



Finance Committee

September 2014

September 11, 2014

9:45 a.m. – 11:45 a.m.

West Committee Room, McNamara Alumni Center

FIN - SEP 2014

1. 2014-15 Committee Work Plan

Docket Item Summary - Page 3

Work Plan - Page 5

2. University Tax Compliance Activities & Programs

Docket Item Summary - Page 6

Presentation slides - Page 7

3. Annual Asset Management Report

Docket Item Summary - Page 15

Presentation slides - Page 16

4. Financial Components of the President's Recommended FY2016-17 Biennial Budget Request

Docket Item Summary - Page 48

Resolution - Page 50

Presentation slides - Page 52

5. Financial Components of the President's Six-Year Capital Plan and 2015 State Capital Budget Request and Update on Debt Capacity

Docket Item Summary - Page 60

Resolution - Page 62

Narrative - Page 63

Project funding report - Page 67

Project description report - Page 76

Presentation slides - Page 89

6. Consent Report

Docket Item Summary - Page 103

General Contingency Report - Page 105

Summaries for Purchase of Goods and Services - Page 107

7. Information Items

Docket Item Summary - Page 110

Quarterly Purchasing Report - Page 111



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

September 11, 2014

Agenda Item: 2014-15 Committee Work Plan

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

This is a report required by Board policy.

Presenters: Regent David McMillan
Richard Pfutzenreuter, Vice President & CFO

Purpose & Key Points

To discuss issues and priorities for inclusion in the 2014-15 Finance Committee Work Plan.

Background Information

Board of Regents Policy: *Board Operations and Agenda Guidelines* defines the role of the Finance Committee as follows:

The Finance Committee oversees the fiscal stability and long-term economic health of the University. This committee monitors the University's financial operations, debt level, and investment performance; requires the maintenance of accurate and complete financial records; and maintains open lines of communication with the Board about the institution's financial condition.

Specifically, this committee recommends:

- the University operating budget;
- financial components of the University capital budget;
- approval of purchases of goods and services over \$1,000,000;
- the issuance of debt;
- changes to the approved central reserves budget; and
- asset allocation guidelines and other policies related to the University's asset management function.

This committee also provides governance oversight to:

- long range financial planning strategies;
- total indebtedness of the University;
- the investment portfolio; and
- the financial relationship between the University and its partners, including affiliated foundations, clinical operations, and external entities.

This committee also reviews:

- selected financial metrics that measure the University's fiscal condition;
- quarterly purchasing reports and violations of Board of Regents Policy: *Purchasing*;
- semi-annual capital financing and debt management reports;
- the annual report on central reserves;
- quarterly asset management reports;
- semi-annual management reports; and
- other financial reports as requested by the committee.

Draft for Discussion Only
Finance Committee Agenda Items
2014-2015

Date	Topics
2014	
September 11-12	<ul style="list-style-type: none"> • 2014-15 Committee Work Plan • University Tax Compliance Activities & Programs • Annual Asset Management Report • Financial Components of the President's Recommended FY2016-17 Biennial Request - Review • Financial Components of the President's Recommended Six-Year Capital Plan and 2015 State Capital Budget Request & Update on Debt Capacity - Review
October 9-10	<ul style="list-style-type: none"> • Resolution Related to the Issuance of Debt • Long Range Financial Planning Update • Financial Components of the President's Recommended FY2016-17 Biennial Request - Action • Financial Components of the President's Recommended Six-Year Capital Plan and 2015 State Capital Budget Request & Update on Debt Capacity - Action • Administrative Cost Definition & Benchmarking
November	No Meeting
December 11-12	<ul style="list-style-type: none"> • Issues Related to 2014 Annual Financial Report • GASB61 – Treatment of Component Units • Enterprise Systems Upgrade Project: Update • Report on State of Minnesota 2014-15 Biennial Appropriations/Performance Goals
2015	
January	No Meeting
February 12-13	<ul style="list-style-type: none"> • Board of Regents Policy: <i>Purchasing</i> -Review • Annual Investment Performance: Peer Comparisons • Long Term Financial Planning: Fully Allocated Cost of Mission Activities • Annual Capital Financing and Debt Management Report
March 26-27	No Committee Meeting
April	No Meeting
May 7-8	<ul style="list-style-type: none"> • Financial Components of the President's Recommended Annual Capital Budget: FY2016 - Review • Annual Insurance & Risk Management Report • Board of Regents Policy: <i>Purchasing</i> - Action • TBD
June 11-12	<ul style="list-style-type: none"> • Financial Components of President's Recommended Annual Operating Budget FY2016 – Review • Financial Components of President's Recommended Annual Capital Budget: FY2016 – Action • University Tax Compliance Activities & Programs • TBD
June - Date TBD	<ul style="list-style-type: none"> • Financial Components of President's Recommended Annual Operating Budget FY2016 – Action
July 8	Committee to meet only if there are urgent agenda items that require action.
August	No Meeting

Every Month: Transactional Business:

- Consent Report(General Contingency Items, Purchase of Goods & Services > \$1,000,000)
- Information Items



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

September 11, 2014

Agenda Item: University Tax Compliance Activities & Programs

- Review** **Review + Action** **Action** **Discussion**
- This is a report required by Board policy.*

Presenters: Richard Pfutzenreuter, Vice President & Chief Financial Officer
Kelly Farmer, Director, University Tax Management

Purpose & Key Points

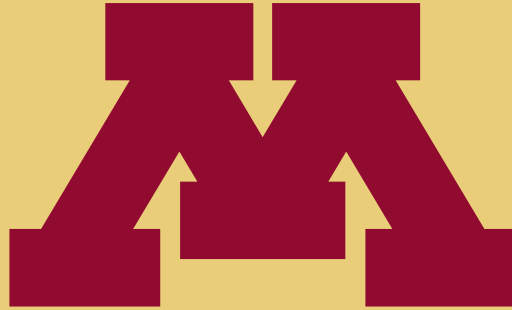
Colleges and universities have been the focus of Internal Revenue Service (IRS) scrutiny for many years. The purpose of this discussion is to provide information to the Regents on the various tax compliance activities and programs of the University Tax Management Office (TMO).

Background Information

The TMO has worked on numerous projects and activities over the last fiscal year. Specific tax areas encountered at the University include issues relating to the following:

- Unrelated Bus. Income (UBI)
- Tax Exempt Debt
- Related Organizations
- Sales Tax
- Tax-Exempt Status of the University
- Excise Taxes
- Employment & Benefits
- Contributions
- Scholarships
- Tax Reporting
- Foreign Tax Compliance
- Miscellaneous tax Issues
- Non-Resident Alien Tax
- Deferred Comp & Pensions
- Tax Controversies
- Administrative Matters

Consultation and coordination with other units at the University is a key function of the TMO. Some of the campus areas and key departments the TMO has coordinated with are Sponsored Research Administration, Office of Student Affairs, Various Academic Units, Athletics, all campus locations, Office of the General Counsel, Global Programs and Strategy Alliance, Debt Management Office, Foundations and Associated organizations, Controller's Office, Office of Human Resources, Office of Investment & Banking, the Academic Health Center, and the Minnesota Landscape Arboretum.



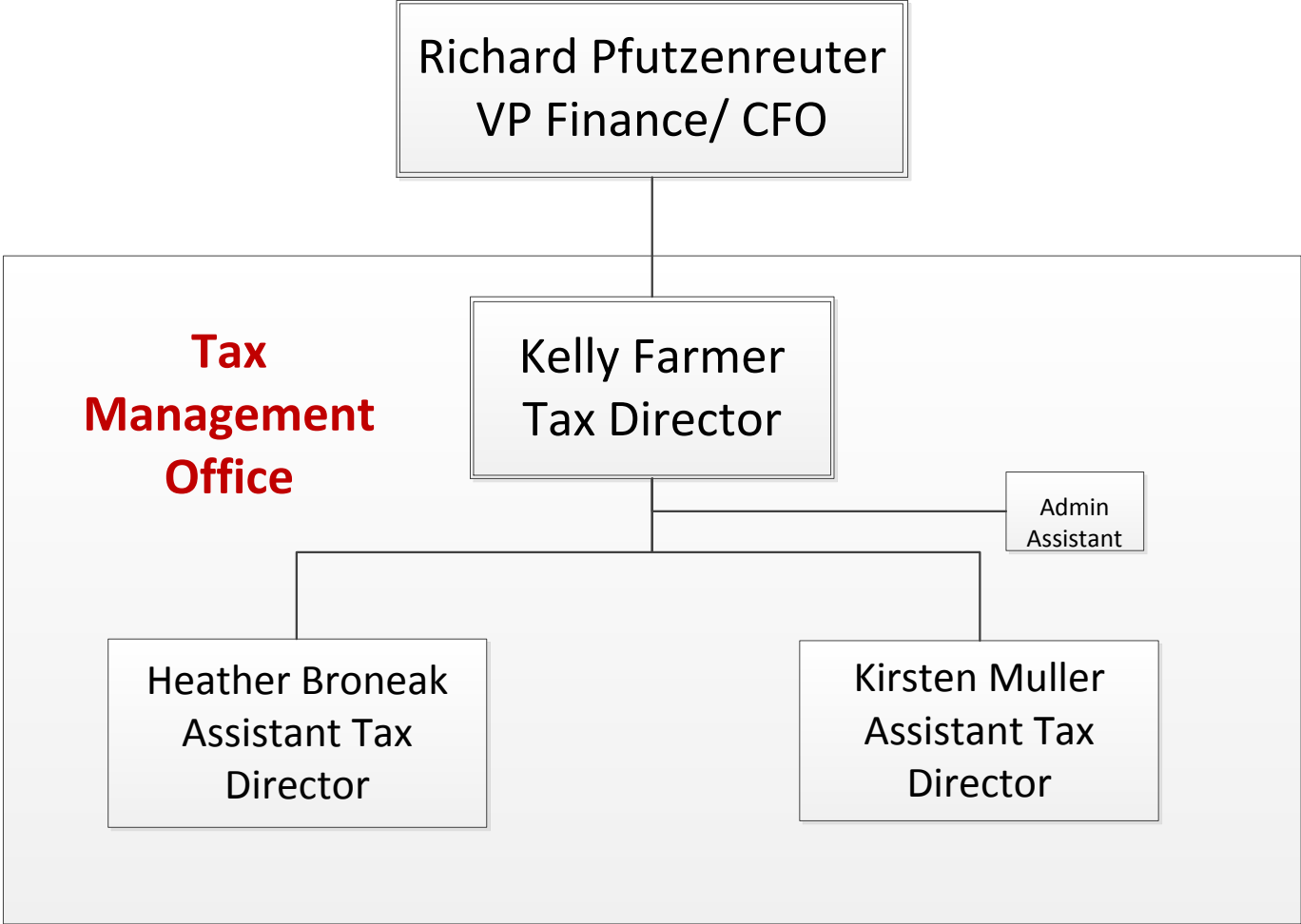
UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Tax Compliance Programs

Richard Pfutzenreuter, VP and CFO

Kelly Farmer, Director, Tax Management Office



Tax Subject Areas

- Unrelated Business Income
- Tax Exempt Debt
- Related Organizations
- Sales/Excise Taxes
- Tax Status of the U
- Tax Controversies

- Employment & Fringe Benefits
- Pensions & Deferred Comp
- Contributions
- Scholarships
- Tax Info Reporting
- Foreign Taxes/NRAs

FY 2014 Examples

- **Minnesota 4-H Organizations**
 - **GEN Letter**
 - **Sales Tax Exempt Status**
 - **Tax Returns 990-N, 990-EZ, 990**
 - **Ongoing Oversight**

FY 2014 Examples

- **Steam Plant**
 - **Facility Management Agreement**
 - **Sales Tax Purchasing Agent**
 - **Output Facility Regulations PBU - CHP**

FY 2014 Examples

- **Vikings Use of Stadium**
 - **Unrelated Business Income Tax**
 - **Sales Tax**
 - **Private Use**

FY 2014 Examples

- **Tax Exempt Debt**
 - **Issuance**
 - 2013C & D (Biomedical)
 - 2014B (ACC)
 - Grant for Hormel Institute (State/Austin Port Authority/Hormel)
 - **Post-Issuance**
 - **Bond Financed Facility Improvements**



UNIVERSITY OF MINNESOTA
Driven to DiscoverSM



UniversityofMinn



UMNews



UofMN



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

September 11, 2014

Agenda Item: Annual Asset Management Report

Review Review + Action Action Discussion

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, Vice President & CFO
Stuart Mason, Chief Investment Officer

Purpose & Key Points

To report on the annual performance results for assets managed by the Office of Investments & Banking (OIB) for the fiscal year ended June 30, 2014. The OIB prepares this report, as required by Board policy, for review by the Investment Advisory Committee and the Board of Regents.

