

Minutes*

Senate Committee on Finance and Planning
Thursday, June 26, 1997
3:15 - 5:00
Room 300 Morrill Hall

Present: Fred Morrison (chair), Thora Cartlidge, Catherine French, Stephen Gudeman, Gerald Klement, Leonard Kuhl, Richard Pfitzenreuter, Charles Speaks, Craig Swan

Regrets: James VanAlstine

Absent: David Hamilton, Robert Kvavik, Gary Malzer, Peter Robinson, Benjamin Senauer

Guests: Senior Vice President JoAnne Jackson, Carolyn Parnell and Diane Wallner (Networking and Telecommunications Services); Margaret Carlson (Alumni Association) and Gerald Fischer (University of Minnesota Foundation)

[In these minutes: Information technology infrastructure; the Gateway project]

1. Information Technology

Professor Morrison convened the meeting at 3:20 and turned to Ms. Cartlidge for introduction of the topic and a revised resolution. Ms. Cartlidge recalled she had brought to the Committee a draft resolution at the previous meeting concerning an integrated network and support for information technology academic program initiatives. Before proceeding with the discussion, the Committee watched a short video about information technology at the University.

The Committee then discussed a number of points with its guests.

- In terms of Internet 2, that will be the next generation network that will be managed at the University by Networking and Telecommunications Services (NTS); it will be a research and education network, unlike the (now) commercial Internet.
- The two internets will use the same on-campus infrastructure (which is one rationale for a uniform and high-level information technology architecture). The University does not need the highest capacity architecture everywhere in the near future, and must decide if it will cluster the Internet 2 and other high-end users together, so less infrastructure upgrades are required, or if the users will be spread out, requiring more cabling and fiber optics--and therefore more expense.
- Asked about financial implications, Ms. Parnell said the original study produced a figure of \$145 million to bring everything to state of the art; that was scaled back to \$80 million for the legislative request, with much of the money for wiring and communications closets in buildings. They

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received no money from the legislature, so must start over in identifying how the University will fund the network.

- As assessment of academic and program needs was conducted as part of the original study; the vice presidents and provosts were asked for representatives, each of whom were interviewed about academic networking needs. There is a building-by-building tally of the cost to upgrade; the study provided data regarding the costs to upgrade each building.
- Normal system improvements will handle some of the needed change, such as the upgrade of etherjacks to "switchjacks." In providing etherjacks, NTS manages about one-quarter of connections to the net. Other connections are managed by private LAN administrators within departments. Those departments which do not have connections yet either do not have the funds to wire buildings, or choose not to. Units that have made the decision to wire their buildings or areas now have category 5 wiring rather than category 4. They are in the best position to realize the full benefit of advanced information technology such as Internet 2.
- Data network funding goes to four categories of improvements: wide area network backbone (connects coordinate campuses to the Twin Cities), campus backbones (connect buildings on each campus), local area networks, and remote access connections (the UTech building, other remote Twin Cities sites). In terms of the wide area network, there are external initiatives to lay fiber around the state, and many want to connect with the University, so there is much potential for the University to get what it needs without having to pay full cost.
- The telephone system will need to be replaced at some point, and cannot be amortized over such a long period, because the technology turns over too fast. The new system will do new and better things, but not necessarily that much that a user will see in terms of features; there will be system improvements that translate to integration of voice and video and greater efficiencies. Technology changes so fast that if the wrong choice is made now, the University will be stuck with it for a long time; it is to be hoped that NTS draws on relevant faculty expertise. NTS has developed a working relationship with Computer Science and would welcome faculty participation.
- How will it be possible to there is enough money put into training to ensure quality on the web? That is not the responsibility of NTS, but is of those who manage the University. The proposition that anything can be put on the web has been accepted; the University may want to regulate that which carries its name.

In terms of funding models, since the legislature did not fund the \$80 million, they must look at other options, Ms. Parnell reported. They have proposed to establish a group, including representation from two Senate committees, OIT, the budget office, etc., for options to fund the network. Professor Morrison said this Committee would be happy to appoint a representative(s), and would also like to see the alternatives when they are developed.

