

Minutes*

Senate Committee on Finance and Planning
Tuesday, December 20, 2005
2:00 – 4:30
238A Morrill Hall

Present: Fred Morrison (chair), Arthur Erdman, Thomas Klein, Joseph Konstan, Michael Korth, Judith Martin, Kathryn Olson, Justin Revenaugh, Alfred Sullivan, Kate VandenBosch

Absent: Calvin Alexander, Christina Bachmeier, Rose Blixt, Charles Campbell, Daniel Feeney, Steve Fitzgerald, Dan Hennen, Lincoln Kallsen, Ian McMillan, Kathleen O'Brien, Richard Pfitzenreuter, Karen Seashore, Michael Sertich, Charles Speaks, Thomas Stinson, Susan Van Voorhis, Michael Volna, Warren Warwick

Guests: Associate Vice President Gerald Fischer (University of Minnesota Foundation); Vice President Charles Muscoplat; John Engelen (Director of Federal Relations)

[In these minutes: (1) financing the mission: strategies for private support; (2) financing the mission: leveraging assets; (3) earmarking federal funds]

1. Financing the Mission: Strategies for Private Support

Due to the necessary absence of the secretary, the chair of the Committee is providing these abbreviated minutes.

Gerald Fischer, president of the University of Minnesota Foundation, presented the fourth of the reports to the Regents on Financing the Mission of the University. The report centered on the role of private giving in financing the directions that will be part of the Strategic Positioning exercise. He was assisted by Judy Kirk and Mike Polussa. A copy of the PowerPoint program is attached.

It was noted that members of the next generation of major donors to the University are interested in targeted gifts that will “make a difference” not only to the university, but also to the community and the world. Part of gift solicitation is listening to the desires of the donors.

The Committee also discussed the issue of fund raising for a new stadium. These are targeted gifts that are not detracting from the University’s efforts to raise money for academic purposes. Indeed, the stadium fund-raising has enabled the University to promote the idea of parallel gifts to the academic programs from these donors. Mr. Maturi, the director of athletics has been particularly helpful in promoting the need for academic giving to these donors.

2. Financing the mission: Leveraging Assets

Vice President Muscoplat then presented the third of the reports to the Regents. This emphasizes leveraging assets for enhanced returns. The current major emphasis is on the possibility of realizing

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate, the Administration, or the Board of Regents.

greater revenue from the UMORE (or Rosemount) site of the University. A University task force has been working on this project for over a year. A copy of the presentation is also attached to these minutes.

The University is now in the process of retaining a consultant to help define the nature of the development that will take place. The University's primary criterion for development is that any development must also provide research opportunities. These can be in a variety of fields; beyond traditional agricultural emphasis of the experiment station. For example, research could be conducted in construction materials (of interest to architecture and engineering), transportation issues (of interest to public policy), or to schools for the new residents (of interest to education scholars). The list can be expanded.

The Committee provided some suggestions to Vice President Muscoplat.

3. Earmarking of Federal Funds.

Mr. Engelen, the Director of Federal Relations for the University, discussed the issue of "earmarking" of federal funds. The University receives about \$310 million each year in competitive federal grants (through organizations such as NSF, NIH, and some other federal agencies). It also receives about \$12.7 million in direct grants authorized by Congress. The "earmarked" grants flow largely to units in fields in which competitive grant funding is not available.

While most members of the Committee would prefer to see funding through the competitive, peer-reviewed processes, the Committee recognized that earmarked grants are increasingly a fact of life in Washington and that the University should continue to seek funding through this process.

The members of the Committee concurred that requests for such grants should be coordinated through the President's office, which would establish priorities. Access to this funding is a University resource, which should follow University priorities. Separate requests to members of Congress by campus or collegiate units or by individual faculty members can be damaging both to the University's overall goals and to the chance of success of the individual project. The University must present a consistent set of goals to the federal decision-makers.

Respectfully submitted,

Fred L. Morrison,
Chair

University of Minnesota

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PowerPoint Slides, **1. Financing the Mission: Strategies for Private Support** (but without the tables and graphs)

Regents' September Work Session:

1. U must align its financial strategies to support the vision to become one of top three public research universities.
 2. New revenue streams must be found and must supplement, not supplant state support.
 3. U has three high potential revenue streams for future funding, including private support.
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1. The U has an excellent track record in raising gifts Revenue from private giving has increased an average of 9% a year during past decade.
 - Highest growth rate among the U's major revenue streams.
 - ; we now need to take it to the next level.
 - The U has a collaborative, visionary plan – Big Bold Best – to accomplish this.
 2. Given U's vision, private support must be an important source of funding in the future.
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1. What will be the role of private support in future funding of the U?
 2. What are critical success factors in raising higher levels of private funding?
 3. Are we positioned for success?
 4. Will private support continue to fund the “margin of excellence” or are there ways it can contribute to the U's core funding?