Background Information

- The invested assets of the University totaled approximately \$2.5 billion on June 30, 2014.
- The Consolidated Endowment Fund (CEF) value as of June 30, 2014, was \$1,272.5 million, an increase of \$192.8 million over the last year after distributions of \$45.5 million. The total investment return for CEF was up 20.4% over the last 12 months compared to a benchmark return of 15.5%.
- The investment return for CEF exceeded the benchmark through outperformance in all of the underlying asset classes except for Return Generating Fixed Income. The primary contributor was the Private Capital portfolio, which was up 31.4% vs. its specific benchmark of 18.6%. This alone added 4.0% of outperformance vs. the CEF benchmark. Public Equities, Risk Mitigating Fixed Income, and Inflation Hedges were minor contributors, adding, 0.2%, 0.1%, and 0.2%, respectively, of outperformance to the fund. Return Generating Fixed Income detracted from performance slightly, decreasing the outperformance by 0.2%.
- The market value of the short term reserves (TIP) was \$1,054.6 million as of June 30, 2014. This was an increase of \$23.2 million over the year. The investment return on the portfolio over the last 12 months was 2.0% compared to a benchmark return of 0.6% due largely to the effect of a longer duration in the portfolio. The increase in value was largely due to timing of the receipt of tuition payments as part of the University's normal business cycle.

Annual Asset Management Report

June 30, 2014

Stuart Mason, Chief Investment Officer



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Table of Contents

1. Overview – All Funds
2. Highlights and Commentary
 - a. Consolidated Endowment Fund (CEF)
 - b. Temporary Investment Pool (TIP)
 - c. Group Income Pool (GIP)
 - d. RUMINCO
3. Investment Manager Changes
4. Targeted Investment Managers
5. Social Responsibility

Overview – All Funds

OIB Managed Funds (\$ millions)	June '14	June '13	June '12	June '11
Consolidated Endowment Fund (CEF)	\$ 1,272.5	\$ 1,079.7	\$ 977.6	\$ 956.8
Long-Term Reserves (GIP)	45.9	46.4	44.7	44.3
Short-Term Reserves (TIP)	1,054.6	1,031.4	972.2	824.9
RUMINCO Ltd.	39.2	35.8	32.6	32.3
Invested Assets Related to Indebtedness	66.9	87.0	189.7	181.9
Total Managed Assets	2,479.1	2,280.3	2,216.8	1,963.5

Other Funds (\$ millions)	June '14	June '13	June '12	June '11
U of M Foundation Fund	1,928.2	1,610.0	1,560.1	1,564.4
Faculty Retirement Plans	4,769.7	4,199.8	3,807.9	3,709.3

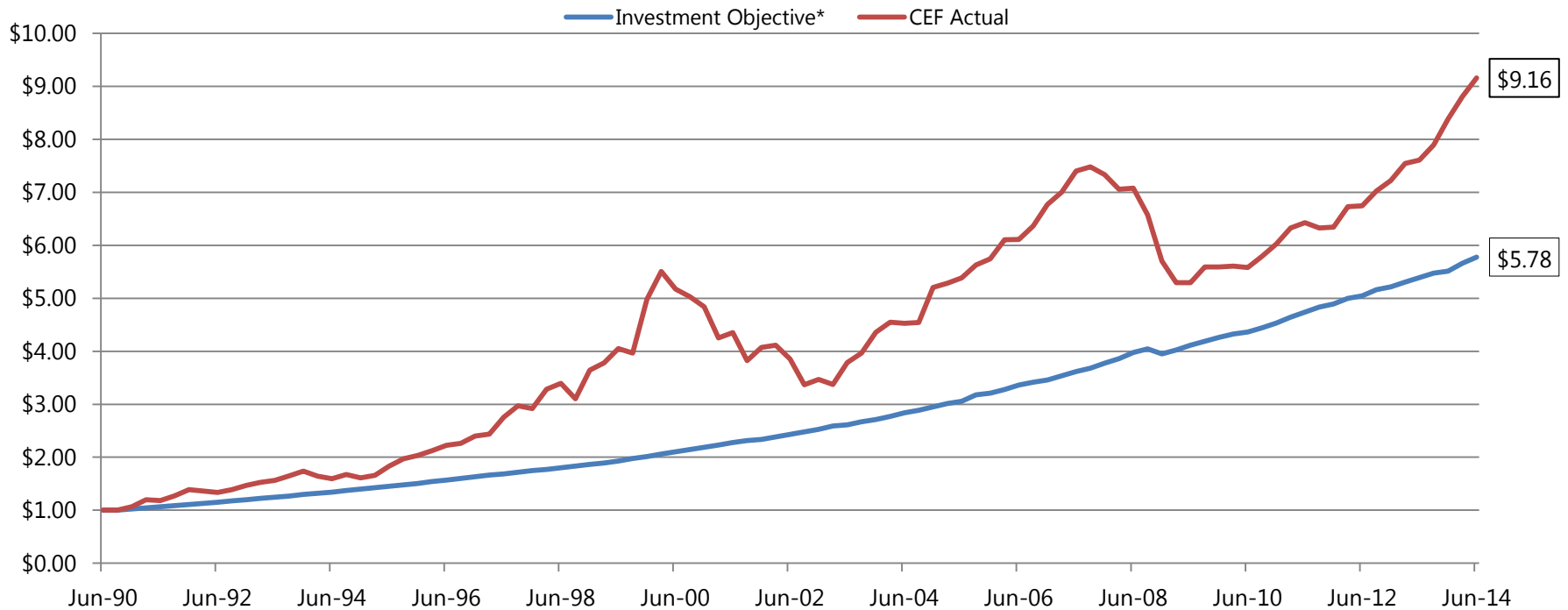
CEF Review

Investment Policy Objectives:

1. Maintain Inflation Adjusted Endowment Value
2. Acceptable Risk Parameters
3. Stable Distributions

Maintain Inflation-Adjusted Value

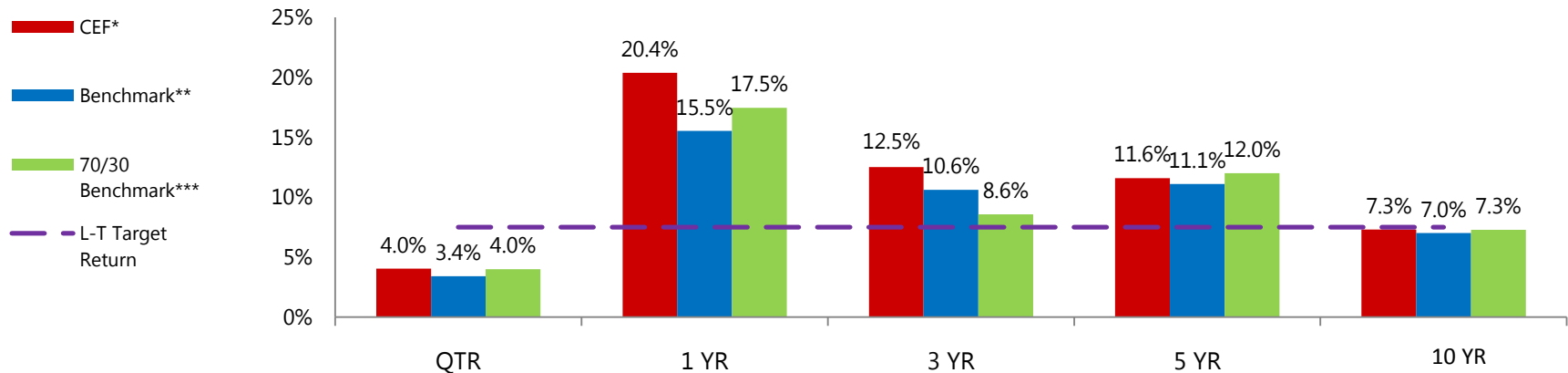
CEF Endowment Performance Growth of \$1 since June 30, 1990



* CPI plus payout plus actual expenses (calculated quarterly)

Maintain Inflation-Adjusted Value

CEF Performance vs. Benchmarks



FY 2014 outperformance driven primarily by the following:

- Strategic overweight and significant outperformance by venture capital managers
- Outperformance (466 bps) by global real estate managers
- Tactical overweight to global public equities