A bigger problem is that the University must come to grips with dealing with the infrastructure problem, Ms. Jackson said; the enterprise systems are a part of that problem, information technology is another, campus renewal another. Professor Morrison suggested that this be a topic for the Committee's retreat on September 16.

Professor Morrison thanked Ms. Parnell and Ms. Wallner for joining the meeting.

2. The Gateway Project

Professor Morrison next welcomed Dr. Carlson and Mr. Fischer to discuss the Gateway project; he asked Mr. Fischer to describe it briefly.

Mr. Fischer made the following points about the building: it will be at Oak and University and will be six stories high, with 30,000 s.f. in public areas, 190,000 s.f. in office areas; it will cost \$31.7 million; the public spaces will consist of Memorial Hall (all six stories, containing the Memorial Stadium arch), heritage galleries (University history and achievements), a prospective student center, information desk and visitor center, the Regents' meeting room and great room, a board room, conference rooms, a catering facility; there will be leased space for the regents, the Alumni Association, the Foundation, the Minnesota Medical Foundation; there will be an adjacent ramp for about 600 cars at Oak and Washington and possibly underground spaces for 20 to 70 cars; there will be a tunnel to the parking ramp and new skyways to the Radisson and Washington Avenue ramp; the architect will be Antoine Predock (New Mexico), working with the local firm of KKE Architects.

The mission of the building is to create a place of arrival for the Minneapolis campus, to help celebrate the University and tell its great stories, to tell prospective students that they are entering a place of greatness. There is no appropriate place to do celebrations and ceremonies, a trophy place, a place where the President can take legislators.

The size (220,000 s.f.) will be comparable to the FMC building; by comparison, the new Carlson school is about 350,000 s.f. When originally planning the building, they had planned a much smaller facility, but were told by campus master planners (and learned from colleagues at peer institutions) that a small building was not a good use of valuable, edge-of-campus property and that they would need more space in the future.

The parking will be on Oak and Washington; the possibility of a retail facade in the parking ramp is being studied.

Asked about the number of parking spaces being taken, Ms. Jackson said that to remain even on spaces throughout the Minneapolis campus, considering those taken by the ice sheet, the Gateway project, and replacement of the River Road ramp, the University must build 4 new ramps in the next two years. It is University policy, one Committee member observed, that if a project takes parking spaces, the project should be responsible for replacing them.

The \$31.7 million cost will all be from private funds. The building owners will be the Foundation, the Alumni, and the Medical Foundation; it will be financed through gifts and tax-exempt bonds. The projected lease rate would start at \$17 per s.f. and average about \$21 per s.f. for the life of the lease, which would cover both debt service and operating costs. That is higher than what they are paying in the FMC building, but lower than downtown costs. Ms. Jackson said the rate is higher than normal for the University, and units that need this quality space are the ones that should occupy it. On further examination, it was discovered that units would be paying between \$1 million and \$2 million per year more in rental charges to occupy this space that would be the case in their present locations. To the extent these are University units, such as the Board of Regents' office, Admissions, and others, these costs will

come from the operating budget of the University. Concern was expressed about other indirect costs to the University as well.

The building cost does not include the skyways, ramps, etc., Ms. Jackson reported. The entire cost and project has not yet been put together, and the various financial statements must be combined. Even though the Foundation and Alumni Association are private, their sole purpose is to support the University, and that will be the interpretation of a bonding agency. If the revenues to those units decline, that could affect the University; there is no way to build a firewall between them and the University.

If Foundation rent increases 50%, so do Foundation expenses, and there is less money for departments, said one Committee member. The Committee must be assured there will not be a reduction in payouts from the endowments. There must also not be an increased risk for them, Ms. Jackson said. If the fact that there were separate donations for the building can be shown, that would be helpful. Mr. Fischer said that is the intention.

The possibility of underground parking is reminiscent of the Art Museum, where parking reserves were spent. If there is such parking, it would be funded from non-parking sources, Ms. Jackson said. There will also be a loss of 300 spaces; their replacement is not in the project; the Committee deliberated with Ms. Jackson and Mr. Fischer about how permanent the parking spaces on the site were. Ms. Jackson pointed out that Mr. Fischer was responsible for the construction and operating cost of the building; there will be other costs to the University, and those numbers will be presented to the Committee.

