as established in the definitive agreements.</p> <p>Fairview, UMPhysicians and the UMN Medical School will work collaboratively during development of the definitive agreements to review all clinical expense reimbursements that exist between the parties to identify those activities which will be included in the ongoing IAHS budget in the form of Baseline Academic Support, and those which will be reduced to writing in the form of one or more service agreements with the Medical School. If the Parties fail to complete this review prior to execution of the definitive agreements, the Parties will work diligently to complete the review by January 1, 2017. If a longer period of time for such review is necessary due to time constraints, the definitive agreement will provide for transition service agreements between the Medical School and IAHS to ensure that the total financial support from IAHS to the Medical School following integration is maintained at a level which is at least equal to the total support provided by UMPhysicians and Fairview in the fiscal year immediately preceding the integration date, until such time as the review is completed and the parties mutually agree on the results of the review. It is the intent of the Parties that clinical expense reimbursements will be allocated based upon actual resource utilization and costs incurred by the Medical School related to the clinical practice and that any reduction in clinical expense reimbursements by the IAHS to the Medical School will be pursuant to the applicable services agreement between IAHS and the Medical School. When costs related to a reduction in clinical services requested solely by the IAHS cannot be reasonably reduced or reallocated, the IAHS will compensate the Medical School for its direct costs for up to one year following any such change in service as well as reasonable one-time transition costs.</p> <p>Starting with the 2017 budget and annually thereafter,</p>

## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
	<p>prior to the adoption of an annual operating budget by the IAHS, the CEO and Chief Financial Officer of the IAHS shall consult with the UMN VP of Health Sciences and the Chief Financial Officer of the University of Minnesota regarding the IAHS's proposed annual operating budget for clinical expense reimbursements provided by IAHS to the Medical School in order to ensure budgetary alignment and to avoid unexpected financial stress to either organization. The consultation will include an opportunity to review and comment on service agreements between the Medical School and the IAHS associated with providing clinical expense reimbursements</p> <p><u>Benchmark Academic Support</u></p> <p>The IAHS and the University of Minnesota Medical School have a shared goal to achieve additional academic mission support based upon commonly accepted benchmarks relating to direct financial support of the academic mission by the clinical enterprise through the baseline academic support or through the variable academic support formulas outlined above. The definitive agreements will establish definitions and benchmarks, peer comparison groups, and a plan to increase the amount of additional academic support to benchmark levels. The attainment of the plan will be predicated on the successful financial performance of the IAHS. The IAHS shall annually consider the plan during development of the annual operating budget. The IAHS shall annually measure the level of academic support coming from the IAHS to the appropriate benchmark beginning with the 2017 budget to ensure that such benchmarks are being met. The definitive agreements will identify a process to address consecutive failures to meet the agreed-upon benchmark .</p> <p>The parties agree and acknowledge that substantial changes in reimbursement, market forces, regulation of the health care environment, and other significant industry factors, may adversely impact the integrated academic health system and agree to meet and discuss the ongoing levels of academic support if the University and the Board of the IAHS agree that such events make it impossible or imprudent to continue support at the committed levels for a defined period of time. Such a process will be further defined in the definitive agreements.</p>
26. Physician compensation	The payment rate to the physician group for similar physician clinical services will be equivalent for faculty

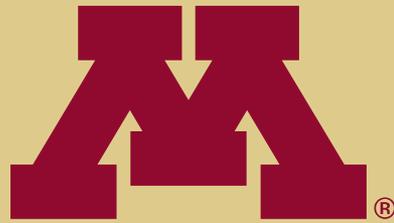
## Fairview, UMPhysicians and UMN Key Integration Principles

Principles	Joint Position
	<p>and non-faculty. Current UMPhysicians and Fairview employed physician salaries will be maintained for an appropriate period of time recognizing current agreed-upon employment terms and policies.</p> <p>Physician compensation principles will be developed by a physician led compensation committee which will include faculty and non-faculty with the objective to align goals and methodologies of the varying types of physicians within the IAHS. As a part of that process, the lead physician of the group practice will develop compensation principles for faculty in collaboration with a physician led compensation committee of the IAHS and the Medical School. The physician compensation plan will be approved by the IAHS compensation committee and board.</p> <p>Total compensation for faculty will be approved by the UMN VP Health Sciences taking into account the IAHS and University compensation and their respective compensation policies and plan and thus will be managed as one. Total compensation that is inconsistent with the approved compensation principles or plan must be approved through a mechanism as the parties set forth in the definitive agreements.</p>
27. Financial planning and capital allocations	<p>Capital allocation decisions will rest with the IAHS CEO and board consistent with the IAHS mission, vision, approved strategic plan and budgets. The IAHS will make ongoing investments in the care continuum to ensure high quality, cost effective care and to modernize aspects of the business.</p> <p>Immediately following the integration effective date, IAHS management will prepare a financial plan, subject to approval by the IAHS board, that will outline a five year blueprint (FY2017- FY2021) related to desired operating performance of the IAHS, major capital investments and a plan of finance. This five year blueprint will include plans to convert from semi-private to private inpatient rooms at the University of Minnesota Medical Center and Southdale Hospital, modernize UMMC ORs to state of the art, as well as other investments as prioritized by management, consistent with the strategic plan of the IAHS.</p> <p>Presently unused and future allocated strategic capital, made available as part of the current MHealth agreement between the parties, will be restricted for capital improvements at UMMC as identified above. In</p>

## Fairview, UMPhysicians and UMN Key Integration Principles

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Principles	Joint Position
	<p>addition, IAHS and the UMN will request the University of Minnesota Foundation to make its best effort to pursue philanthropic opportunities in support of these capital investments.</p> <p>Each long range financial and capital plan will be developed taking into consideration the financial capacity of the IAHS, which will be derived using board approved financial parameters, external benchmarks and desired credit quality.</p>
28. Economies of scale and simplified funds flow	<p>The IAHS will seek economies of scale and a simplified, transparent funds flow.</p> <p>Reasonable, consistent and transparent intercompany pricing methods will be utilized across the IAHS.</p>
29. Fairview balance sheet	<p>The legal framework will be organized such that there is no requirement to refinance existing debt portfolio of Fairview.</p>
30. UMP balance sheet	<p>The definitive agreements will include agreement as to the treatment of various components of UMPhysicians most recent audited consolidated balance sheet, including equity and receivables. Consistent with Minnesota Statutes Section 317A.671, current CSU and UMPhysicians reserves will be restricted for the applicable Medical School department following integration.</p>



# HEALTH

## University of Minnesota Health Letter of Intent

Eric W. Kaler, President

Brooks Jackson, Dean of the Medical School/VP for Health Services

Richard Pfutzenreuter, CFO and Treasurer

Bobbi Daniels, Vice Dean of the Medical School, CEO of UMP

# To be a world class medical school, we need to be a world class health system

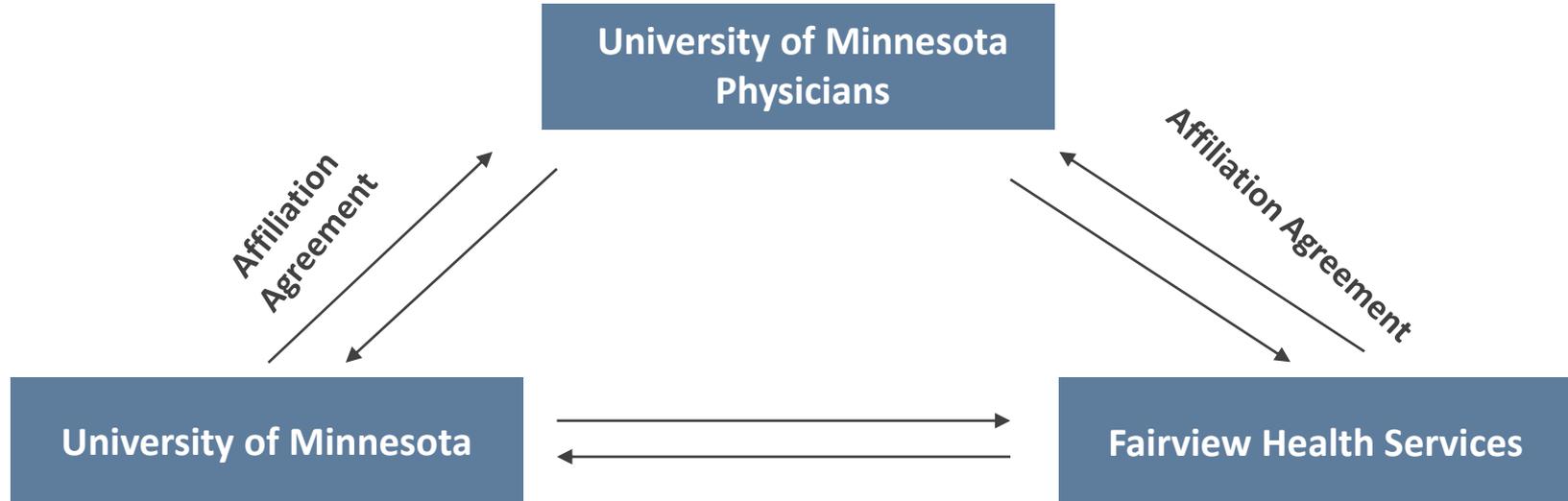
## **A new relationship must advance our academic mission**

- Support the Medical School financially, and not drain resources from elsewhere in the institution
- Have a strong academic culture, focus and incentives
- Embrace physician leadership

## **A new agreement must protect the brand**

# Current state

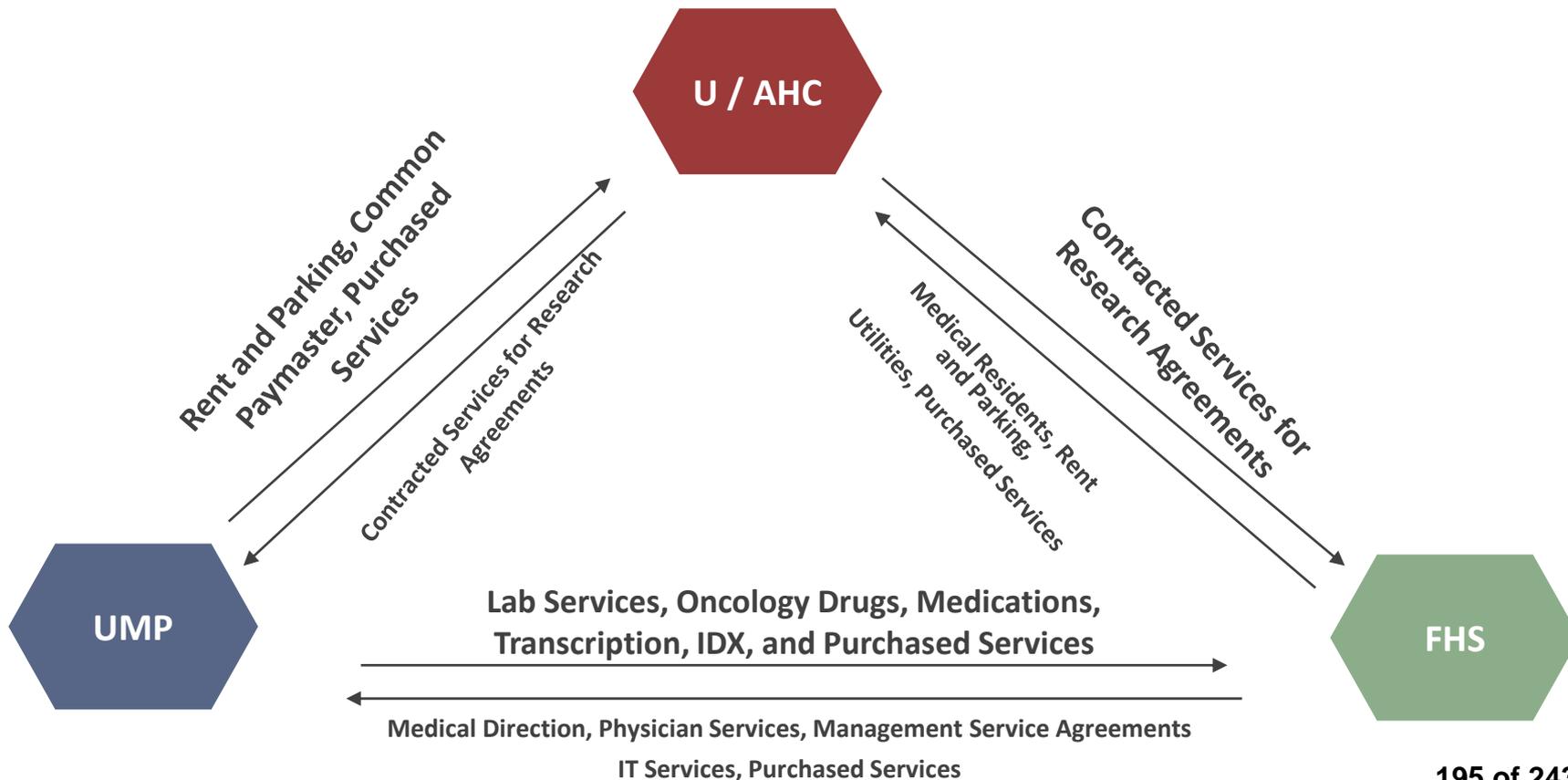
# The “Triangle” of Agreements among the University, UMP and Fairview Health Services