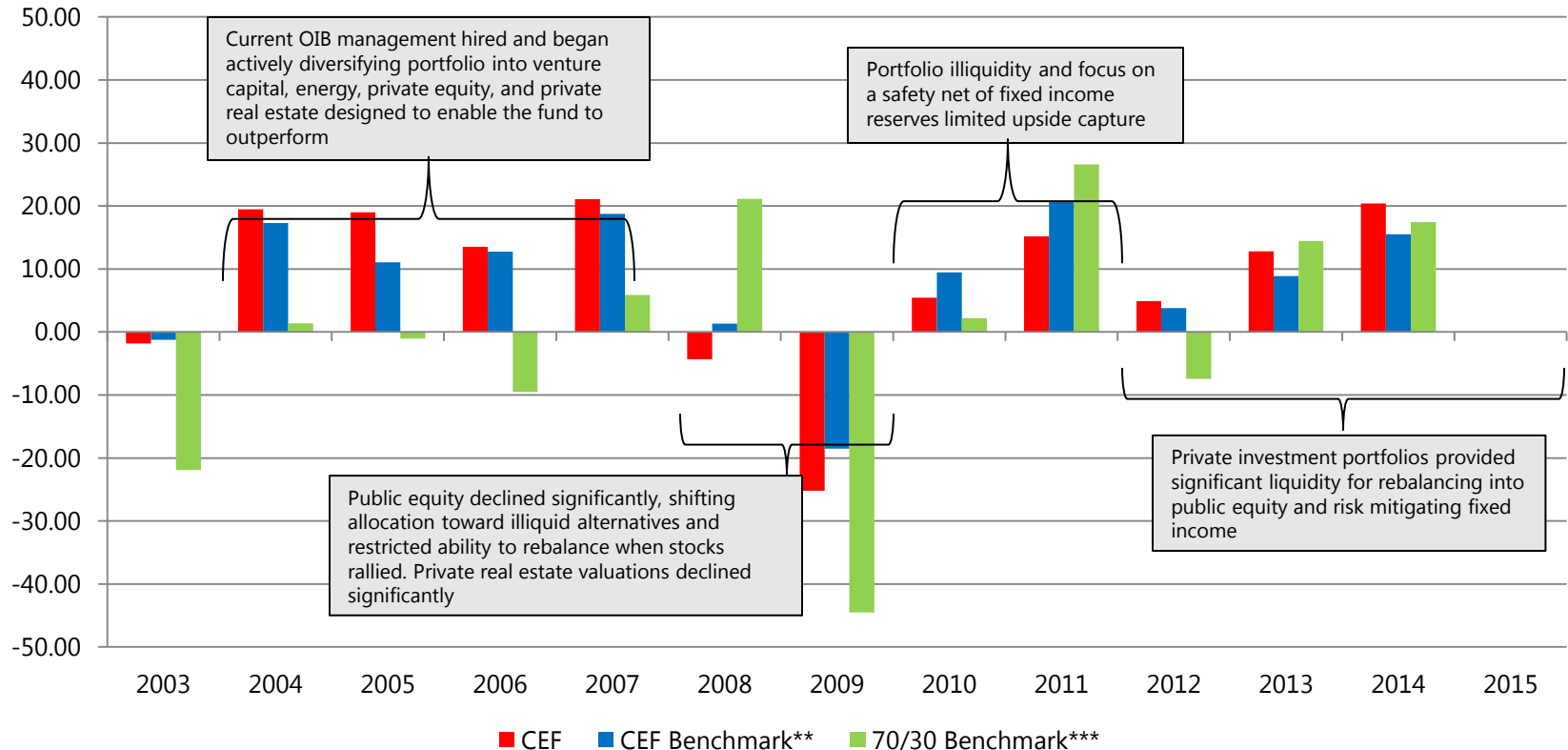
* Net of Manager Fees

** Benchmark: CEF Custom Index

*** Benchmark: 70% MSCI ACWI IMI / 30% Barclay's Capital Aggregate

Maintain Inflation-Adjusted Value

Fiscal Year Performance* Comparison



* Net of Manager Fees

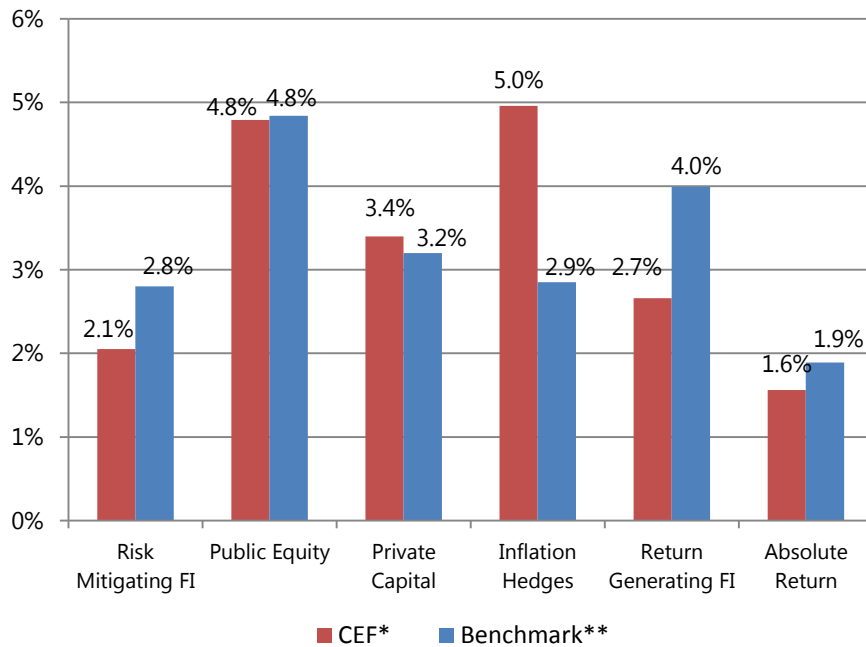
** Benchmark: CEF Custom Index

*** Benchmark: 70% MSCI ACWI IMI / 30% Barclay's Capital Aggregate

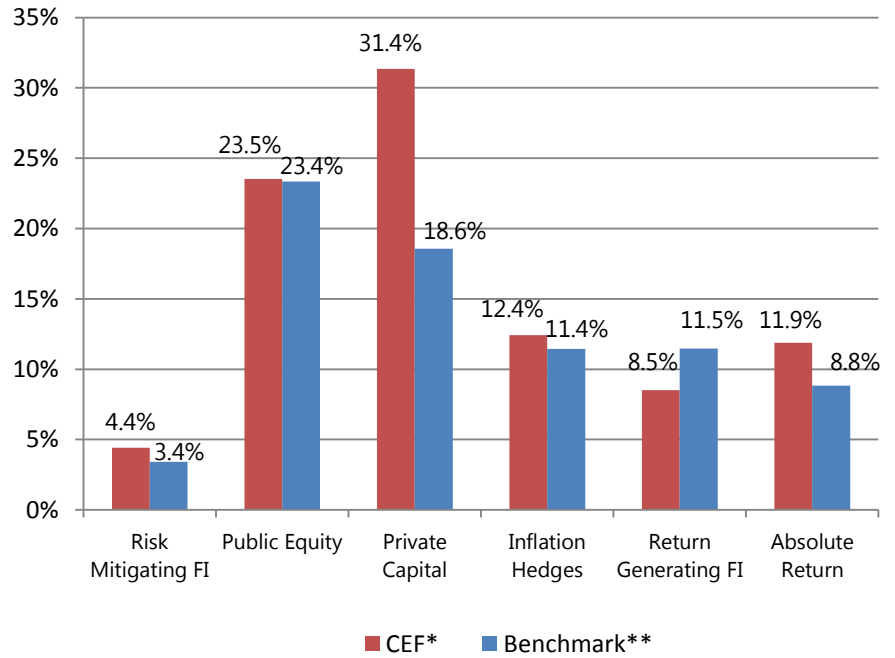
Maintain Inflation-Adjusted Value

Sector vs. Benchmark Returns

1 Quarter



1 Year

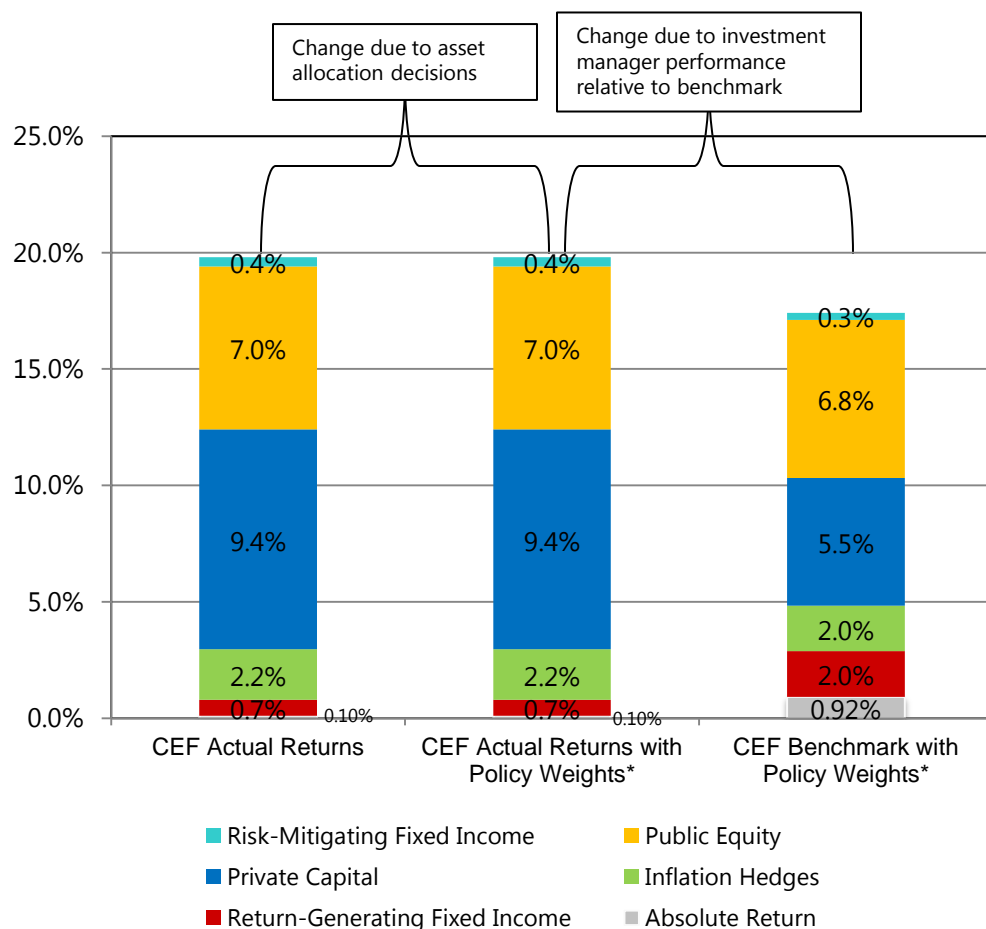


* Net of Manager Fees

** Components of CEF Custom Index

Maintain Inflation-Adjusted Value

Fiscal Year 2014

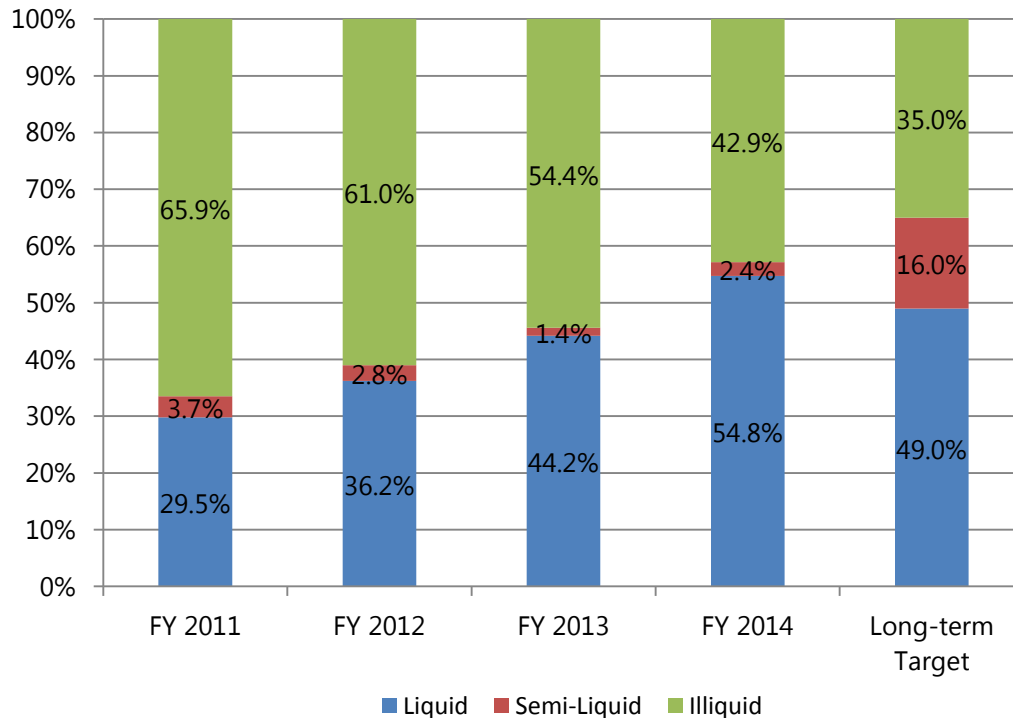


Asset Allocation Decisions	Effect (%)
As we have been transitioning to the recently approved asset allocation guidelines, we have used a dynamically weighted benchmark which removes the effect of allocation	N/A
Individual Manager Performance	Effect (%)
Outperformance by risk-mitigating fixed income managers	0.1
Outperformance by public equity managers	0.2
Outperformance by private capital managers	4.0
Outperformance by inflation hedge managers	0.2
Underperformance by return-generating fixed income managers	(0.2)
Outperformance by absolute return managers	0.0
Other	0.6
Total Attribution	4.9

* In FY 2014, policy asset allocation weights were adjusted to actual portfolio weights while rebalancing was underway.

Endowment Liquidity

Liquidity Transition Plan



Definition: Liquidity is a measure of assets that can be sold at reasonable prices within one year. Higher levels of liquidity enable timely rebalancing and responses to new opportunities

Target: Within a target range of 30 to 40% invested in illiquid assets. Illiquid assets market value plus unfunded commitments should not exceed 55%

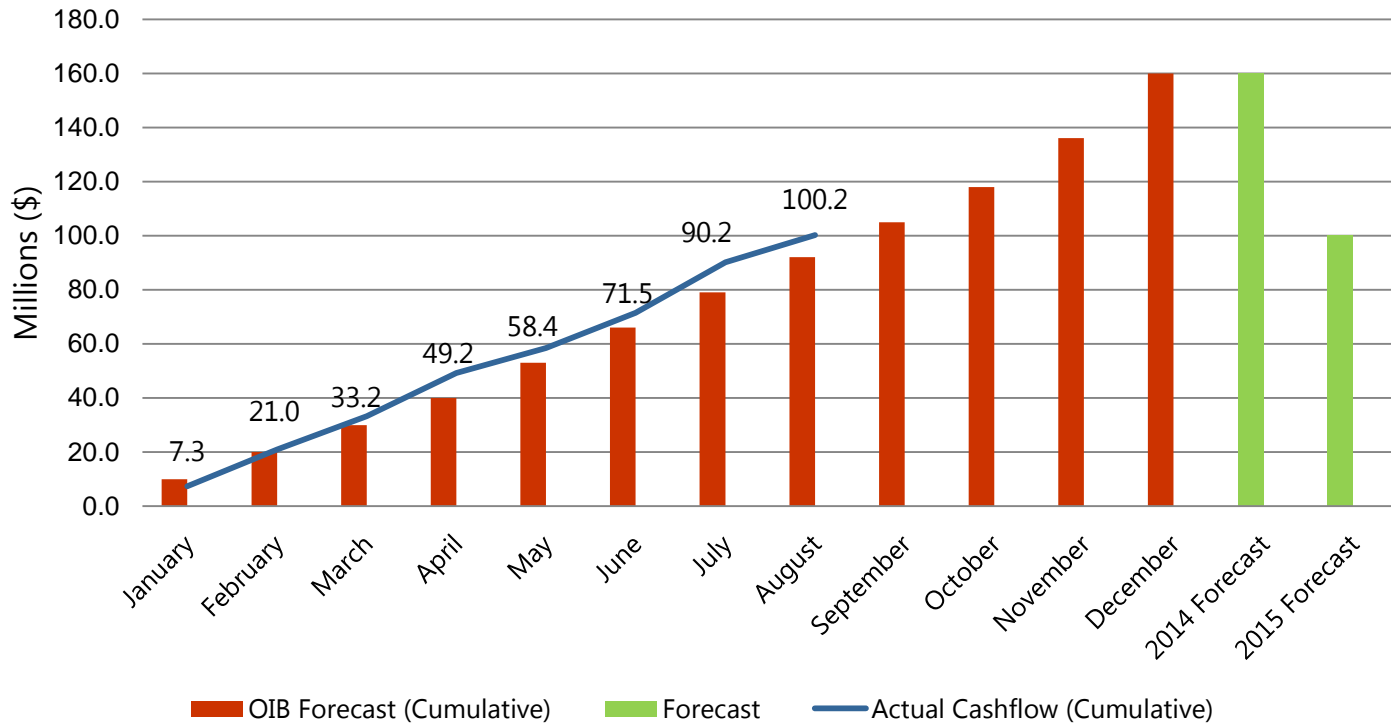
Strategy: Reduce illiquid investments to 35-40% of the overall portfolio during FY 2015