Question: Why do donors make private gifts to a public university?

Answer: To make a positive difference in the quality of the institution...to change the world...to give back...to fund initiatives that go beyond the limits of its core operating budget.

Historical Information:

1985-88, Minnesota Campaign: Focus: 100 endowed faculty positions. Result: 111 added.

1989-96, Mini-Campaigns: Focus: New facilities -- Weisman, Ted Mann Concert Hall Mariucci Arena, renovated William Arena & Sports Pavilion.

1997-03, Campaign Minnesota: Focus: Support for faculty, students, facilities, research.
Result: All goals exceeded.

2004-Now, Mini-Campaigns: Focus: Scholarships, fellowships, new facilities -- On-campus sports stadium, translational research, Carlson School addition, Bell Museum, Equine Health, Weisman addition.

From 17 to 390 endowed chairs.

--14% of U's tenure-track faculty receive support from private gifts.

--Attract top students, compete for research grants, transform student lives & careers.

Growth in scholarships and fellowships.

--\$100+M raised in last 2 years.

--Endowment exceeds \$279M.

--20% increase in no. of students receiving support.

Millions raised for research.

--Helping U find cures, solve profound problems facing children, families and society.

National Ranking, Gifts and Grants from Private Sector, 1995-2005

Public & private	11	11	16	18	18	21	16	14	15	15	n/a
Public only	3	4	6	6	6	9	6	4	7	5	n/a

Combined University Endowment, National Ranking, 1995-2005

Public & private	22	24	24	24	24	24	25	25	25	25	25
Public universities	5	5	5	5	5	5	6	6	6	6	6

National Trends:

1. Multimillion-dollar gifts from donors seeking to change the world – a huge opportunity!
--Donors not motivated by needs as much as by opportunities!
--Interdisciplinary programs great opportunity for leadership gifts.
--Growing interest in seeing more immediate impact.
2. Donors want to see results, accountability.
--Increasingly, donors want to know what the measurable outcomes will be before making a sizeable gift.
3. Sources of support will change:
--Alumni support critical to successful campaigns.
--Corporate funding will grow at much slower rate than in past.
4. Demand increasing for good, experienced fund raisers.

Largest 10 gifts to universities

--Totalled \$757M or average of \$76M each.

--7 went to private schools; 3 to publics.

--8 from alumni of those institutions.

--Why did these alumni give?

--Passion for, connection to the institution

--Desire to have an impact on the world

--Desire to give back

--Donors: Duke alumni, volunteers, campaign leaders and parents of Duke students.

--\$130M given in 2004 by Peter and Ginny Nicholas of Duke University in last campaign.

--More than \$70M goes to Duke's School of Environment and Earth Sciences.

--Reason for giving.

--“To expand the school's influence in undertaking critical research, training future leaders, and informing the debate about issues that range from global warming to the quality of our air and water.” -- Peter Nicholas.

--\$100 million gift to University of Michigan's School of Business in 2004.

--Donor: Michigan alumnus/volunteer Stephen Ross, real estate developer and CEO of Related Companies, NYC.

--Reason for giving:

--"The days I spent here laid the foundation for my career and taught me lessons I will never forget." -- Stephen Ross

--"This donation will animate every part of the business school's aspirations and plans....It will help our students; it will help students not even born yet." -- President Mary Sue Coleman

Moving U Development to the Next Level:

--"Big, Bold, Best"

--Strategic plan for development involving every college and campus.

--Vision

--"Be the best of the best in university development, supporting the U as one of the top 3 universities in the world."

1. Focus on transformational & major gifts.

--Need large pool of alumni, friends with affinity, capacity to give, transform the U.

--85% of our gifts came from 1% of our donors during last campaign.

--Only had 1 donor giving \$25 million+ in last campaign.

2. A compelling case

--Aligns U's vision, strengths, priorities with donors' dreams, passions & goals.

--Options going forward

--Interdisciplinary focus?