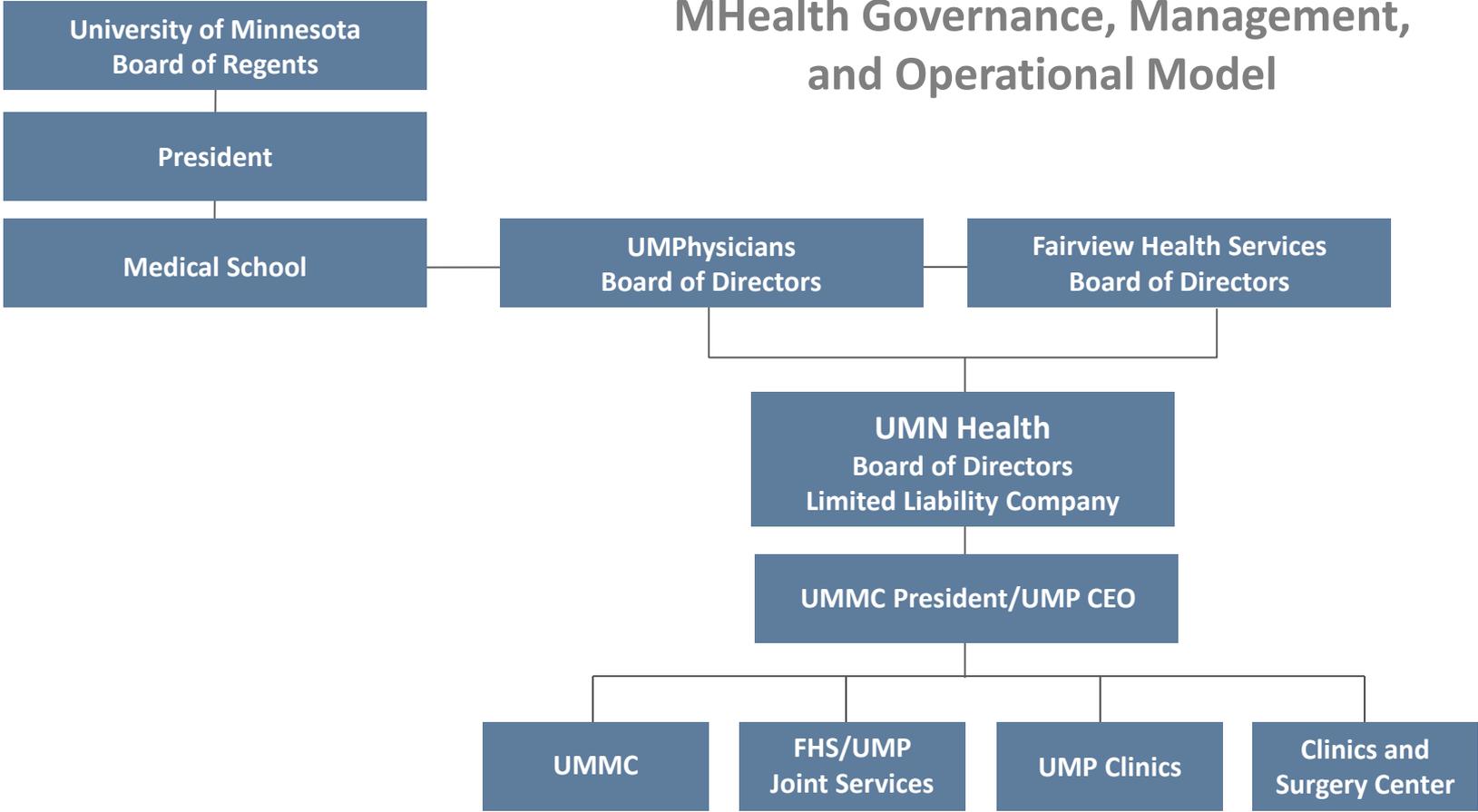
## Series of Agreements

- Merger
- Facilities Lease
- Affiliation
- Utilities Agreement
- Land Lease
- Other

# Value-Based Exchange Transactions



# MHealth Governance, Management, and Operational Model



# Current affiliation is challenging

- Both the U and Fairview recognize the status quo is not acceptable
- M Health encompasses: UMMC (inpatient and outpatient), University of Minnesota Masonic Children's Hospital, University branded service lines, UMP's activity within Fairview sites, Maple Grove ACC specialty activities, and M Health Clinics and Surgery Center (opening February 2016)
- University of Minnesota Health has demonstrated success in improving integration and achieving quality and growth outcomes. However, as currently structured, M Health is difficult for the market to understand and it splinters Fairview while achieving integration with UMP
- The current affiliation includes thousands of contracts, wasted effort and resources, and considerable room for disagreement and tension
- The University does not receive funding for its academic mission, or capital investment, at levels comparable to our peers (UHC data)

# Market Dynamics

# Market Dynamics

- The health care industry is consolidating; between systems and between hospitals and physician/provider groups
- The Twin Cities market is rapidly moving and progressive; delays or inaction may leave us behind the market
- The market demands a focus on innovation and growth; reduction of duplication and inefficiency; commitment to population health
- UMP has double digit increases in new patient volume in specialty services with a growing backlog of patients; UMP is sought after by payers for complex referrals and alone cannot grow as fast as the market demands
- But, UMP does not have a large and integrated primary care base
- FV has a large network of primary care physicians which is complementary to UMP's specialty care. However, the most complex and quaternary services (e.g., lung transplantation) require a population that is regional and national
- While we have made gains, consumer awareness of M Health as a care provider is low

# The New University of Minnesota Health

# Our Vision: Minnesota's Academic Health System

Full integration with Fairview Health Services to:

- Advance the University's mission
- Provide exceptional patient care
- Fortify a robust pipeline of health care professionals for the state, contribute to the state's economic vitality through medical discoveries and innovation
- Meet Minnesota's health needs, from community-based public health through highly specialized care and treatment

# Our Mission

**University of Minnesota Health  
is driven to heal, to discover and  
educate for longer, healthier lives.**

# Benefits of the Vision

- Greater ability to compete in today's health care marketplace
- Ability to reinvest in the University's academic mission by improving clinical care, market share and achieving significant economies of scale across U of M, UMP, and Fairview
- Achieving outstanding patient and population-based outcomes by leveraging all aspects of delivery, education, and research
- Enhance and standardize access, affordability, and coordination of care across the system
- Return the Medical School to national prominence
- Strengthen all health sciences programs by retaining and attracting world class faculty and residents
- Create more hands on learning opportunities for our health science students
- Expand clinical research
- Greater practice opportunities for faculty
- Enhanced financial support for the health sciences

# Integration Will Help Us Reach Our Goals

Every hospital ranked in the top 10 exhibits more integration between the medical school and health system

- Each is characterized by tight alignment between the health system, physicians and the academic mission.
- Each highlights research and the impact of breakthroughs on providing leading edge care

**Integration will reduce duplication, increase market position, and simplify the system for consumers**

# How We Achieve the Vision

- A joint venture—not a takeover of UMP by Fairview or a takeover of Fairview by the U
- A new board with 50/50 membership from Fairview and the University (BOR appointed)—competency-based and including the Dean/VP and CEO
- Academic leadership at all levels
- Leverage the strengths of both organizations with the academic mission integral to our success

# Letter of Intent

- To be co-signed by the University of Minnesota, UM Physicians and Fairview Health Services
- Non-binding; sets forth the proposed basic terms of a single, integrated academic health system to include the Fairview system and the entirety of UMP
- Outlines mutual goals and identified characteristics of a world class integrated health system
- Negotiations will be based on a set of principles agreed to by all parties

# Key Principles

## Governance/Organizational Structure

- One integrated health system
- 50/50 competency-based Board membership, appointed by the Board of Regents and Fairview
- UMN appointed member and FV appointed member co-chair in initial term
- Single CEO accountable to the Board
- Academic mission is integral to the system
- The new structure retains the best capabilities of UM Physicians and Fairview. It is not a takeover of Fairview or of UMP

# Key Principles

## Clinical Practice and Physician Leadership

- Strong provider voice in operations of the integrated academic health system (IAHS)
- Clinical leaders with a demonstrated successful track record of advancing their field
- The lead physician of the IAHS group practice will be a faculty member
- Faculty will be managed by department heads and the lead physician
- Clinical research will be supported and expanded

# Key Principles

## Management and Operations

- Use of the University of Minnesota Health brand
- It is strongly preferred that the CEO have a successful track record of leadership in a comparable system; strongly preferred that the CEO be an academic physician
- Significant UMN involvement in hiring of senior executives
- Senior management compensation will be at risk for achievement of IAHS goals, including advancement of the Academic Health System

# Key Principles

## Financial

- IAHS will provide continued funding to the Medical School through baseline academic support and variable academic support
- The definitive agreements will establish benchmarks, peer comparisons, and a plan to increase academic support to benchmark levels
- Immediately following integration, IAHS management will prepare a financial plan to include plans to convert from semi-private to private inpatient rooms at UMMC and Southdale Hospital and to modernize UMMC operating rooms to state of the art
- Total compensation for faculty is determined by the UMN VP for Health Sciences

# Next Steps

- Continued internal consultation with Medical School leaders and faculty and outreach with community stakeholders
- Begin due diligence with appropriate external support
- Complete definitive agreements and approvals in March 2016
- UMP approval will require a majority vote of faculty members
- Implementation July 1, 2016

# Resolution Related to University of Minnesota Health Letter of Intent

**NOW, THEREFORE, BE IT RESOLVED**, that the president and the vice president for health sciences are hereby authorized to sign a non-binding letter of intent and to enter into development of definitive agreements reflecting the Parties' obligations and commitments related to the development and operation of an integrated academic health system

**BE IT FURTHER RESOLVED**, that those definitive agreements are subject to approval of the Board of Regents as well as the University of Minnesota Physicians board and the Fairview Health Services board.