Endowment Portfolio Exposure

Exposure	6/30/2012 Portfolio	6/30/2013 Portfolio	6/30/2014 Portfolio	Long-Term Policy	Ranges
Risk Mitigating Fixed Income	8.7	9.2	9.5	12.0	9 - 15
Public Equity	20.6	26.7	30.8	30.0	25 - 35
Private Capital	36.0	31.1	27.7	20.0	15 - 25
Inflation Hedges	23.2	20.0	15.1	15.0	10 - 20
Return Generating Fixed Income	5.9	8.6	7.1	12.0	9 - 15
Absolute Return	2.8	0.8	0.8	11.0	8 - 14
Derivatives + Cash	2.8	3.6	9.0	-	-
Total	100.0	100.0	100.0	100.0	

Acceptable Risk Parameters

Net Cash Flows from Illiquid Portfolio
Actual vs. Forecast



Acceptable Risk Parameters

Top 10 Managers

Manager	Total Market Value (\$M)	% of Total Fund
Blackrock*	237.9	18.7
TCW	91.9	7.3
Goldman Sachs	64.8	5.1
Acadian	54.6	4.3
Emergence	43.6	3.4
Reams	35.4	2.8
Pembroke	34.1	2.7
PineBridge	32.1	2.6
Insight	27.1	2.1
MHR	26.7	2.1

Definition: Maintain concentration in managers and funds at appropriate levels

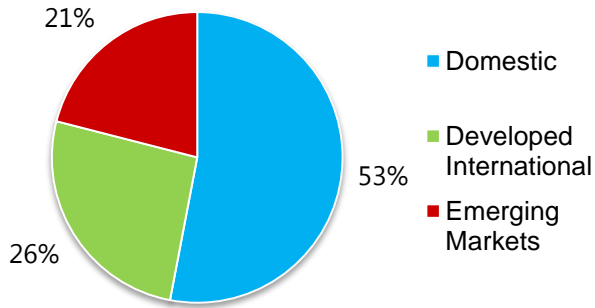
Target: No individual fund > 10%, no manager > 20%

Strategy: Closely monitor large core positions and adjust holding size to maintain compliance with targets

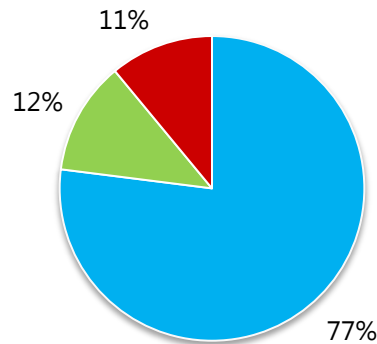
* Blackrock investment consists of three funds, the largest of which is a Russell 1000 index fund at 10.6% of the endowment

Acceptable Risk Parameters

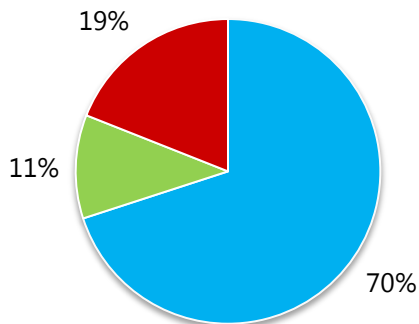
Public Equity



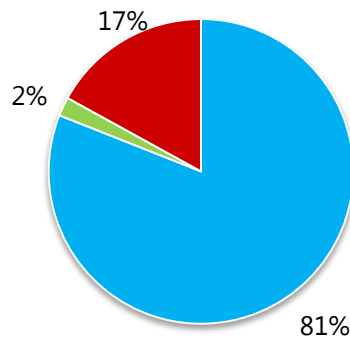
Private Capital



Inflation Hedges



Fixed Income



Definition: Geographic concentration limits opportunity and exposes the portfolio to unnecessary risk of regional cycles

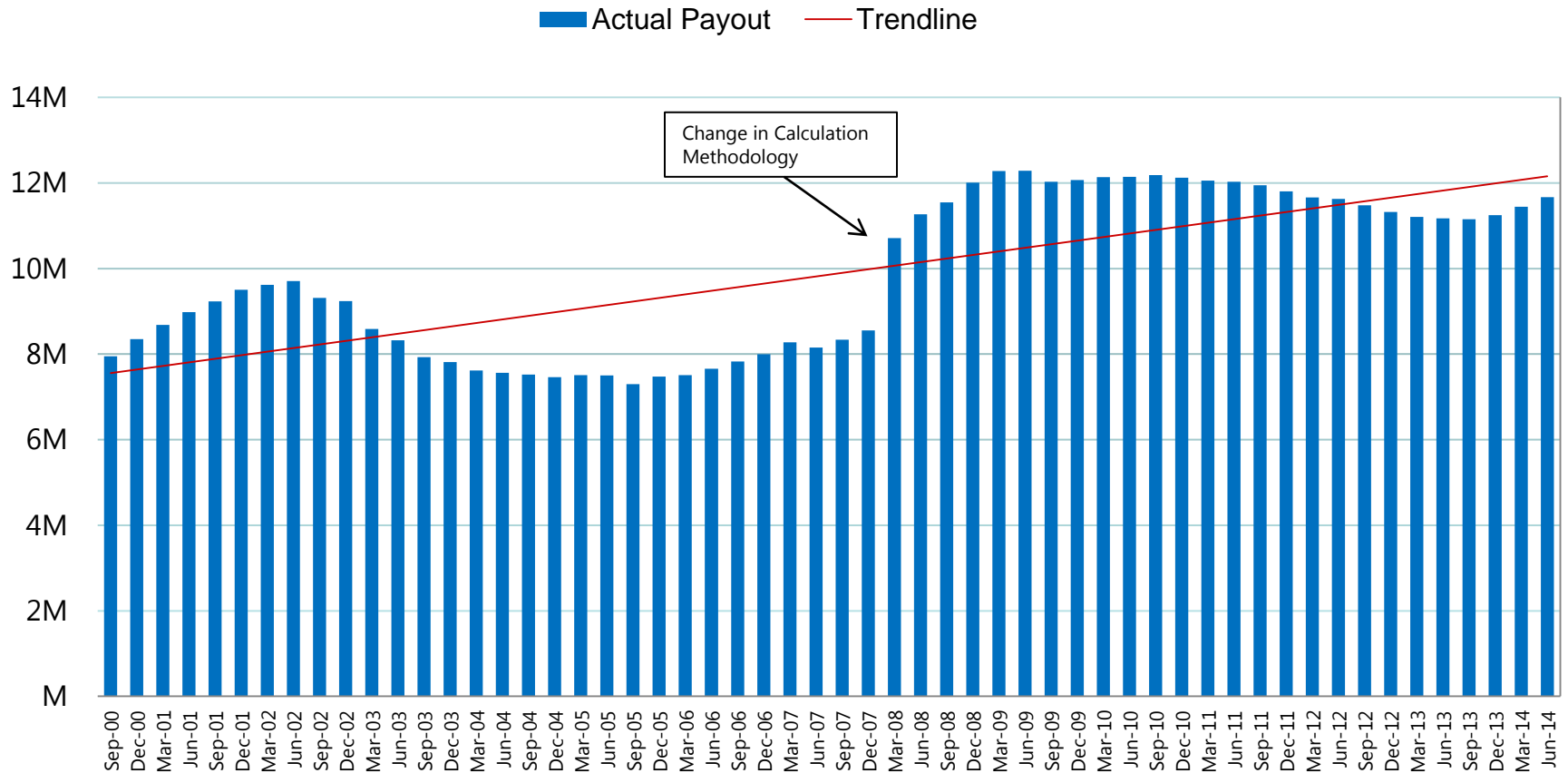
Target: Diversified geographic exposure for each asset class

Strategy: Diversify geographic and non-US Dollar exposure

Region	Percent	Mkt Value
Domestic	67%	\$ 839.2
Developed Int'l	16%	\$ 195.2
Emerging Mkts	17%	\$ 219.3

Stable Distributions

Actual CEF Distribution (gross of reinvestment)



Investment Strategy Update

Liquidity

Allocated private partnership distributions to public equity and return generating fixed income portfolios.

Asset Allocation

Continued the rebalancing plan towards new asset allocation target ranges. Dynamic weighting of benchmarks in effect through 2015.

Public Equities

Deployed excess cash to build a tactical overweight in global equities.

Private Capital

Made several new commitments to early stage venture funds (6) focused on enterprise software and big data solutions, and to a distressed private equity fund, the first such commitments since 2008.

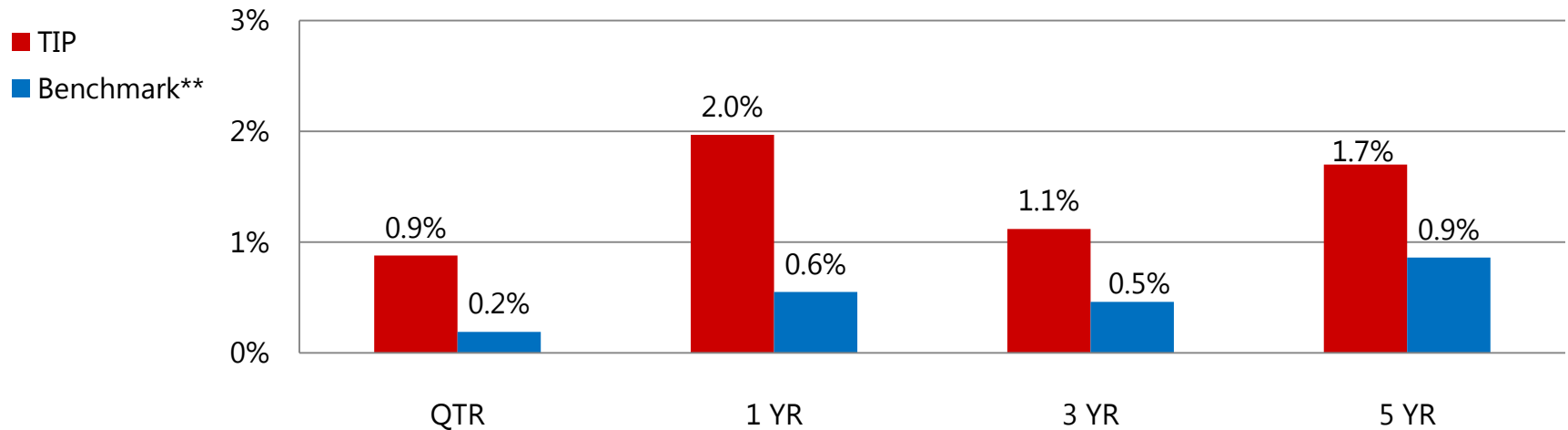
Inflation Hedges

Made private partnership commitments to a core natural resources fund.