--Targeted, focused on specific needs?

--Broad-based appeals?

--Combination of the above?

3. Leadership commitment and focus

--Integration of private support into U's long-range planning.

--U leaders committed to building strong relationships with alumni, donors.

--Volunteer leaders meaningfully engaged in life of U & fund-raising.

4. A top-quality development operation

--Ability to attract, retain top professional talent.

--Effective coordination in decentralized culture.

--Strong central services.

--Budget appropriate for the potential.

--Cost to raise \$1 at the UofM has averaged only 9.4 cents annually for past decade.

--ROI: \$7-\$15 raised for each \$1 invested in development

Questions for Today:

1. What will be the role of private support in future funding of the U?

2. Will private support continue to fund the “margin of excellence” or are there ways it can contribute to the U’s core funding?
3. What are critical success factors in raising higher levels of private funding?
4. Are we positioned for success?

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PowerPoint slides, **2. Financing the mission: Leveraging Assets**

Revisiting the Context from September 9 Regents Meeting: We must align our financial and strategic investment strategies to support the goal of becoming one of the top three public research universities in the world, with similar high aspirations for our coordinate campuses and state-wide centers according each one’s unique signature and aspirations;

State Support: \$614 million in FY06, 14% of state support is restricted by statute (state specials), increases and decreases in state support are influenced by the economy, competing pressures on the state, and political decision-making. The University will continue to require a long-term, enduring partnership with the state to be successful. New and enhanced revenue streams must supplement, not supplant state support.

UMore Park: Goals and Objectives for Today: What is UMore Park? What happens at UMore Park? What are the forces of change at UMore? What is a vision of UMore Park for the future?

UMore means: University of Minnesota Outreach, Research and Education (UMore) Park

UMore can be:
Students First Place
Research Place
Public Mission Place
Engaged Place

UMore Park: A big place, needing a really big vision!

Largest undeveloped University-owned acreage contiguous to any major US city, minutes drive from Minneapolis-St. Paul. UMore Park is located at the urban-rural interface and in the pathway of development from 3 sides. Political, developmental, environmental, and financial pressures are mounting. UMore is rapidly gaining in value, political visibility and interest from many quarters. UMore Park in perspective, at the rural urban edge; exploding growth patterns will envelope UMore soon. The Twin Cities is surrounded by miles of forest, parks, and wetlands, UMore is the only logical path for metropolitan expansion.

UMore Park:
Relative Size
7,686 Acres
12 Square Miles

By Comparison:

Washington, DC 68 square miles
Rochester, MN 40 sm
Minneapolis, 54 sm
Edina, 15.75 sm
Golden Valley 10.5 sm

Good neighbors want to know, the Metro Council wants to know? What is the future of UMore Park?

Impact pressures on UMore Park - A call for action

- Residential and commercial expansion desires
- Empire Township wastewater needs
- Dakota County Technical College Land Option Agreement
- Rosemount sewage interceptor
- City of Rosemount
- Dakota County Planning
- Air cargo transport Location
- Aggregate/gravel 3,000 trucks!
- Gopher Ordnance Works
- Ongoing research projects
- Pressure from current tenants

History of Gopher Ordnance Works: In 1942, US Military appropriated land, US Military started Gopher Ordnance and produced smokeless gunpowder, Operated only 9 months; stopped 1945, Employed 12,000 workers, 12,000 acres in origin, 1947 [4,687A] & 1948 [3,320A] transferred to the University for \$1, 7,686 acres remain owned by University of Minnesota today.

UMore Park Planning Efforts by President Robert Bruininks: UMore Park Executive Committee formed June '04, Guiding principles established, Report to President Bruininks and to the Board of Regents in September 2005, Executive Director appointment: Larry Laukka, Regents' presentation November 10, 2005.

Executive Committee Enacted June 04: Charles Muscoplat, Gerald Fischer, Thomas Fisher, Steven Goldstein, Robert Jones, Larry Laukka, Kathleen O'Brien, Richard Pfutzenreuter, Alfred Sullivan; ex officio, Dewey Thorbeck, Philip Larsen, Ken Larson; Met 16 times between June 2004 and August 2005

UMore: Guiding Principles: Foremost to advance University's fundamental academic mission, To respect the needs of local, regional and state governments, To maintain oversight over future uses of UMore Park, To ensure that development is conducted with fairness and integrity, To improve the financial health of the University.