UNIVERSITY OF MINNESOTA  
**Driven to Discover<sup>SM</sup>**

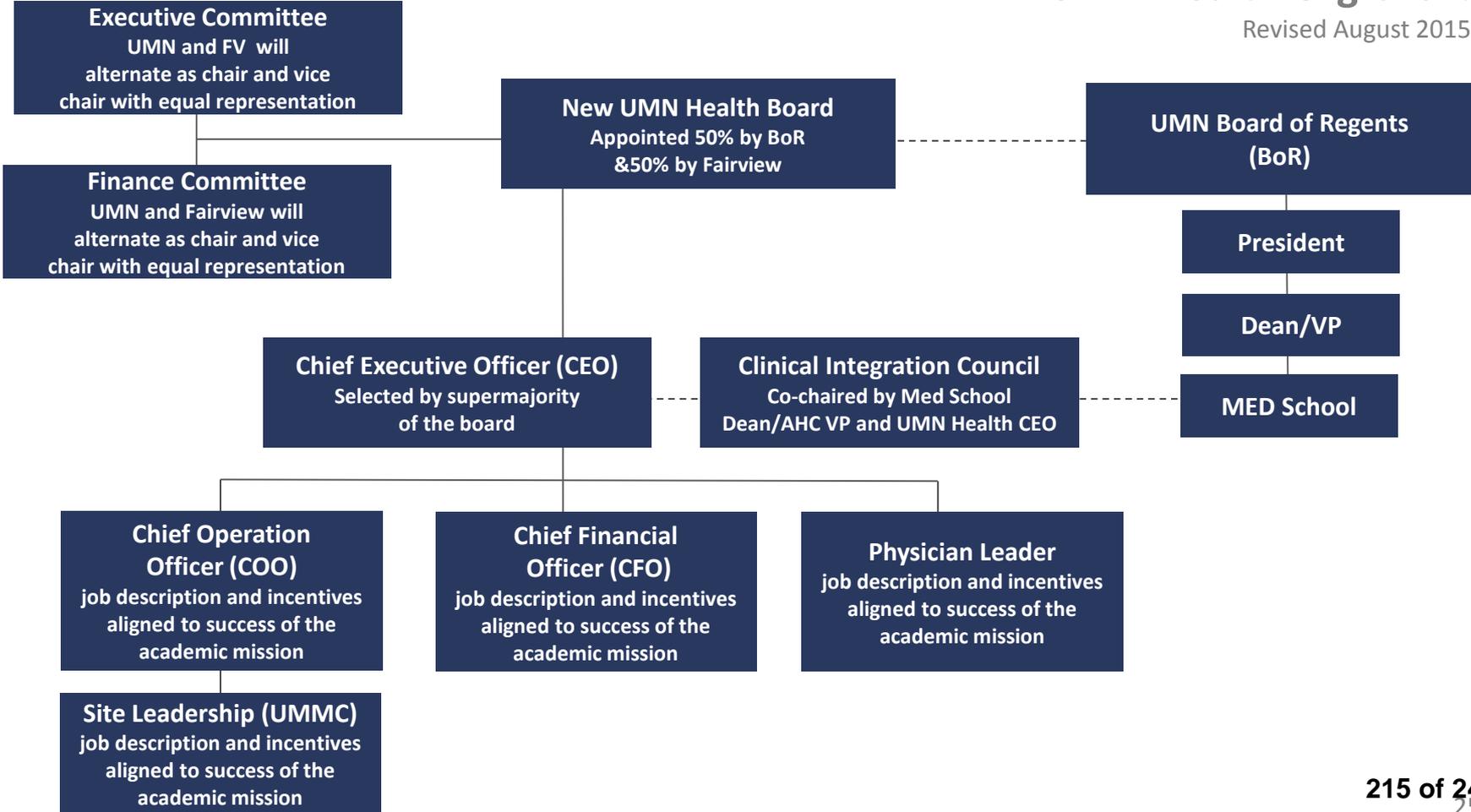
Crookston | Duluth | Morris | Rochester | Twin Cities

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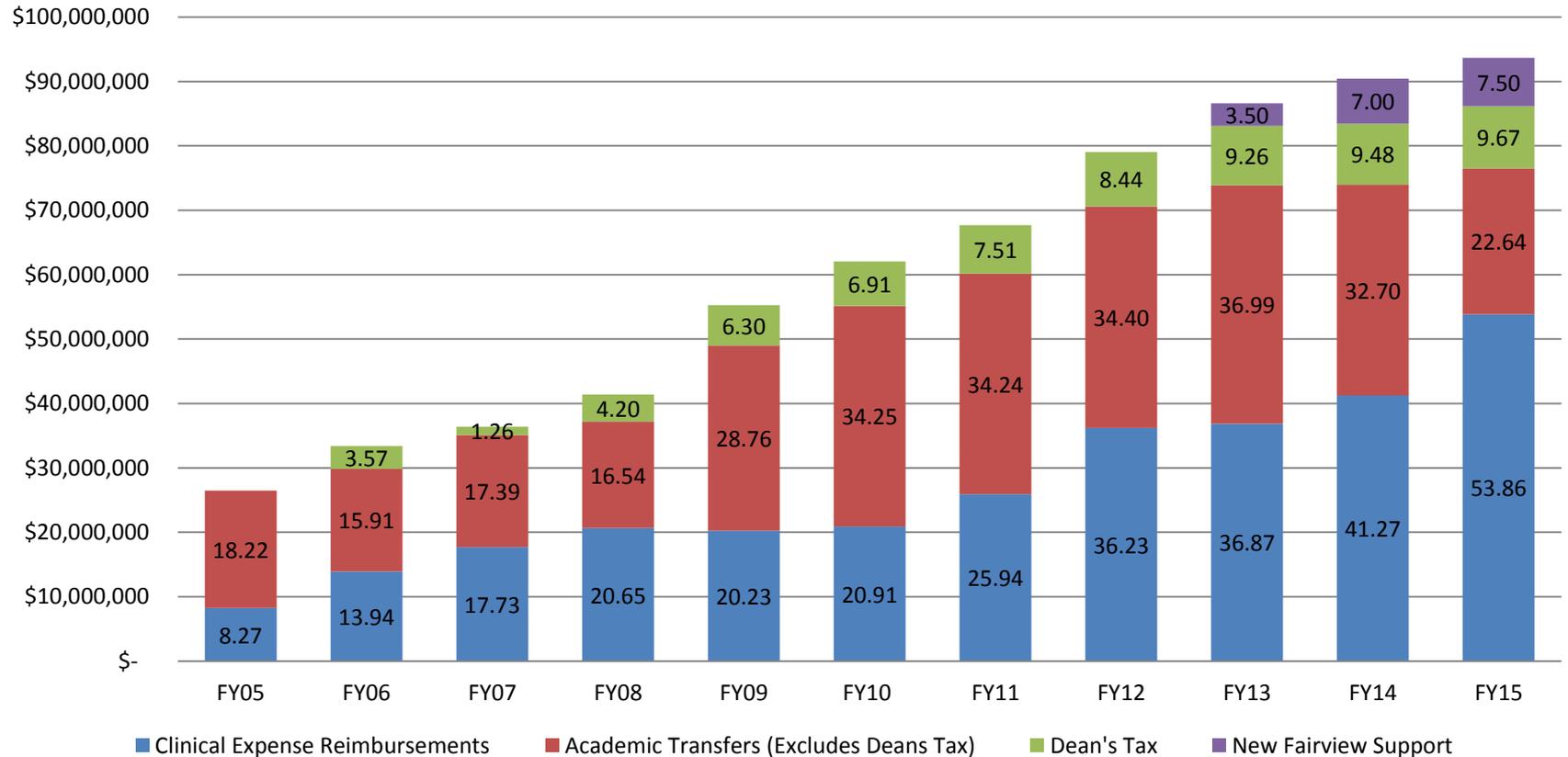
# Supplemental information

# UMN Health Org Chart

Revised August 2015

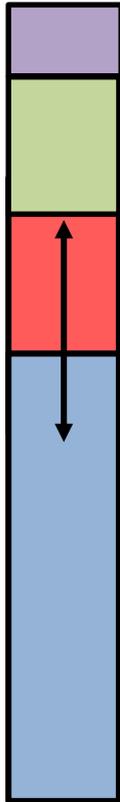


## UMP / Fairview Transfers (millions) to Medical School - Accrual Basis



# Draft Integration Principle – Finance Funds Flow

UMP



Current Fairview

MHealth \$

Deans Tax

Academic

Transfers

?

Clinical

Reimbursements

Define and  
Sort to  
Appropriate  
categories

IAHS

Baseline Academic Support  
“guaranteed above line budgeted”

Academic Transfers

Clinical Reimbursements

**IAHS Annual Operating Budget**

U of M Medical School  
Costs to Support  
Clinical Act.

Variable Academic Support  
“below line performance based”

Capital Investments in UMMC

UHC Benchmark Academic Support  
Define, Set Targets & Timetable

September 22, 2015



# BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 9, 2015

**AGENDA ITEM:** Cost Drivers at the University

- Review     
  Review + Action     
  Action     
  Discussion
- This is a report required by Board policy.*

**PRESENTERS:** President Eric W. Kaler  
 Richard H. Pfitzenreuter, Vice President and Chief Financial Officer  
 Julie Tonneson, Budget Director

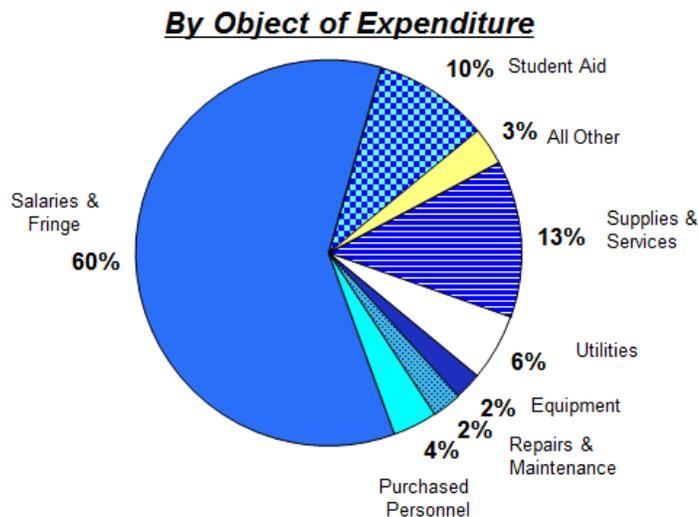
### PURPOSE & KEY POINTS

The purpose of this presentation is to highlight changes in University costs over time and to focus on major cost drivers and their implications for the future.

The President’s recommended \$3.7 billion operating budget is composed of:

- \$3.2 billion non-sponsored revenue – roughly 84.7 percent.
- \$500 million sponsored revenue – roughly 15.3 percent.

## Current Non-Sponsored Funds Fiscal Year 2016 Expenditures / \$3.0 Billion



## **BACKGROUND INFORMATION**

In June 2015, the Board approved the FY 2016 operating budget.

In September 2015, the Board discussed operating budget assumptions for FY 2017.

# University of Minnesota Board of Regents

Cost Drivers at the University  
October 9, 2015



UNIVERSITY OF MINNESOTA

**Driven to Discover**<sup>SM</sup>

# Significant Cost Drivers

- Personnel Costs – salary & fringe
- Facilities(new building operations, utilities & debt)
- Student Aid
- Technology Infrastructure

# All-Funds Budget Structure

## Sponsored Funds

## Non-Sponsored Funds

### Local Unit Generated Revenues

**Auxiliary  
Operations**  
(e.g. bookstores, parking,  
food, housing)  
Internal sales

**Clinical Income**  
**Gifts**  
**Grants & Contracts**  
**Fed Appropriations**  
**Sales & Services**  
**Fees**  
**Endowment Income**

### Centrally Distributed & Attributed

State O & M/Other Misc.