TIP Review

TIP – Fund Performance*

Market Value: \$1,054.6M



FY 2014 outperformance driven primarily by:

- Longer portfolio duration relative to benchmark

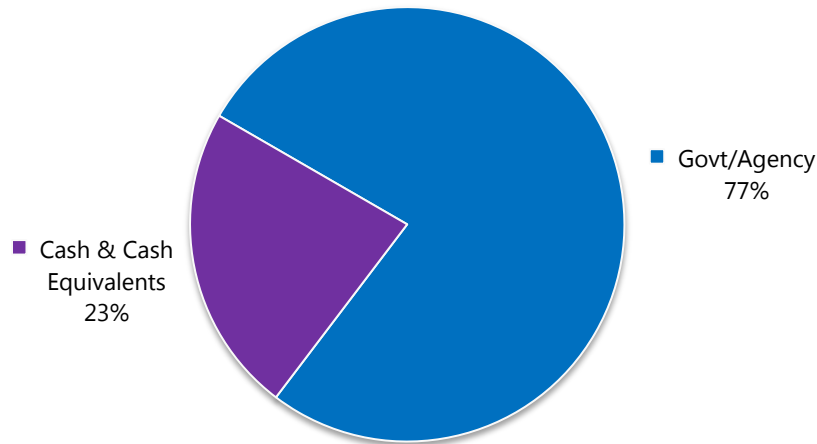
* Performance is net of manager fees and excludes balances at Wells Fargo and US Bank used to offset banking fees

** Benchmark: 70% BofAML U.S. Treasuries 1-3 Yr / 30% 91 Day T-Bill

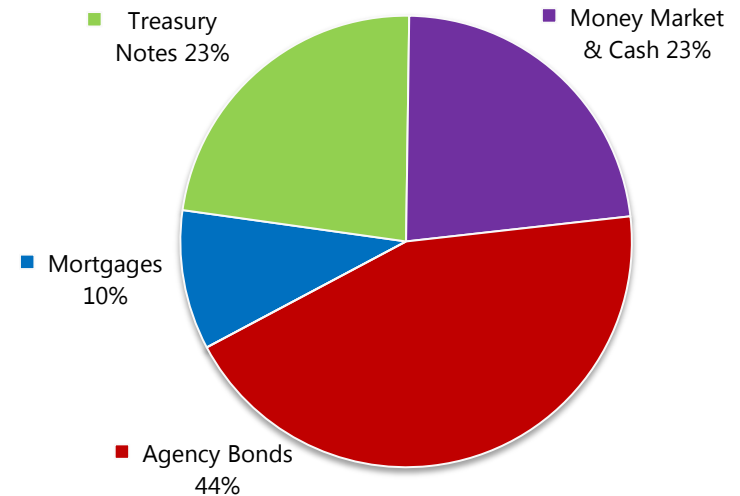
TIP – Asset Allocation

Market Value: \$1,054.6M

Credit Quality



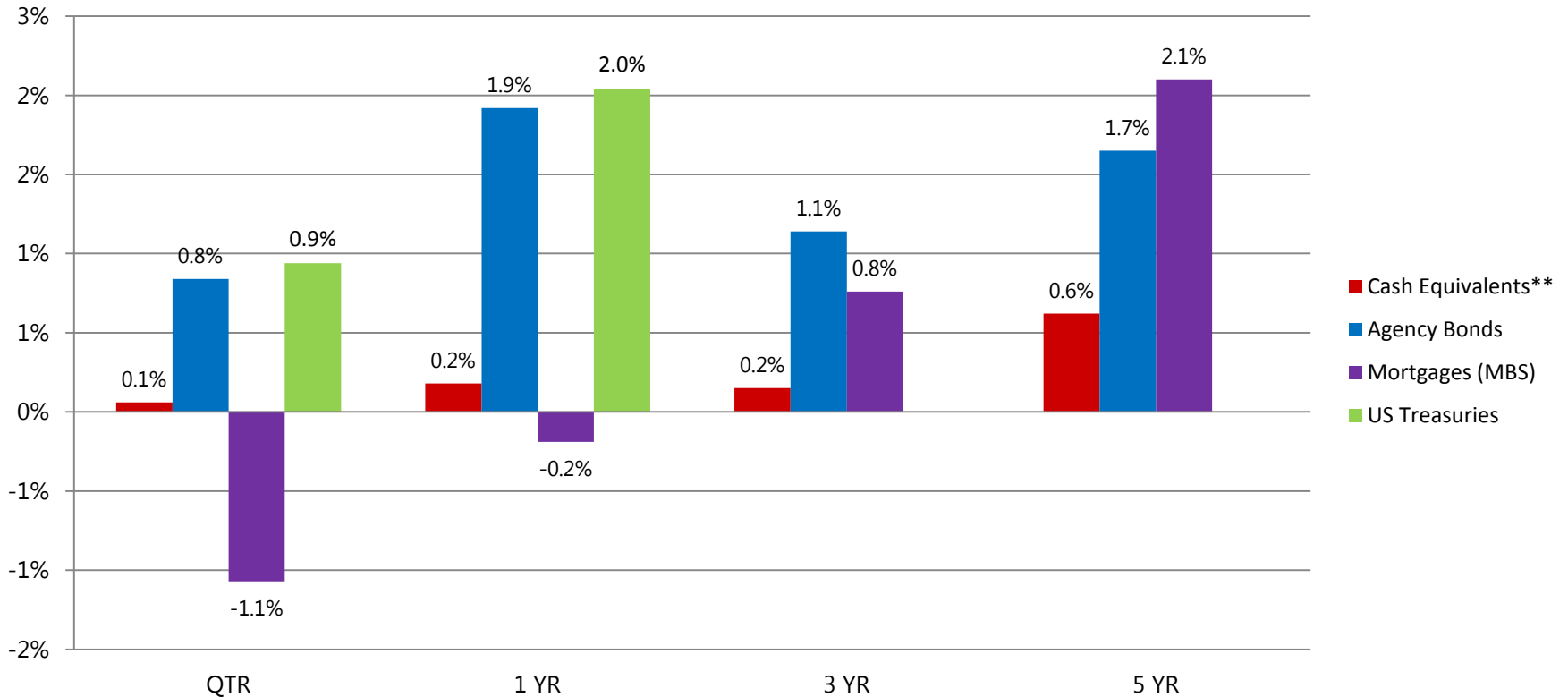
Sector Exposure



Statistic	Portfolio	Benchmark
Average Duration	2.14	1.44
Average Credit Rating	Govt/Agency	Govt/Agency
Current Yield	0.98%	0.33%

TIP – Performance* by Sector

Market Value: \$1,054.6M



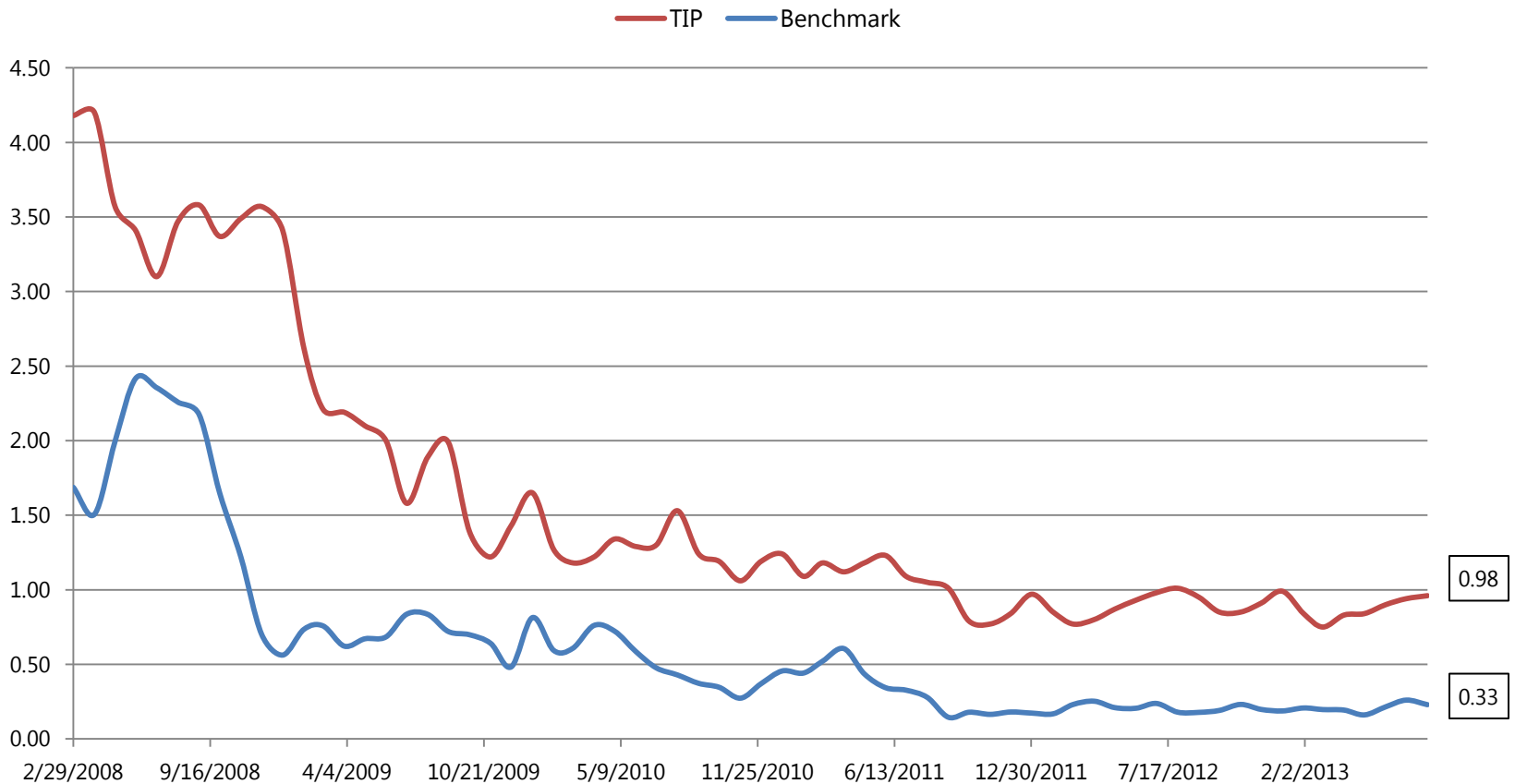
* Performance is net of manager fees

** Performance excludes balances at Wells Fargo and US Bank used to offset banking fees

TIP – Yield History

Market Value: \$1,054.6M

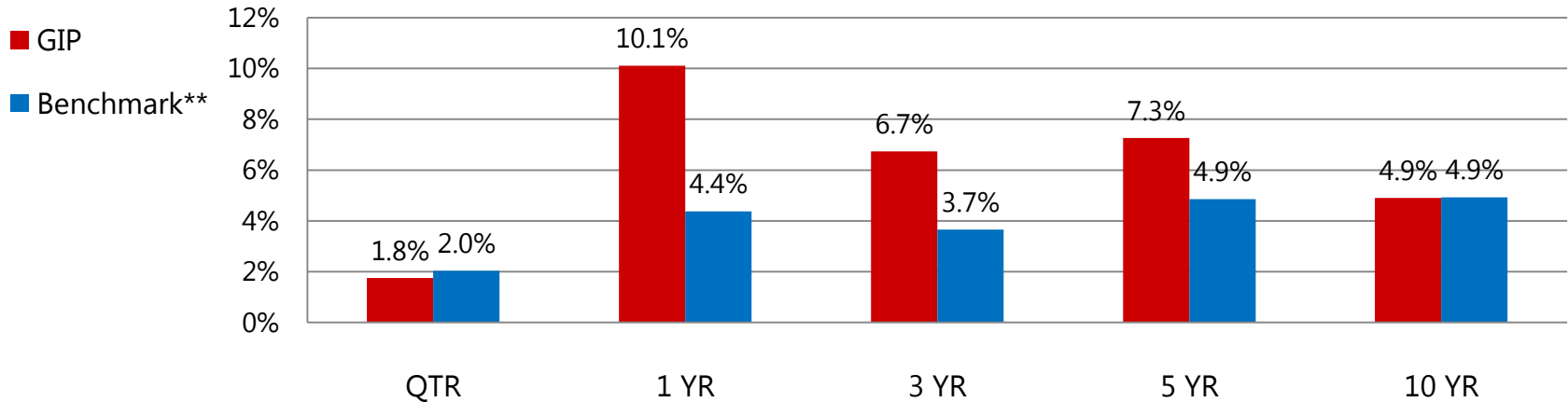
Yield History Relative to Benchmark



GIP Review

GIP – Fund Performance*

Market Value: \$60.1M***



FY 2014 outperformance driven primarily by:

- Investment in CEF (24% allocation) outperformed the benchmark by 1,220 bps
- Underweight to US Treasuries relative to the benchmark
- EM Debt outperformed the benchmark by 330 bps

* Performance is net of manager fees

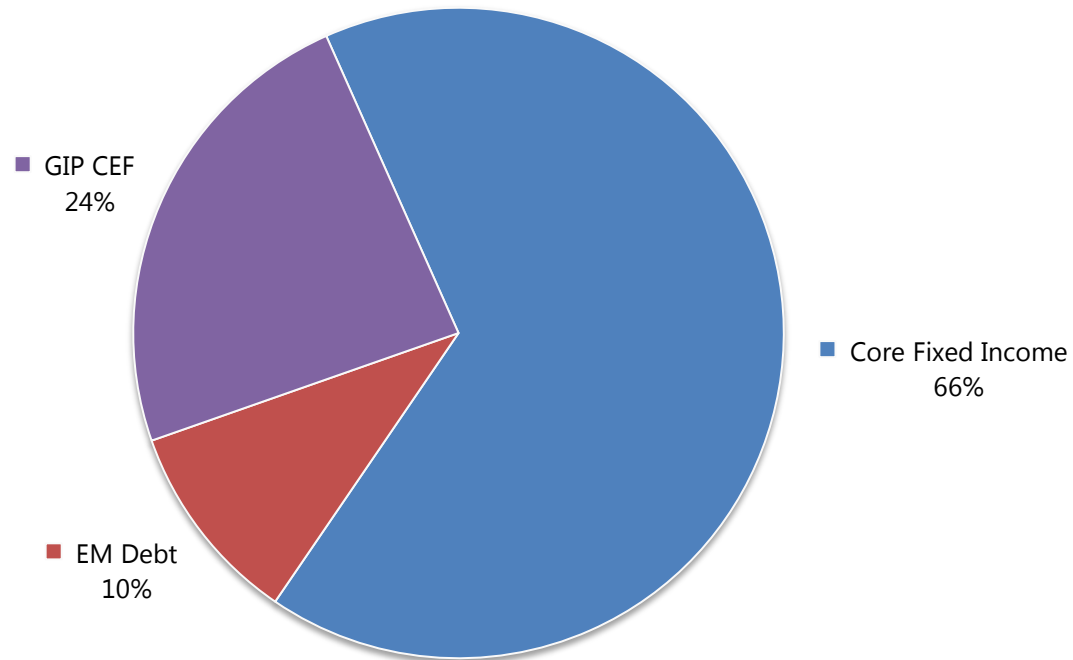
** Benchmark: 100% Barclays Capital Aggregate