Board of Regents and UMore: Key Policy Issues: How can the U maximize academic and financial value to support the research, education and engagement mission of the University? What is the appropriate management strategy for the property – now and for the future – to realize the goal of becoming among the top three public research universities? How to respect the goals for UMore while respecting the goals of local, regional, and state jurisdictions? Can any of the approaches to the UMore Park property also be applied to other University property?

Why Plan NOW?

UMore: Overview: 7,686 acres: Rosemount Research and Outreach Center and Rosemount Research Center, Agricultural research, Private leases and contracts

UMore Park Current Situation: Provides user-friendly, close-in site for faculty research, Community outreach and engagement, Private/public partnerships, Income from real estate and land rentals

UMore Park: Current Research: College of Architecture and Landscape Architecture, College of Biological Sciences, College of Natural Resources, College of Agricultural, Food and Environmental Sciences, College of Veterinary Medicine. Approximately 35-45 faculty from these colleges, along with their research assistants, are engaged in research activities in the following areas: Animal and livestock research, crop research, environmental research, veterinary medicine and medical research, architectural research, extension and outreach, stormwater, renewable energy, and land-use planning

UMore: Key Internal University Constituents: University officers and administrators, Administrative units (finance, real estate, facilities, capital planning, OGC, University relations, etc.), Board of Regents, Other University departments: police, storage, firing range, Deans and senior academic administrators, Faculty, students and staff, Alumni and donors

UMore: Key Constituents: UMore Park staff, Citizen advisory council, Master gardeners, Tenants, Stakeholder groups: Agricultural commodity groups, governmental agencies, equestrian, anti-sprawl, environmental activist groups, NGOs, press, cities, townships, state and federal government policy makers, etc.

UMore: Key UMore Constituents: State, local and regional government constituents, High elected officials, Met Council--Urban services, Dakota County--Regional parks/Roads and services, Rosemount--Land-use/zoning/Sewer and water/Schools, Empire Township

Taking Stock of UMore: Where are we at the Midpoint of this Presentation? Land for research and land rentals, Land for miscellaneous leasing or portions of UMore are currently underutilized, undervalued or simply unused, Change is happening now 360 degrees around UMore Park; The University of Minnesota is in strategic change mode.

External factors may be changing or restricting our degrees of freedom. Will delay result in restrictions on our options?

The Future of UMore: A people place, A renewable energy and environment place, A healthy foods healthy lives place, A place for discovery and learning, A place of community and regional value, A national model of development, A place contributing to the financial health of the University. NOT FOR SALE SIGN HERE

Planning for the Future of UMore? Enhance the University's legacy and enrich the greater community. A Once-Ever Opportunity! Single owner, single plan. Unified and engaged with the Greater Community

What will UMore Become? UMore Park is one of the most valuable parcels of land contiguous to a major metropolitan area owned by a single entity in the United States, and largely undeveloped and ready now.....to be enhanced, to become A Legacy!

Strategic Action Steps: Inventory the UMore Assets, Examine the strategic forces shaping, and those likely to shape the future of this asset, Academic needs inventory – needs to be top 3, Financial needs and risks inventory, Market forces study, Government interests and pressures, Political realities, Social issues and social opportunities, Regional Economic Development

RFP for UMore Planning: 17, 2006: We expect a pool of world-class respondents who can help establish a vision, help us define our program of uses, and help us evaluate the economics of any potential plan, Selection anticipated in early 2006, Return to the Board of Regents with proposals for a strategy and seeking approvals in the coming months.

Strategic Planning Objectives: Assist the University with developing a high-level vision for UMore Park, Refine and define a program of uses for the land, Develop a timeline for achieving the vision, Develop a "financial pro forma" for the property.

What will UMore Become? Will promote research and academic values, Will be an opportunity for a community, Will ensure education and lifelong learning, Will provide for service and engagement, Will adopt emerging technologies, Will add value, both academic and financial, Will be for the PUBLIC GOOD. Not merely financial, nor merely academic. It is an integration that creates value – and that value will multiply for our sons and our daughters, and their sons and their daughters and all who follow. Financial gains are to be preserved and reinvested in perpetual endowments for furthering the academic mission of the University of Minnesota

Let's do UMore, not because it is easy, but because it is hard. UMore requires staying power, as every step along the way will be challenging, arduous and yet rewarding. If you think it is hard now, hopefully it will be only that easy. Well worth it! It is our duty!