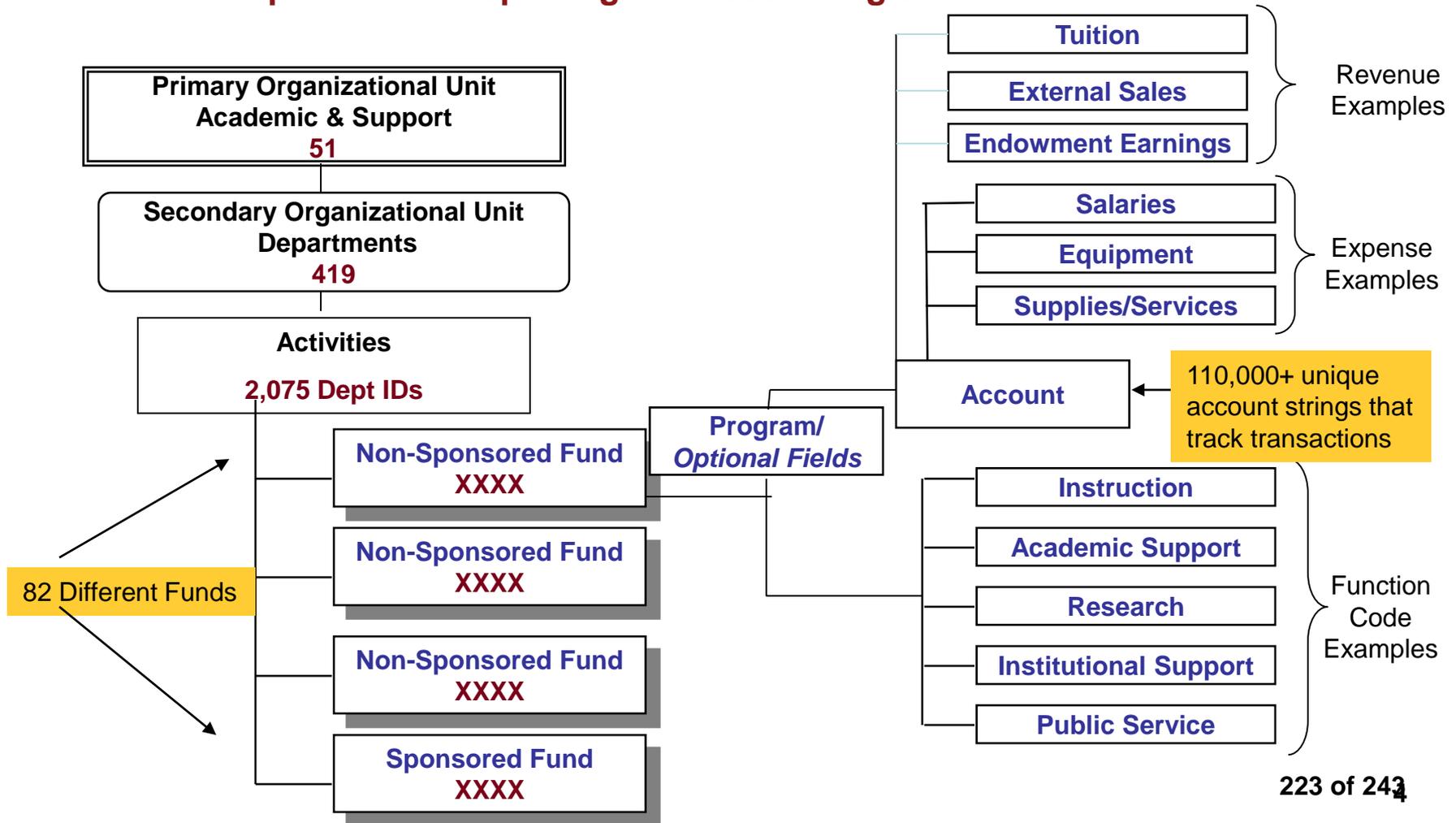
State Specials

Tuition

Indirect Cost Recovery

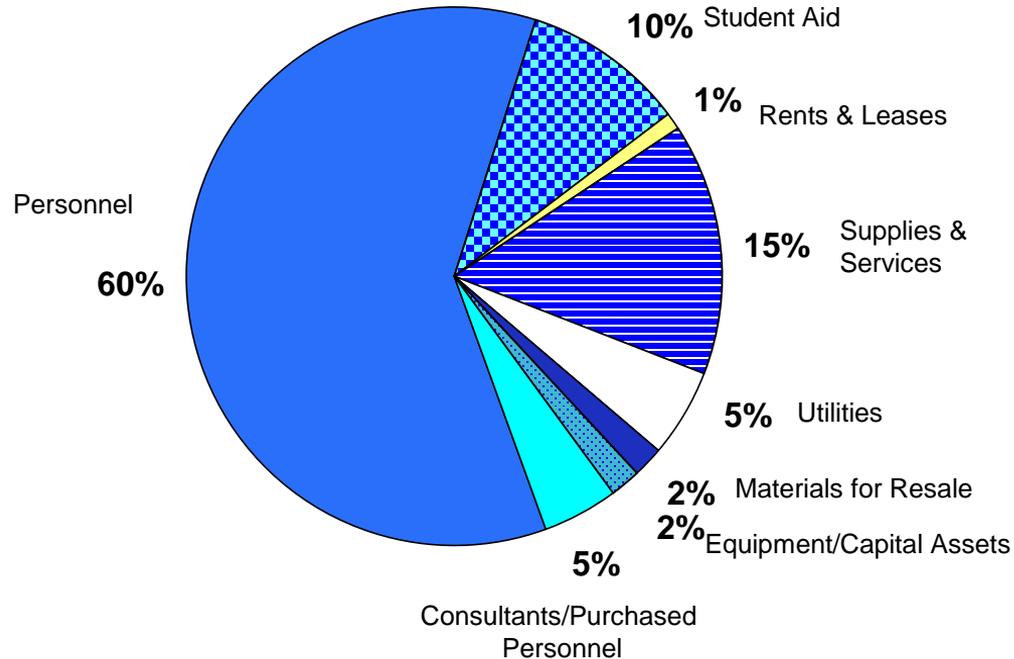
Central Reserves

# How do we track expenditures: reporting and accounting structure

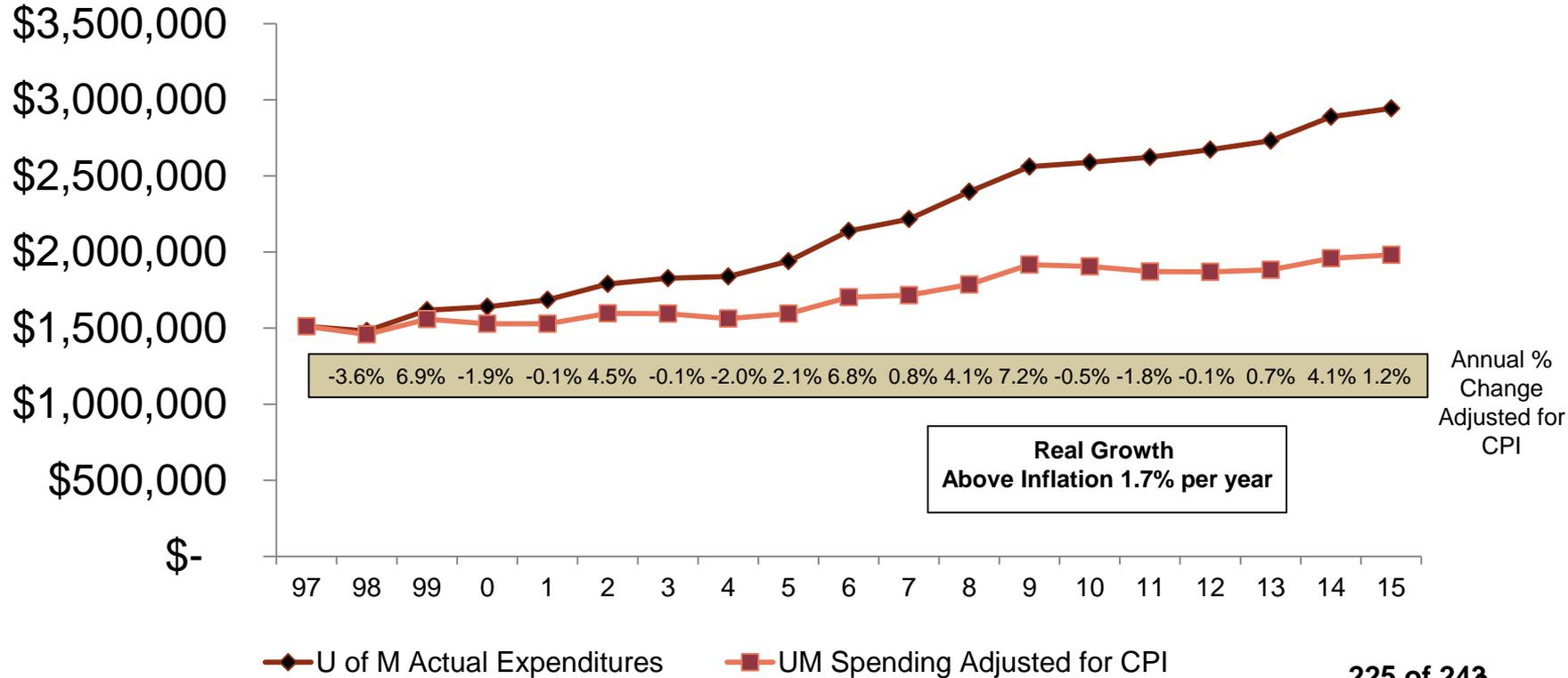


# Current Non-Sponsored Funds Fiscal Year 2015 Expenditures / \$2.9 Billion

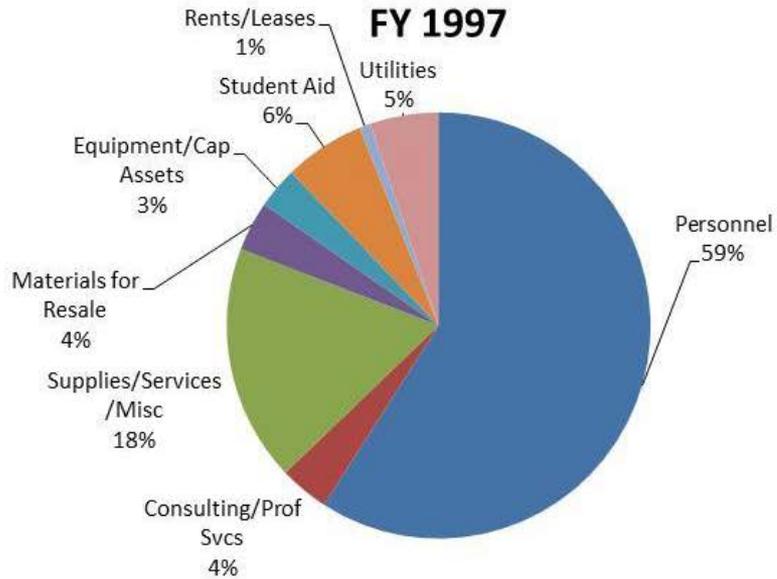
## By Object of Expenditure



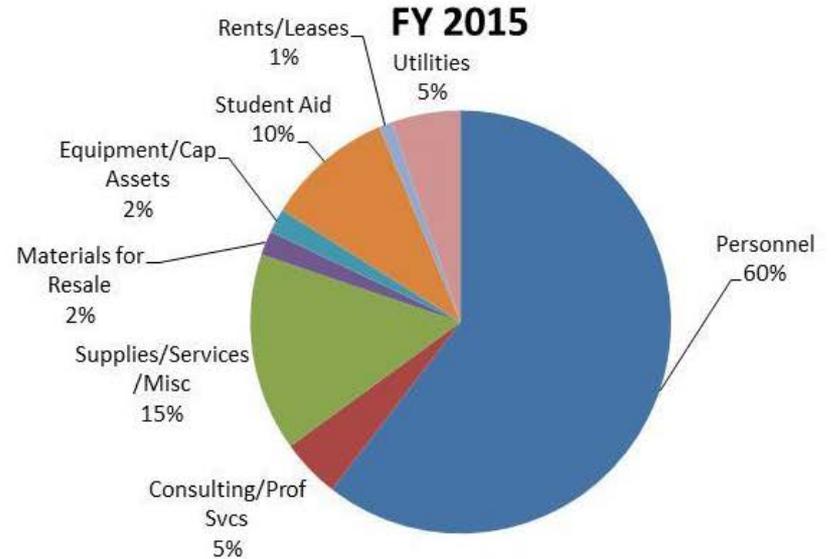
# Trend in University of Minnesota Current Non-Sponsored Expenditures 2002 - 2014 Adjusted and Unadjusted for Inflation