*** Total GIP market value and investment performance includes the \$14.2 million investment in CEF

GIP – Asset Allocation

Market Value: \$60.1M

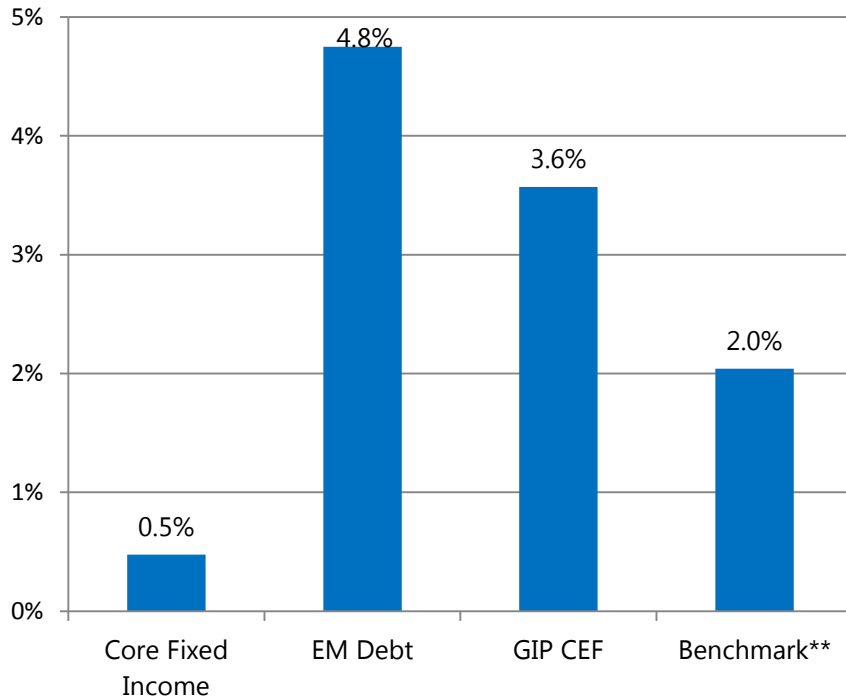
Portfolio Composition



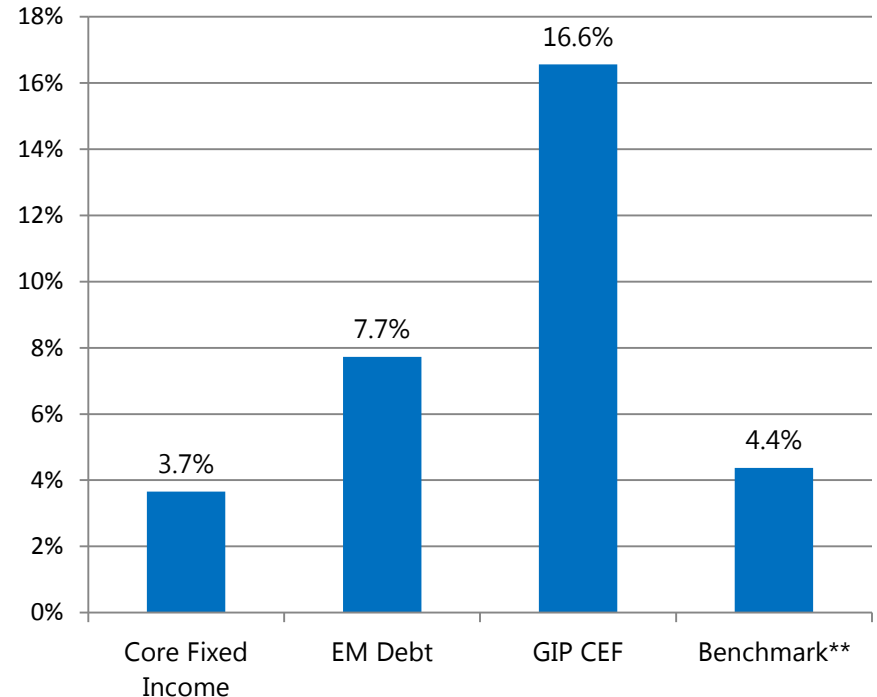
GIP – Performance* by Sector

Market Value: \$60.1M

1 Quarter



1 Year



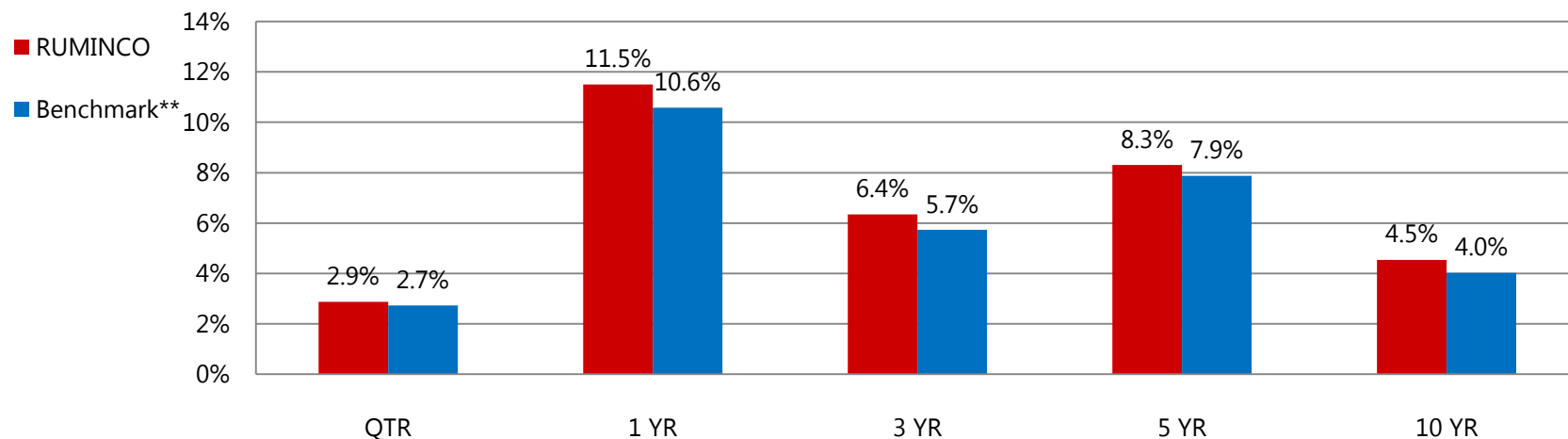
* Performance is net of manager fees

** Benchmark: 100% Barclays Capital Aggregate

RUMINCO Review

RUMINCO – Fund Performance*

Market Value: \$39.2M



FY 2014 performance driven primarily by:

- Overweight to Global Equities
- TCW Total Return portfolio outperformed by 196 bps

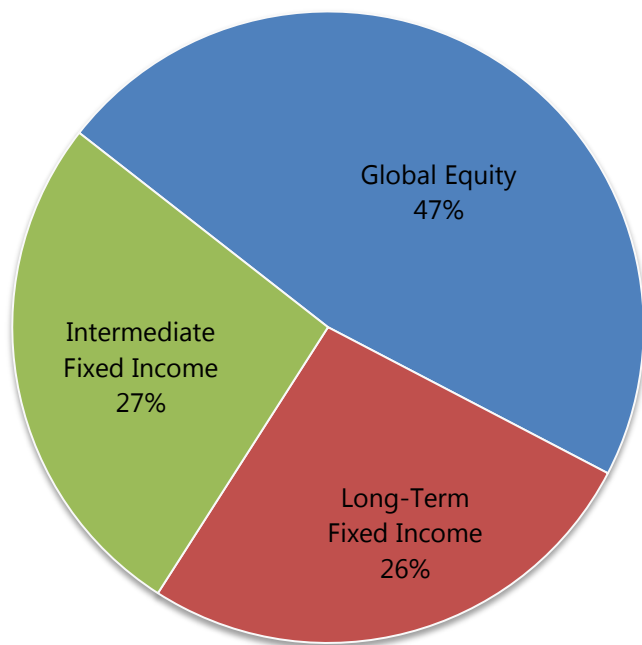
* Performance is net of manager fees

** Benchmark as of 7/1/2014: 60% MSCI AC World Net, 30% Barclays Capital Aggregate, 10% BofAML U.S. Corp & Govt 1-3 Yr

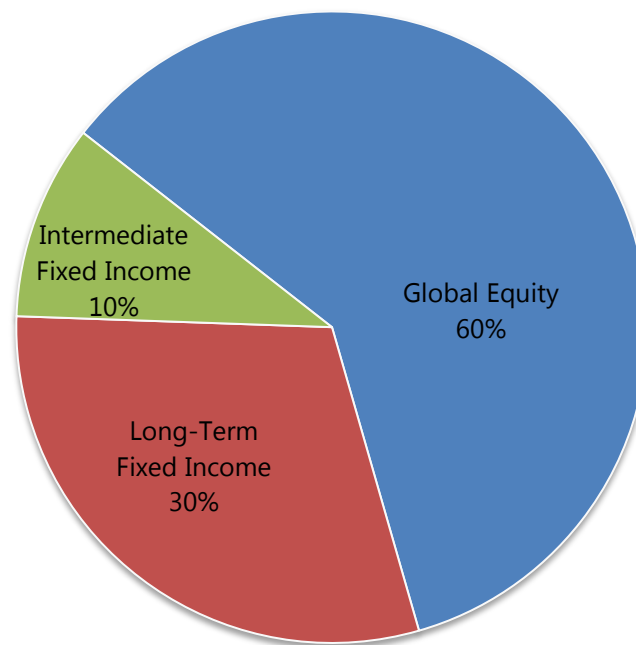
RUMINCO – Asset Allocation

Market Value: \$39.2M

Portfolio Composition



Portfolio Targets



Investment Manager Changes

New:

- Shasta Ventures
- True Ventures
- Data Collective Venture Capital
- Goldman Sachs Global Lower Beta Equity

Terminated:

- Pacific Investment Management Company (PIMCO)

Targeted Investment Managers

The University and the Office of Investments & Banking (OIB) recognizes the opportunity of working with targeted investment managers which are defined as emerging investment managers (less than \$250 million under management) and minority / women owned investment firms.

The OIB has an open door policy when interviewing investment managers and makes every effort to consider targeted managers consistent with the financial and fiduciary responsibilities of the University.

In the last year, OIB hired one targeted investment manager: Data Collective Venture Capital. OIB held initial meetings or preliminary due diligence sessions with 16 targeted managers.

Social Responsibility

The Regents Policy, Endowment Fund, establishes an investment management guideline which states “The University shall consider social responsibility in its investment decisions.”

The Office of Investments & Banking (OIB) recognizes that investments which are socially responsible, including those that support a healthy environment, energy conservation, and prudent use of natural resources can also meet the financial and fiduciary requirements for the fund.

In the past year OIB evaluated 5 investment managers/funds meeting these criteria. While OIB has not yet engaged a dedicated fund, many existing portfolio managers prioritize such issues by investing in new products or technologies consistent with this guideline.



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM



UniversityofMinn



UMNews



UofMN

©2014 Regents of the University of Minnesota. All rights reserved.
The University of Minnesota is an equal opportunity educator and employer.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

September 11, 2014

Agenda Item: President's Recommended FY2016-17 Biennial Budget Request

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

This is a report required by Board policy.

Presenters: Richard Pfitzenreuter, Vice President & CFO

Purpose & Key Points

The purpose of this item is to review the University's Biennial Budget Request to the State of Minnesota for FY2016-17.

As the state's only land grant and research institution, the University of Minnesota has a responsibility to better the lives of Minnesotans through education, research, and public engagement. As one of the state's most important economic and intellectual assets, and one of the nation's top research institutions, the University is a venue where human talent, ideas and innovations, and discoveries and services converge to advance Minnesota's economy and quality of life. These imperatives have guided the development of this biennial budget request.