One Committee member said the University is built around faculty and suggested the faculty were not integrated into the Gateway except as teachers and researchers. Mr. Fischer disagreed; he said the faculty were very much on their minds as they planned the building. When a faculty member gets into one of the national academies or receives other distinction, there will be appropriate celebrations/receptions at the building; there will be much celebration of the faculty. Other Committee members asked if there would be a lecture hall departments could use (without paying rent, which they could not afford), and if the money spent for new students (who might never return to the building) could be better spent on the unions. Dr. Carlson maintained that there is space on the campus for faculty, staff, and students, but none for the 300,000+ alumni; the gift of the faculty to society is their research and service, but most importantly the alumni who they have trained and educated. The Gateway will be their space, their home on campus.

Asked who would cover annual operating costs, Mr. Fischer said it would be paid from lease income; the building is to be self-supporting.

Asked if space would be freed up, Ms. Jackson said the building would get the University out of rental space it now occupies. One Committee member said the University is already house poor, with too many buildings, and this is adding to the problem. Mr. Fischer pointed out that University support for its development effort has declined from \$3 million to \$2 million, and assured the Committee the Foundation has the ability to pay for the building and build reserves, and that its overhead ratio has been decreasing. He said he projected an endowment of a billion dollars within six years, up from a current \$500 million. They are planning a major campaign, and the reserves are solid. He agreed that overhead charges have increased to fund the campaign, and Ms. Jackson agreed that there would be an increase in rental expense that would have to be offset by lowered building expense or there would be a decline in payouts. One rationale for the building was to help decommission space; Ms. Jackson noted that same rationale had

been used for several recent buildings, but no space has yet been decommissioned.

One Committee member said the idea of grand space designed by Antoine Predock was exciting, but when one considers the renovation and renewal needs for older buildings, why could not alumni donations be steered to restoration of the campus, and use some of that space for alumni needs? Mr. Fischer said they considered many options, including Pillsbury and Northrop, but donors tend to build with the expectation that the beneficiary will maintain the facility. It is very difficult to get donors to take care of maintenance or renewal. He has not given up on educating donors, but hears frequently that they wish to give money for people and programs, and, occasionally, new buildings.

Dr. Carlson said they want to have an alumni walk of fame into the campus from the Gateway project. She recalled that the alumni built Memorial Stadium, Northrop, put some money into Coffman, but alumni and friends have not totally funded a building in half a century. This is an exciting turn of events.

Ms. Jackson said she has charged her staff to develop a campus facilities plan, using the campus master plan, the capital budget, historical preservation considerations, and information technology, and pull everything together with respect to the physical plant. The University must have a way to tell the state how it will manage the campus over the long term, sector by sector.

In terms of fund-raising for the building, Mr. Fischer said they are appealing to donors with a University-wide perspective and asking for gifts above and beyond what they normally give, so there is no detraction from support for ongoing programs. One Committee member said the Foundation was very good at identifying those who give more rather than those who simply replace their donations.

Mr. Fischer said they would like to fund the entire building and only charge operating costs, and he wants to see the building as a source of pride for the entire University community. Dr. Carlson said it would be a very good return on the investment. Mr. Fischer also said most donor decisions are based on emotional relationships; if they can help reconnect donors to the faculty and the University, this building would help the University. Volunteer leaders want the building in place before the public phase of the capital campaign begins.

One Committee member said that "we academics" tend to overanalyze and do clear cost analyses, which is not what sells to donors.

Asked why the fundraising goal for the building (\$7 million) was so low, Mr. Fischer said he wanted an achievable goal, and given total University needs, he wanted to get the project over and done so they could get on to raising money for endowed chairs, research equipment, and other facilities.

Professor Morrison asked that the Committee be informed further about the funding for the building and associated projects, thanked Dr. Carlson and Mr. Fischer for joining the meeting, and adjourned it at 5:00.

-- Gary Engstrand