# University Expenditures: Percent Share of Total FY1997 vs. FY2015 Current Non-Sponsored Funds

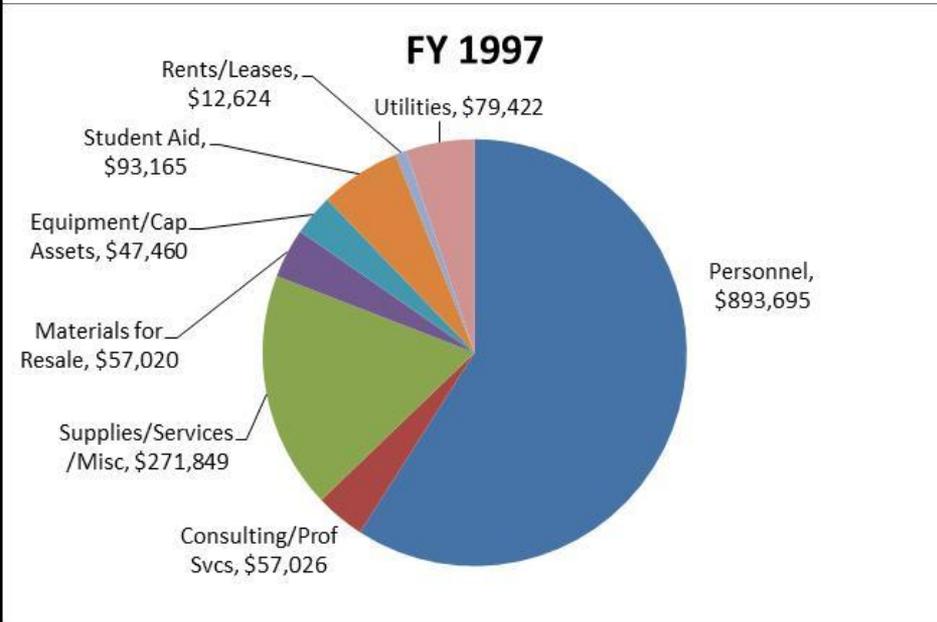


\$1,512,261,000

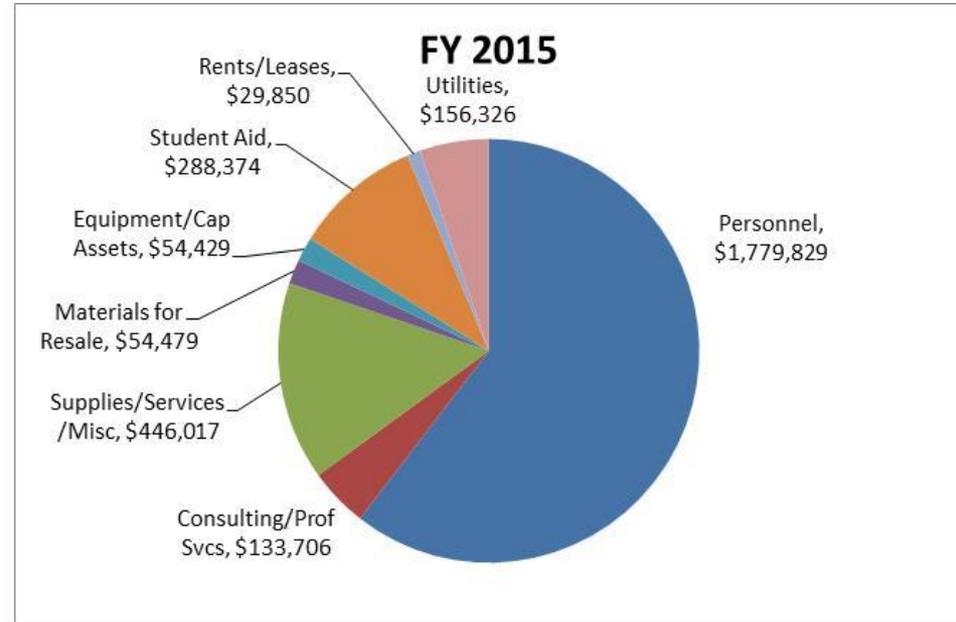


\$2,943,010,000

# University Expenditures FY1997 vs. FY2015 Current Non-Sponsored Funds (Not adjusted for inflation)



\$1,512,261,000



\$2,943,010,000

# Total University Expenditures 1997 – 2015

## Current Non-Sponsored Funds Actual and Adjusted for Inflation

Object of Expenditure	FY 1997	FY 2015	Actual		FY2015 Adjusted	Inflation Adjusted	
			Change \$	Change %		Change \$	Change %
Personnel	\$ 893,695	\$ 1,779,829	\$ 886,134	99.2%	\$ 1,198,679	\$ 304,984	34.1%
Consulting/Prof Svcs	\$ 57,026	\$ 133,706	\$ 76,680	134.5%	\$ 90,048	\$ 33,022	57.9%
Supplies/Services/Misc	\$ 271,849	\$ 446,017	\$ 174,168	64.1%	\$ 300,384	\$ 28,535	10.5%
Materials for Resale	\$ 57,020	\$ 54,479	\$ (2,541)	-4.5%	\$ 36,691	\$ (20,329)	-35.7%
Equipment/Capital Assets	\$ 47,460	\$ 54,429	\$ 6,969	14.7%	\$ 36,657	\$ (10,803)	-22.8%
Student Aid	\$ 93,165	\$ 288,374	\$ 195,209	209.5%	\$ 194,214	\$ 101,049	108.5%
Rents/Leases	\$ 12,624	\$ 29,850	\$ 17,226	136.5%	\$ 20,103	\$ 7,479	59.2%
Utilities	\$ 79,422	\$ 156,326	\$ 76,904	96.8%	\$ 105,282	\$ 25,860	32.6%
<b>Total</b>	<b>\$ 1,512,261</b>	<b>\$ 2,943,010</b>	<b>\$ 1,430,749</b>	<b>94.6%</b>	<b>\$ 1,982,058</b>	<b>\$ 469,797</b>	<b>31.1%</b>

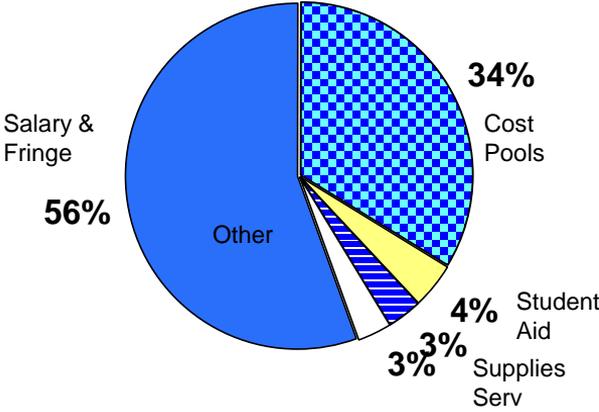
↑  
5.2% average  
annual growth



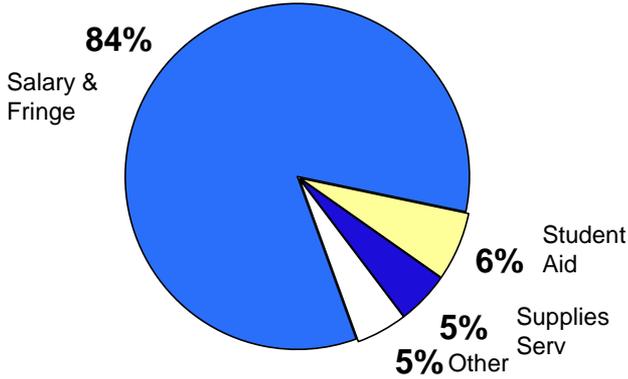
↑  
1.7% average  
annual real  
growth

# Academic Unit – College of Liberal Arts – FY15

Actual Expenditures - \$256.9m

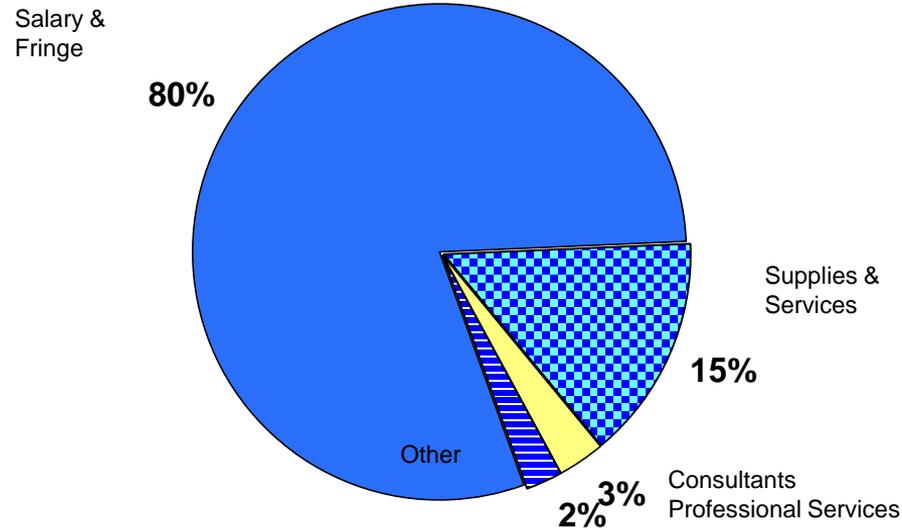


Actual W/O Cost Pools - \$170.3m



# Support Unit – Sr. VP Academic Affairs & Provost – FY15

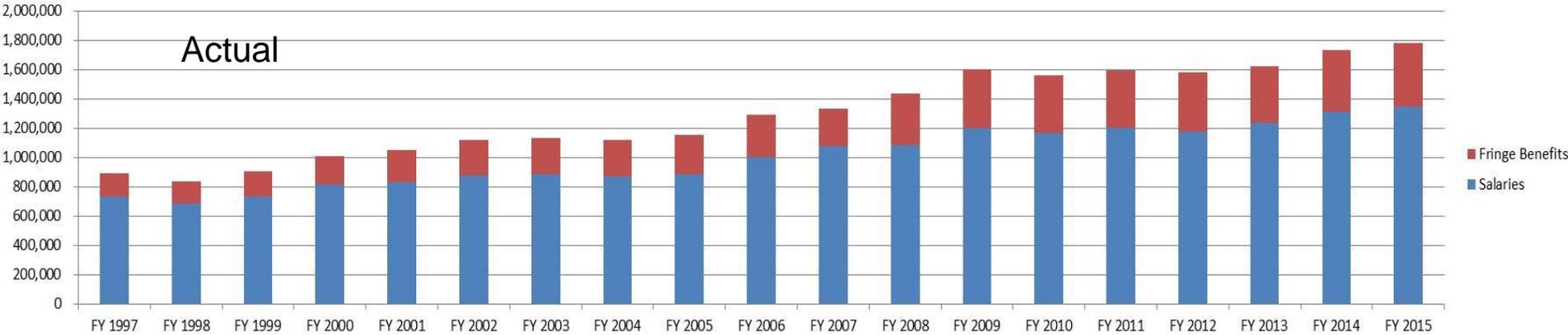
Actual Expenditures - \$11.9m



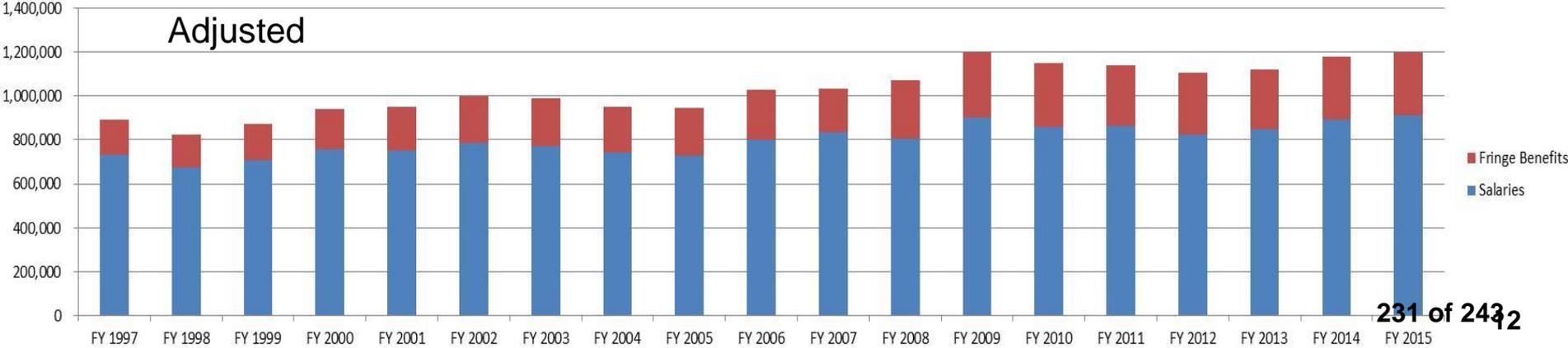
# Salaries & Fringe Benefits: 1997 – 2015