The University's biennial budget request to the state for FY2016-17 leverages faculty, research, and disciplinary strength to move the University and the State of Minnesota to the next level in key competitive areas of discovery that are important to Minnesota's economy and citizens; acknowledges the University's stewardship responsibilities for important public assets; seeks to restore state funding of the University to the level received in FY2008; and continues to focus on reducing the cost of higher education to students and families.

The request is designed to continue in partnership with the state to:

- 1) Deliver on the University's threefold mission of research and discovery, teaching and learning, and outreach and public service;
- 2) Advance initiatives and programs that will leverage the University's expertise in areas that will benefit the state's economy and its citizens; and
- 3) Better support financial access and affordability to post-secondary education for students and families.

Background Information

Board of Regents Policy: *Reservation and Delegation of Authority* requires that the Board of Regents approve all requests for appropriation from the State of Minnesota.

President's Recommendation

The President recommends approval of the resolution requesting the State of Minnesota to support full funding of the University of Minnesota's FY2016-17 biennial budget request.



REGENTS OF THE UNIVERSITY OF MINNESOTA
RESOLUTION RELATED TO
STATE BIENNIAL BUDGET REQUEST FOR FY2016-17

WHEREAS, the University of Minnesota, as the state's only public, land grant university, is charged with the responsibility to pursue knowledge through research and discovery, and apply this knowledge through teaching and learning, and outreach and public service; and

WHEREAS, the University and the State of Minnesota play a critical role in supporting and strengthening economic and community vitality and advancing the health and wellness of Minnesota's citizens by advancing research initiatives and programs that benefit the state, business and industry and its citizens; and

WHEREAS, the University in partnership with the State of Minnesota can reduce tuition increases and better support financial access and affordability to post-secondary education for students and families; and

WHEREAS, the University proposes a more stable and predictable funding model for maintaining important public assets on each of the University's campuses; and

WHEREAS, the University is committed to achieving operational excellence and greater efficiency through internal actions to reduce administrative and operational costs; and

WHEREAS, by FY2017 the University proposes to restore state funding levels to those of FY2008, the year in which the University received its highest appropriation;

NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2016-2017 biennium be adopted by the Board of Regents for

presentation to the State of Minnesota. The request is for a general fund appropriation of \$640,400,000 in fiscal year 2016 and \$684,600,000 in fiscal year 2017 for a biennial total of \$1,325,000,000 in the form of general operations and maintenance and state specials appropriations. The Board of Regents further requests continuation of fiscal year 2013 base funding levels for the Primary Care Education Initiatives totaling \$2,157,000 and for the Academic Health Center funding under Minnesota Statutes 297F.10 totaling \$22,250,000 for fiscal years 2016 and 2017.

FY2016-17 Biennial Budget Request

Finance Committee | September 11, 2014

Vice President Richard Pfutzenreuter



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

University of Minnesota

S.F. 1236- FY14 & FY15 Appropriations

	FY14	FY15
Operations and Maintenance	515,211,000	529,511,000

Special Appropriations:

a) <u>Agriculture and Extension Service</u> For the Agricultural Experiment Station, Minnesota Extension Service.	42,922,000	42,922,000
b) <u>Health Sciences</u> For the rural physicians associates program, the Veterinary Diagnostic Laboratory, health sciences research, dental care, and the Biomedical Engineering Center	4,854,000	4,854,000
c) <u>Institute of Technology</u> For the Geological Survey and the Talented Youth Mathematics Program.	1,140,000	1,140,000
d) <u>System Special</u> For general research, Labor Education Service, Natural Resources Research Institute, Center for Urban and Regional Affairs, Bell Museum of Natural History, and the Humphrey exhibit.	5,181,000	5,181,000
e) <u>University of Minnesota and Mayo Foundation Partnership</u>	7,491,000	7,491,000

Primary Care Education Initiatives This appropriation is from the health care access fund	2,157,000	2,157,000
---	-----------	-----------

Academic Health Center

The appropriation to the Academic Health Center under Minnesota Statutes, section 297F.10, is \$22,250,000 each year.

Calculation of the Beginning Base*

FY2016 – 2017

FY15 Appropriations:

(\$ in millions)

O&M	529,511	
Agriculture & Extension	42,922	
Health Sciences	9,354	
Technology	1,140	
System	5,181	
U/Mayo Partnership	7,491	
Miscellaneous	4,400	
	<hr/>	
Total	599,999	
<i>Less nonrecurring Regenerative Medicine</i>		(150)
<i>Less nonrecurring Invasive Species</i>		(3,400)
<i>Less nonrecurring Forever Green</i>		(1,000)
<i>Plus Bell Museum of Natural History</i>		3,500
Total Base Moving to FY16 and FY17		598,949

* Excludes primary care initiative and academic health center appropriation

Timeline – Biennial Budget Request

Budget Instructions

Received – Internal Planning Process Begins

Biennial Budget Proposal Drafted for **Board Review**

BB Proposal for **Board Approval & Submitted to The State**

Governor's Higher Ed Recommendations

Legislative Session & Testimony

Appropriation Finalized FY16-FY17

Into **Annual Budget** to The Board



July 2014

September

October

December

January

May

June 2015


Legislative Budget Request Goals

- Tuition Freeze
 - Provide qualified students access to an affordable University education
- Facility Condition Improvement Strategy
 - Modern educational and research facilities
- Healthy Minnesota
 - Improve the health of Minnesotans through research, clinical services, and innovative programs
- Vibrant Economy
 - Strong Minnesota communities with economic development opportunities

Biennial Budget Request

FY2016 - 2017

<i>Incremental over prior year</i>	2016	2017
Tuition Freeze	\$21.5M	\$22.2M
Facility Condition Improvement Strategy	\$5.0M	\$5.0M
Healthy Minnesota	\$11.5M	\$11.5M
Vibrant Economy	\$3.5M	\$5.5M
Total	\$41.5M	\$44.2M



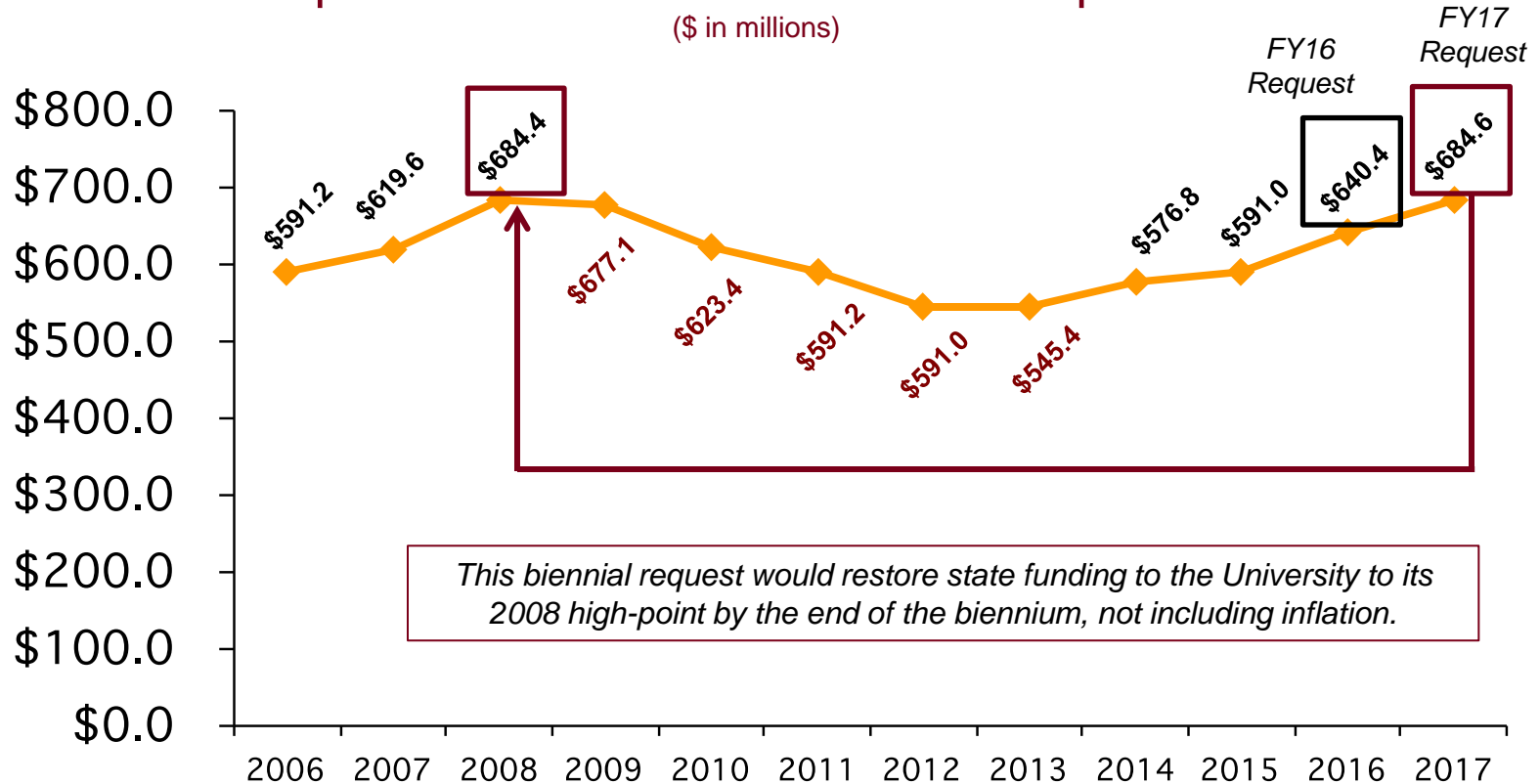
<i>Change to current base – biennial math</i>	2016	2017	Biennial
Beginning base	\$598.9	\$598.9	\$1,197.8
U of M total request	\$41.5	\$85.7	\$127.2
Total requested appropriation	\$640.4	\$684.6	\$1,325.0
Percent change from base			10.6%

(dollars in millions)

State Appropriations Trend: 2006-2017*

Operations & Maintenance/State Specials

(\$ in millions)



*Excludes Cigarette Tax, MnCare, and nonrecurring project appropriations





BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

September 11, 2014

Agenda Item: Financial Components of the President's Recommended Six-Year Capital Plan and 2015 State Capital Budget Request & Update on Debt Capacity

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

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, Vice President & CFO
Carole Fleck, Director, Debt Management

Purpose & Key Points

The President's Recommended Six-Year Capital Plan (Capital Plan) includes major capital improvements planned for fiscal years 2015-2020. 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. The Capital Plan totals \$1,007,000.

Year 1 of the Capital Plan (2015) outlines the projects that the University will be submitting to the State of Minnesota for consideration during the 2015 legislative session. The 2015 state capital request totals \$88,000,000 and contains three projects: Higher Education Asset Preservation and Replacement (HEAPR) funds, the replacement of the Veterinary Isolation Laboratory, and the replacement of a greenhouse on the St. Paul campus. All three projects were identified in the 2013 Capital plan. The greenhouse project was previously included in the University's 2014 legislative capital request in the Laboratory Improvement fund line item but was not funded.

The discussion will also include an update on University debt capacity and the impact of the Capital Plan on key financial ratios.

Vice President Pamela Wheelock will review the Capital Plan principles and priorities with the Facilities & Operations Committee. The complete Six-Year Capital Plan documents are also included in the Board of Regents docket.

Background Information

Board of Regents Policy requires a Six-Year Capital Plan that sets priorities and direction for ongoing academic and capital planning efforts. Board of Regents Policy: *Board Operations and Agenda Guidelines* directs the administration to conduct capital planning with a "six-year time horizon, updated annually." This annual capital planning process is completed in two parts, defined below.

- Part I is the six-year capital plan, which is updated annually and identifies capital projects approved to proceed with preliminary project planning but not authorized to proceed with design and construction.
- Part II is the annual capital improvement budget, which authorizes the completion of design and construction projects with approved financing and schematic design, consistent with Board policies.

President's Recommendation

The President recommends that the Board approve the University of Minnesota Six-Year Capital Plan for Fiscal Years 2015-2020.



REGENTS OF THE UNIVERSITY OF MINNESOTA
RESOLUTION RELATED TO THE
2015 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 2015 State Capital Request to the Minnesota Legislature in the amount of \$88,000,000 consisting of \$77,000,000 from the State of Minnesota and \$11,000,000 from the University of Minnesota.