## Actual and Adjusted for Inflation

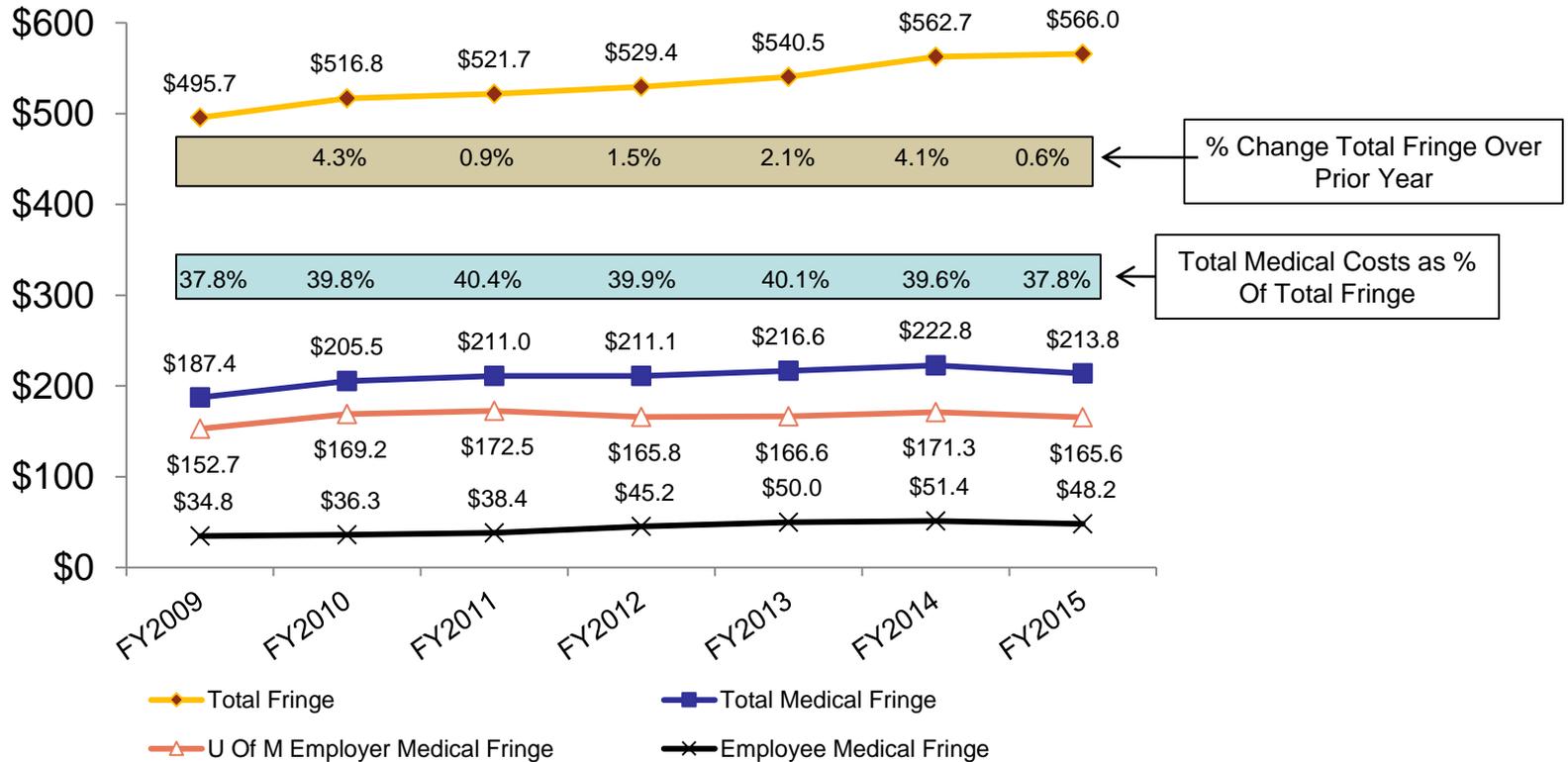
Actual



Adjusted

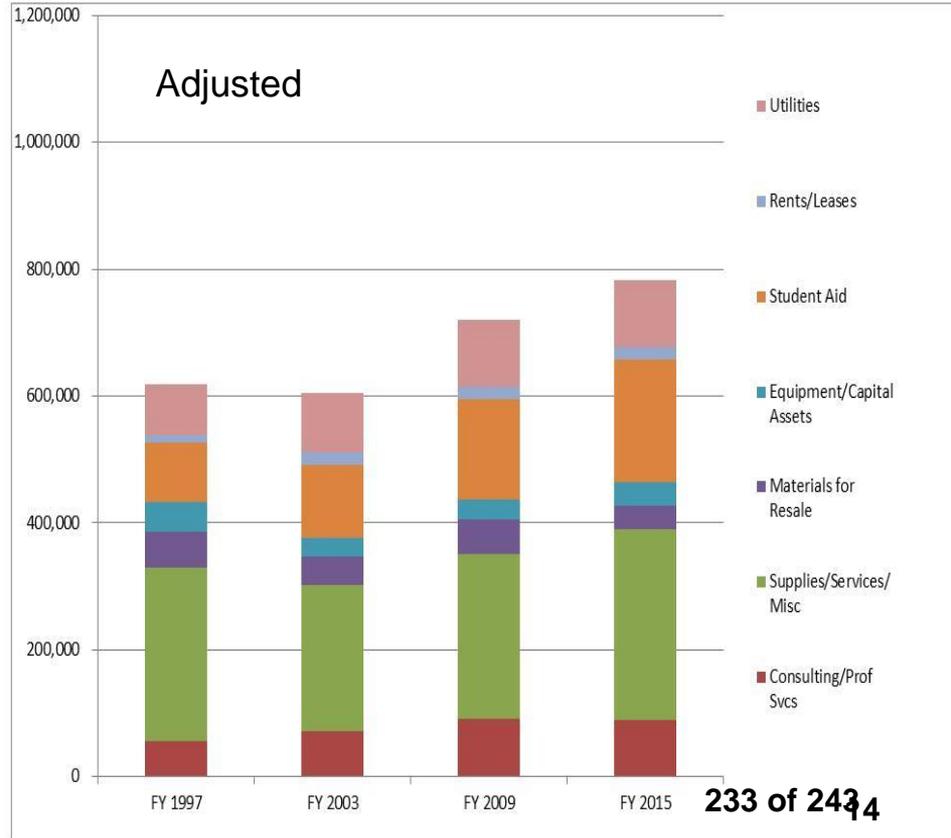
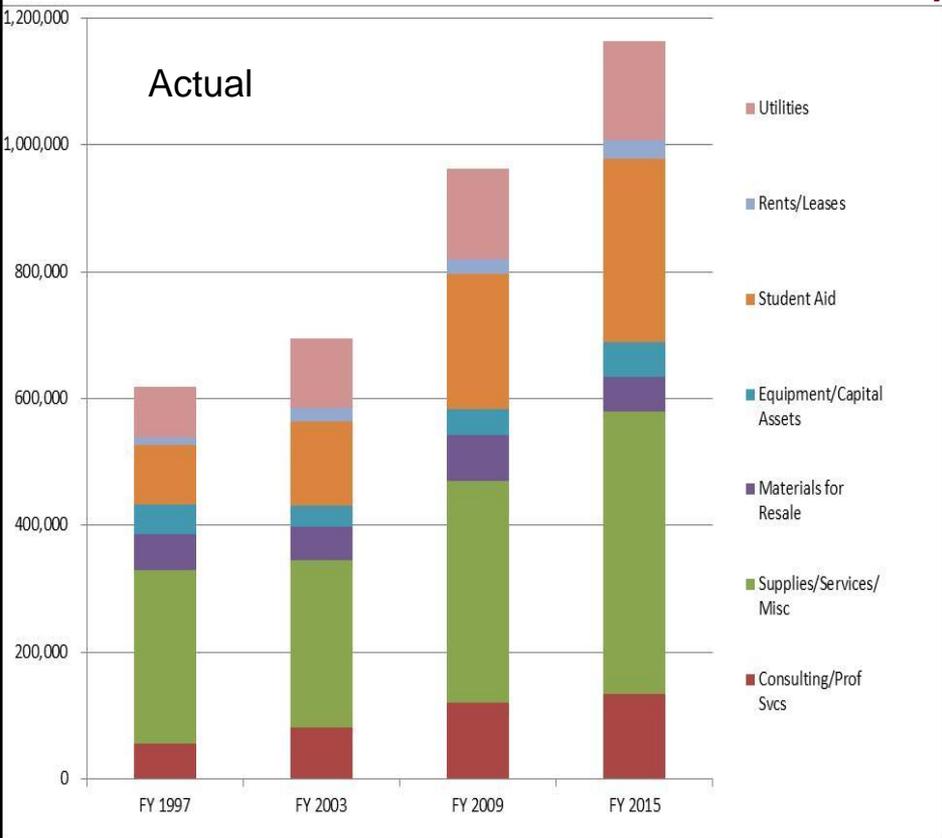


## Total Fringe Benefit Costs with Medical Detail FY2009 – 2015 Actual



# Non – Personnel(salary/fringe) University Expenditures FY1997 vs. FY2015

## Current Non-Sponsored Funds Actual and Adjusted for Inflation

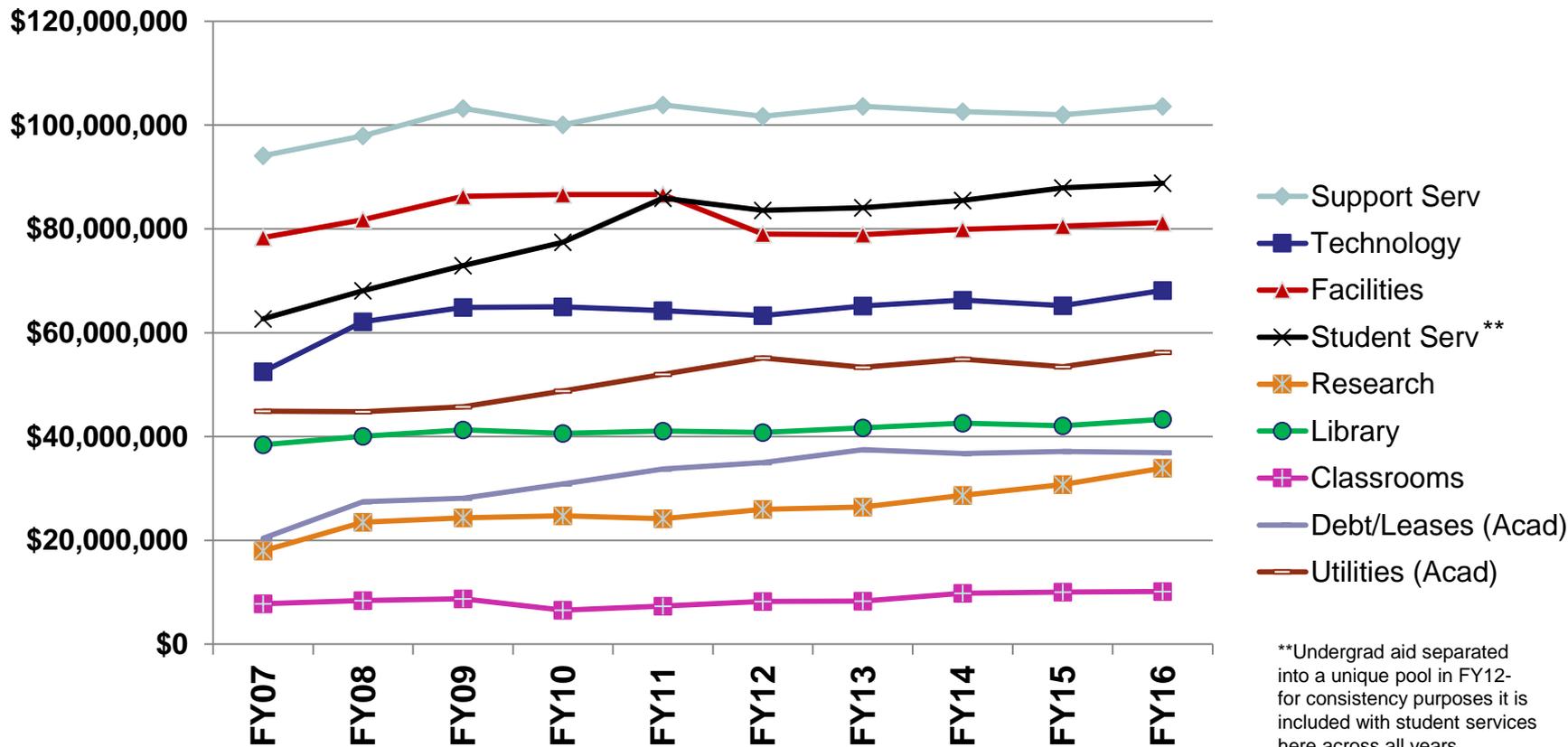


## Cost Pool Allocations Fiscal Year 2016 Budgets

		FY16
Facilities Operations and Maintenance		Custodial, Waste, Landcare, R&R, Maintenance, BSAC \$82.0m
Utilities		Steam, Gas, Electricity, Chilled Water \$56.2m
Debt & Leases		Actual cost of Debt Service and Leases by Building \$28.6m
Information Technology		Internet, E-mail, Voice Serv, File Storage, PeopleSoft, etc. \$68.2m
Support Service Units		HR, Controller, U Relations, Gen Cnsl. Pub Safety, etc. \$107.6m
Libraries		Twin Cities Libraries, excluding the Law Library \$43.3m
Student Services		Student Finance, Honors, Aid, Admissions, Grad Sch., etc. \$83.4m
General Purpose Classrooms		Office of Classroom Management \$10.2m
Research		OVPR, Sponsored Financial Reporting, U Hlth&Safety \$32.9m

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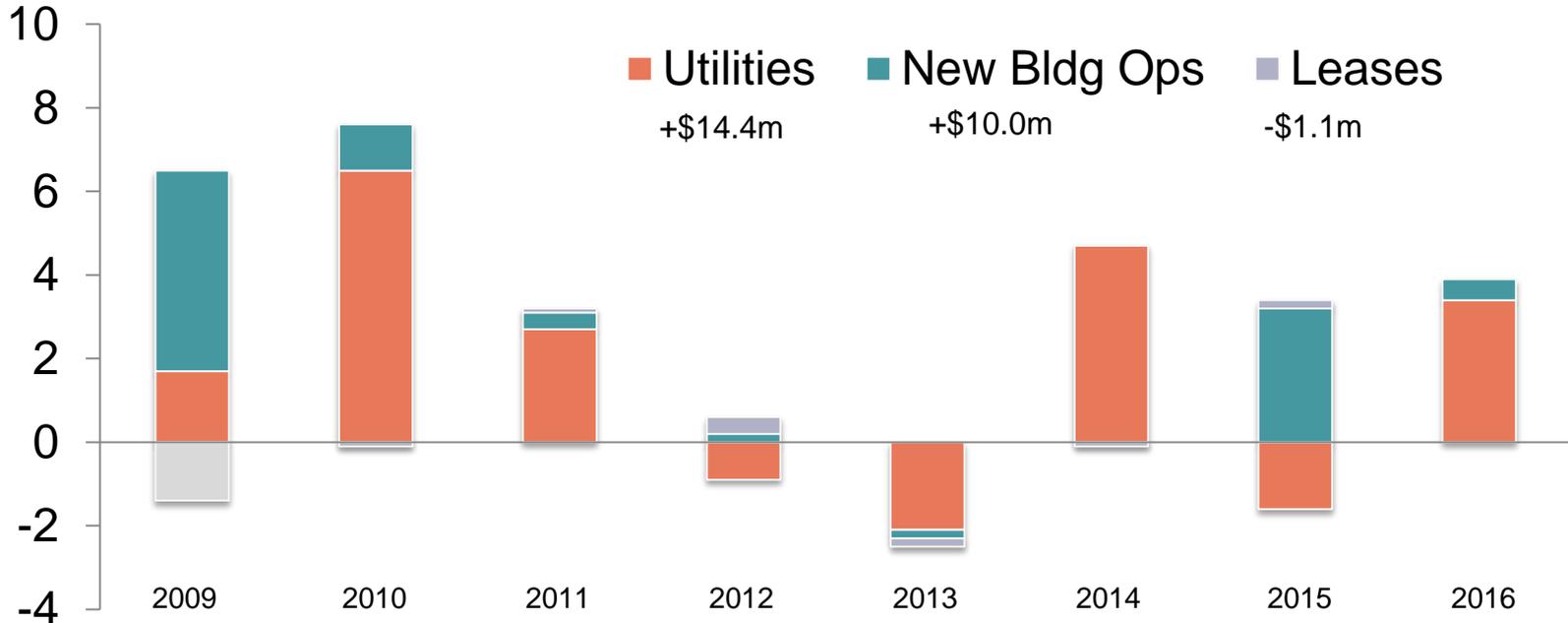
# Change in Cost Pool Charges by Major Pool FY07 – FY16



\*\*Undergrad aid separated into a unique pool in FY12- for consistency purposes it is included with student services here across all years.

# Facilities Expenses

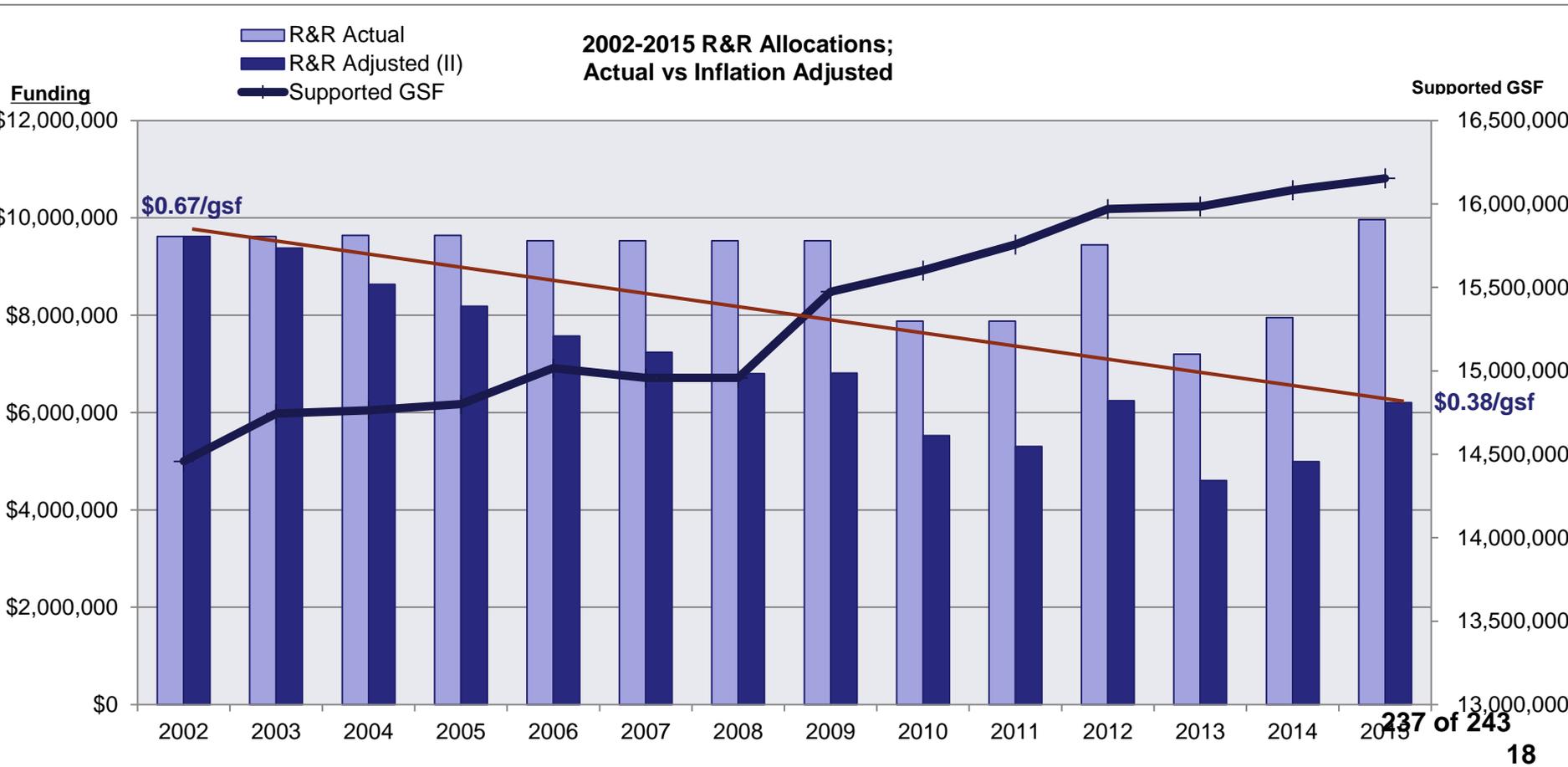
(\$ in millions)



Utilities +\$14.4m  
New Bldg Ops +\$10.0m  
Leases -\$1.1m

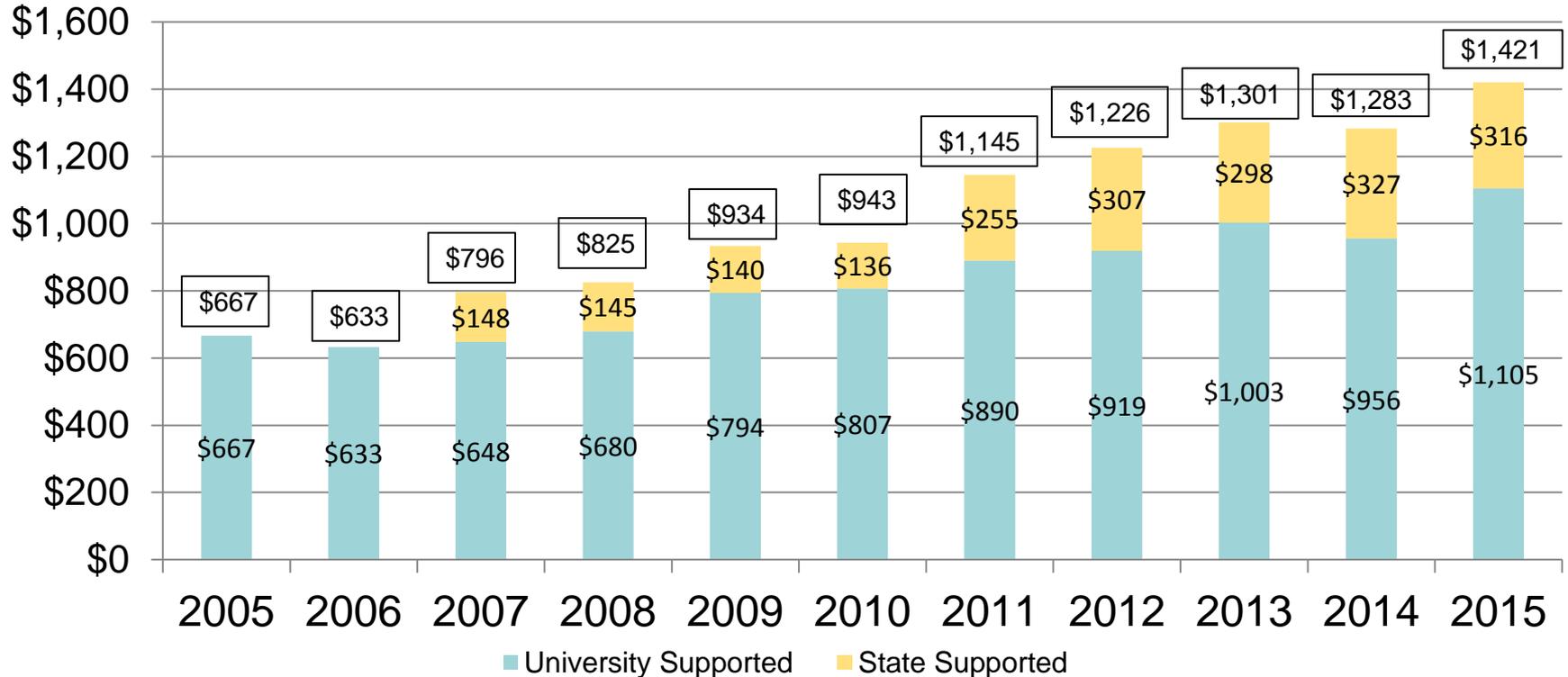
Cumulative Growth = \$23.3M

# Campus Growing, R&R Shrinking



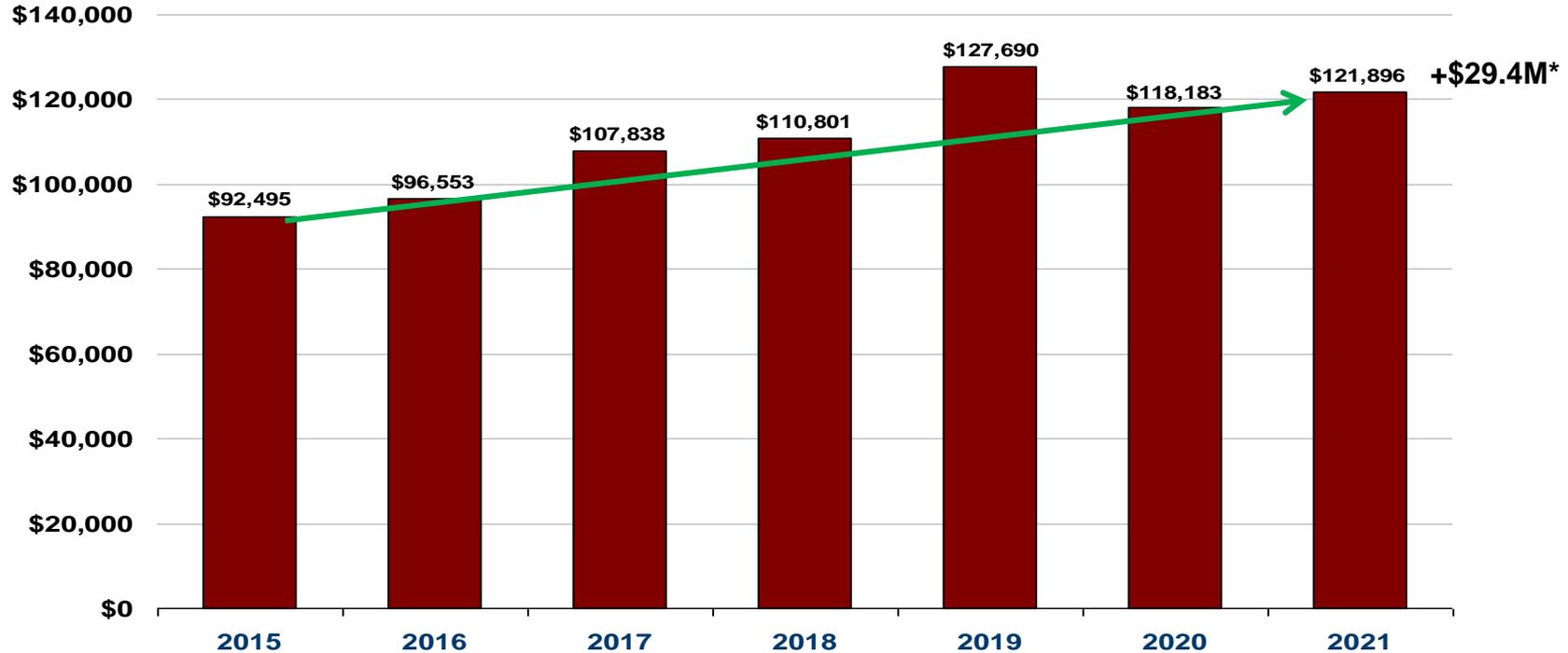
# Outstanding Debt at June 30 Year End

## Ten Year Comparison (in millions)



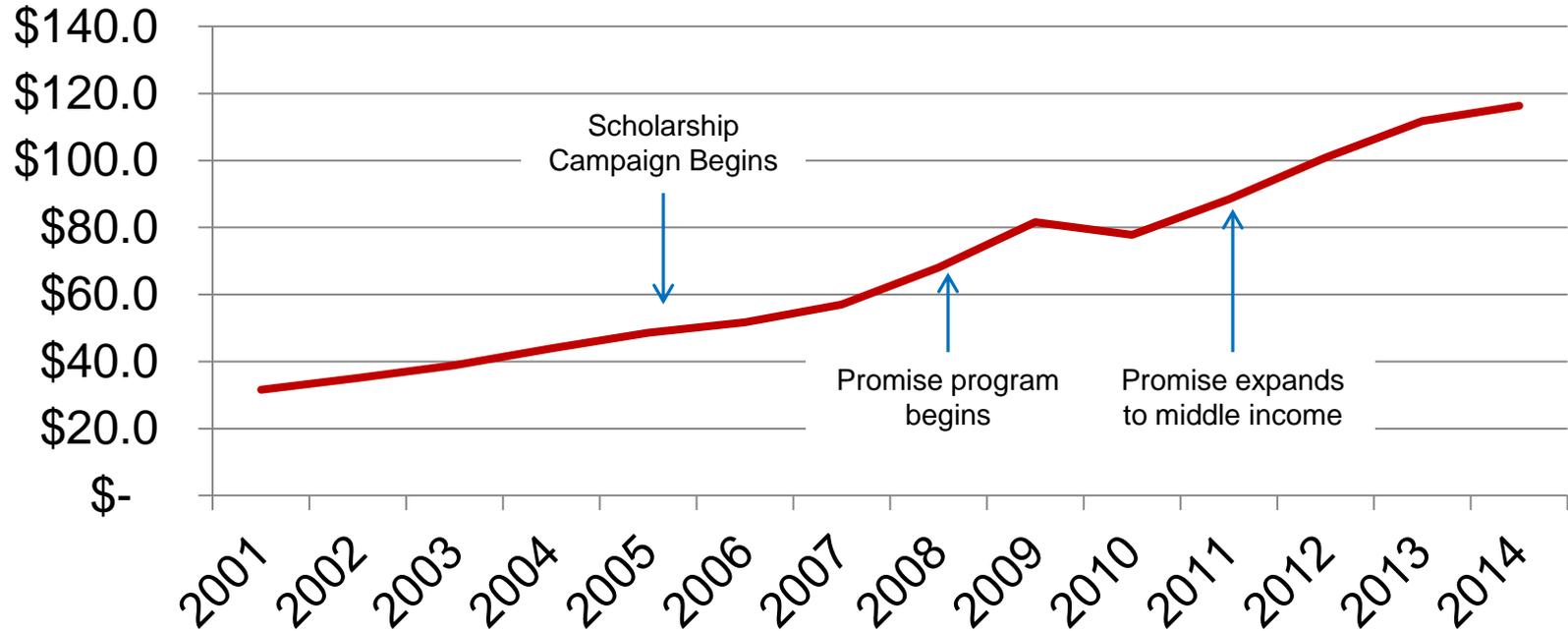
# Annual Debt Service Projection *(000s omitted)*

*Six Year Capital Plan and Other Authorized Debt*



\*Note: Includes \$9M Annual ACC Debt Payments

# Trend in University Scholarships



Includes: U Promise, Undergraduate and graduate merit and recruitment aid, Aid from UMF and MMF, College/departmental aid, Multicultural excellence program

# Expense and Investment Drivers

## Framework Costs

```
graph TD; A[Framework Costs] --> B[Compensation]; A --> C[Operations]; A --> D[Facilities & Capital Expenses]; A --> E[Strategic Choices];
```

### Compensation

- Competitive salaries
- Fringe benefit costs

### Operations

- Technology Licensing
- Library Inflation/Licensing
- Infrastructure

### Facilities & Capital Expenses

- Utilities
- New Building Operations
- Repair and maintenance
- Debt service

### Strategic Choices

- New academic initiatives
- Investment in mission support
- Institutional financial aid policies

# University of Minnesota Board of Regents

## Cost Drivers at the University

October 9, 2015



UNIVERSITY OF MINNESOTA

**Driven to Discover<sup>SM</sup>**



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Board of Regents**

**October 9, 2015**

**AGENDA ITEM:** Report of the Committees

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

*This is a report required by Board policy.*

**PRESENTERS:** Regent Dean Johnson

## **PURPOSE & KEY POINTS**

Pursuant to Board of Regents Policy: *Board Operations and Agenda Guidelines*, "The Board conducts business through meetings of the Board and its committees.... [and] Committees provide recommendations for action by the Board. Typically, standing committees have the following responsibilities:

- Recommend action on matters where the Board has reserved authority to itself as outlined in Board of Regents Policy: *Reservation and Delegation of Authority* and other Board policies;
- Provide governance oversight on topics within the committee's purview;
- Review and make recommendations on relevant new and existing Board policies;
- Receive reports on policy-related issues affecting University departments and units;
- Receive information items (e.g., status reports on current issues of concern and administrative searches); and
- Review other items placed on the agenda by the Board chair in consultation with the president and Board vice chair."

The Board chair will call on the chair of each committee to present recommended actions and provide a brief report.

## **BACKGROUND**

Current committee chairs:

- Academic & Student Affairs Committee – L. Cohen
- Audit & Compliance Committee – L. Brod
- Facilities, Planning & Operations Committee – D. McMillan
- Faculty & Staff Affairs Committee – P. Simmons
- Finance Committee – R. Beeson
- Governance & Policy Committee – L. Cohen
- Litigation Review Committee – T. Devine