Overview

The *2014 Six-Year Capital Plan* for the University of Minnesota establishes the next three University 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 *2014 Six-Year Capital Plan* includes:

- 2015 state capital request
- Future state capital requests for 2016 through 2020
- Projects proposed to be financed with University resources during the period FY2015 through FY2019

Planning Process

Capital planning at the University of Minnesota begins with the academic planning process. In the spring of 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. 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 demonstrated both a programmatic urgency and implementation readiness were advanced for further analysis in this six-year timeframe. Other factors analyzed before projects were placed in the capital plan include:

- *Projected size of future bonding bills* – 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.
- *Debt and operating cost impact* – The University projects debt capacity annually and builds the capital plan in adherence to the debt guidelines expressed in Board of Regents policy.
- *Private fundraising capacity* – 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 & 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.

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 legislative funding are submitted to the Minnesota Legislature on a biennial basis. Projects are eligible to begin fundraising once the predesign process is substantially complete.

Fully funded projects with signed 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 2014 dollars; the 2015 projects have been escalated to midpoint of construction as required for submission to the legislature as part of the University’s capital request. Beyond the 2015 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 Plan*, more accurate cost figures will be inserted into the plan when it is updated annually.

Areas of Focus for the 2014 Six-Year Plan

The *2014 Six-Year Plan* is largely a continuation of previously expressed priorities updated to reflect the outcome of the 2014 Capital Request to the MN Legislature. The plan also includes changes based on updated facility condition assessment data, new priorities emerging from the Twin Cities Campus strategic planning process, and a biennial operating budget proposal to the 2015 legislature that places a greater emphasis on repair and replacement (R & R) funds in lieu of capital request-based HEAPR funds.

The 2014 Six Year 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 is finalizing a strategic plan for the Twin Cities campus. This plan will be aligned with existing plans for the system campuses and will provide a roadmap for advancing the University's mission over the next three to five years. The Board of Regents is expected to act on adopting the new strategic plan at its October 2014 meeting. The plan articulates 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.* Strategies - Educate, cultivate, and empower leaders to foster institutional and societal change; target resources that will build capacity to harness the University's depth and breadth to address these grand challenges; prepare students who can uniquely contribute to solving grand societal challenges; transform curricula in a way that combines grand challenges with disciplines; and coordinate and leverage research in institutionally cross-cutting areas of strength
- *Goal 2 - Support excellence and, with intention, reject complacency.* Strategies - Establish incentives for creative disruption and accept productive tension; increase efforts to empower individual initiatives; streamline rules and regulations; and measure and set goals for meaningful diversifying experiences
- *Goal 3 - Establish a culture of reciprocal engagement, capitalizing on our unique location.* Strategies - Better leverage our location for the mutual benefit of the University

and the community to contribute to and benefit from a vibrant and enriching economic, creative, social, and intellectual environment; and clearly define and embrace what it means to be a land-grant research university in the 21st century

- *Goal 4 - Aggressively recruit, retain and promote field shaping researchers and teachers. Strategies - Build a pipeline to recruit and retain the best and brightest field shaping teachers and researchers; support their work with needed infrastructure and a culture of high expectations; reduce barriers to productive transdisciplinarity and advance transinstitutional partnerships; and accelerate transfer of knowledge for the public good*

The final plan will include short and long term actions in each of these goal areas and each campus will align its unique goals that meet the needs of the students and regions they serve.

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

Project Descriptions

Project Descriptions for each year of the plan can be found in Attachment 3.

Also included in Attachment 2 is a list of *Other Projects Under Consideration*. These needs were identified through the Six-Year Capital Planning process as important investments based on collegiate and academic priorities. The potential projects identified on the list are not sufficiently developed in terms of their programmatic needs and the strategic value of their investment to be placed into the Six Year Plan, but are expected to further refine their planning over the near term. Some of the unresolved issues may include project scope, location or funding source. The list of *Other Projects Under Consideration* gives an indication of the potential next tier of capital projects, while allowing some flexibility to respond to changing trends as well as emerging academic priorities.

Six Year Plan - Project Funding Report

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2015

Stage: Resource Acquisition

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
400	HEAPR	Systemwide	\$55,000	\$55,000	\$0
447	St. Paul Greenhouse Replacement	UMTC	\$6,000	\$4,000	\$2,000
405	Veterinary Isolation Facility Replacement	UMTC	\$27,000	\$18,000	\$9,000
			\$88,000	\$77,000	\$11,000
FY Total:			\$88,000	\$77,000	\$11,000
Running Total:			\$88,000	\$77,000	\$11,000

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2016

Stage: Planning & Feasibility

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
398	HEAPR	Systemwide	\$50,000	\$50,000	\$0
408	Health Science Facility Repurposing	UMTC	\$65,000	\$43,300	\$21,700
410	Chemical Sciences and Advanced Materials Building	UMD	\$36,000	\$24,000	\$12,000
411	Pillsbury Hall Renovation	UMTC	\$27,000	\$18,000	\$9,000
403	St. Paul Interdisciplinary Laboratory	UMTC	\$46,000	\$30,700	\$15,300
448	10 Church Street SE Repurposing	UMTC	\$30,000	\$20,000	\$10,000
			\$254,000	\$186,000	\$68,000
FY Total:			\$254,000	\$186,000	\$68,000
Running Total:			\$342,000	\$263,000	\$79,000

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2017

Stage: Planning & Feasibility

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
401	HEAPR	Systemwide	\$45,000	\$45,000	\$0
415	Collections and Contemporary Learning	UMTC	\$40,000	\$26,700	\$13,300
449	Programmatic Renewal (UMD, UMM, UMC)	Systemwide	\$18,000	\$12,000	\$6,000
			\$103,000	\$83,700	\$19,300
FY Total:			\$103,000	\$83,700	\$19,300
Running Total:			\$445,000	\$346,700	\$98,300

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2018

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
399	HEAPR	Systemwide	\$40,000	\$40,000	\$0
441	AHC Interprofessional Education Center	UMTC	\$100,000	\$66,700	\$33,300
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
409	St. Paul Research Laboratory Renovation	UMTC	\$24,000	\$16,000	\$8,000
451	Undergraduate Teaching Laboratory Facility	UMTC	\$42,000	\$28,000	\$14,000
			\$233,000	\$168,700	\$64,300
FY Total:			\$233,000	\$168,700	\$64,300
Running Total:			\$678,000	\$515,400	\$162,600

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2019

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
402	HEAPR	Systemwide	\$40,000	\$40,000	\$0
453	West Bank Classrooms Replacement	UMTC	\$30,000	\$20,000	\$10,000
			\$70,000	\$60,000	\$10,000
		FY Total:	\$70,000	\$60,000	\$10,000
		Running Total:	\$748,000	\$575,400	\$172,600

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

2020

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
446	HEAPR	Systemwide	\$40,000	\$40,000	\$0
414	Academic Priority	UMR	\$45,000	\$30,000	\$15,000
454	AHC Strategic Investment	UMTC	\$70,000	\$46,700	\$23,300
457	Biosystems & Ag Engineering Laboratory Renovation	UMTC	\$50,000	\$33,300	\$16,700
456	Chemistry Research Laboratory Investment	UMTC	\$30,000	\$20,000	\$10,000
450	McNeal Hall Renovation	UMTC	\$24,000	\$16,000	\$8,000
			\$259,000	\$186,000	\$73,000
FY Total:			\$259,000	\$186,000	\$73,000
Running Total:			\$1,007,000	\$761,400	\$245,600

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Funding Report

Under Consideration / Evaluation

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
463	UMD Academic Priority	UMD	\$0	\$0	\$0
			\$0	\$0	\$0

University Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
461	Admissions Welcome Center	UMTC	\$0	\$0	\$0
444	Athletics Facilities Phase 1 Projects	UMTC	\$0	\$0	\$0
407	Biological Sciences Active Learning Classrooms	UMTC	\$0	\$0	\$0
419	Bolstad Golf Course Renovation	UMTC	\$0	\$0	\$0
460	Field House Renovation	UMTC	\$0	\$0	\$0
459	Pioneer Hall Renovation or Replacement	UMTC	\$0	\$0	\$0
462	Public Space Reinvestments	UMTC	\$0	\$0	\$0
431	Recreational Sports Project	UMTC	\$0	\$0	\$0
416	Space Utilization Program	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:	\$1,007,000	\$761,400	\$245,600

UNIVERSITY OF MINNESOTA

Six Year 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 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.

Six Year Plan - Project Description Report

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

400 HEAPR

Vice President: Systemwide

RRC: Systemwide

Campus: Systemwide

RRC Contact:

Facility: Systemwide

Year: 2015

Total Cost: \$55,000

Stage: Resource Acquisition

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.

403 St. Paul Interdisciplinary Laboratory

Vice President: Academic Affairs

RRC: Academic Affairs

Campus: UMTC

RRC Contact: Hanson, K.

Facility: New Facility

Year: 2016

Total Cost: \$46,000

Stage: Planning & Feasibility

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.

405 Veterinary Isolation Facility Replacement

Vice President: Health Sciences

RRC: College of Veterinary Medicine

Campus: UMTC

RRC Contact: Ames, T.

Facility: New Facility

Year: 2015

Total Cost: \$27,000

Stage: Resource Acquisition

Description: This project will create a biocontainment facility for the College of Veterinary Medicine to house and perform research with large animals and pathogenic agents. The initial program definition, which will be confirmed in pre-design, has suggested a 38,500 gross square feet (GSF) facility comprised of biocontainment laboratories, large animal isolation space and a small animal vivarium. The existing Veterinary Isolation Buildings will be demolished following the construction of this project.

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

407 Biological Sciences Active Learning Classrooms

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project will convert existing classroom space on the fourth floor of Biological Sciences Center into active learning classrooms for laboratory based Biological Sciences coursework.

RRC: College of Biological Sciences

RRC Contact: Hays, T.

Year: Under Consideration / Evaluation

Stage: Proposal

408 Health Science Facility Repurposing

Vice President: Health Sciences

Campus: UMTC

Facility: Phillips-Wangensteen Building

Total Cost: \$65,000

Description: This project will renovate office, clinic, and lab space in the Phillips Wangensteen Building and other AHC spaces that will be vacated by groups that will relocate to the Ambulatory Care Clinic and research buildings in the Biomedical Discovery District. The renovated spaces will be a mixture of office, classroom, and laboratory space and will allow the Academic Health Center to undertake a multi-phased process of consolidating space assignments and decommissioning obsolete facilities.

RRC: Health Sciences

RRC Contact: Jackson, B.

Year: 2016

Stage: Planning & Feasibility

409 St. Paul Research Laboratory Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$24,000

Description: This investment will renovate laboratories in one or more research buildings on the St. Paul Campus. Renovation of space will be prioritized to achieve collegiate goals of synergy among researchers and to allow for the demolition of obsolete St. Paul campus research space.

RRC: Academic Affairs

RRC Contact: Hanson, K.

Year: 2018

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

410 Chemical Sciences and Advanced Materials Building

Vice President: Duluth Campus

Campus: UMD

Facility: New Facility

Total Cost: \$36,000

Description: The project will construct a new building on the Duluth campus to support faculty and students in the Departments of Chemistry and Biochemistry, and advance an emergent Material Science and Engineering program. The building will be comprised of research and undergraduate instructional laboratories, a research center dedicated to industrial/academic partnerships with direct connections to industry in northeast Minnesota, and medium-sized general purpose classrooms that are in short supply on the campus. This project was included in the University's 2014 capital request.

RRC: Swenson College of Science and Engineering

RRC Contact: Black, L.

Year: 2016

Stage: Planning & Feasibility

411 Pillsbury Hall Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: Pillsbury Hall

Total Cost: \$27,000

Description: This project will preserve and enhance Pillsbury Hall after the current occupants move into the renovated Tate Laboratory. New teaching and learning spaces will replace outdated and inefficient laboratories that no longer support modern scientific study and research. Mechanical and electrical systems, restrooms and accessibility will be updated with this historically sensitive renovation. Funding for Tate Laboratory was approved in the University's 2014 capital request.

RRC: College of Liberal Arts

RRC Contact: Duvall, R.

Year: 2016

Stage: Planning & Feasibility

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

Six Year Plan - Project Description Report

415 Collections and Contemporary Learning

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

416 Space Utilization Program

Vice President: University Services

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project will support a variety of efforts directed at improving the utilization of existing campus space. Near term efforts are focused on implementing pilot projects to match work styles, technology and organizational structure with an overall reduction in space that better suits work methods. Decommissioning and demolition will be an equally important element of this strategy.

RRC: University Services Admin

RRC Contact: Swanson, B.

Year: Under Consideration / Evaluation

Stage: Proposal

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

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

419 Bolstad Golf Course Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: Bolstad Golf Course

Total Cost: \$0

Description: This project will renew the existing golf course through investments in the course, clubhouse, and maintenance/storage facilities. Project timing is dependent on fundraising.

RRC: Recreational Sports

RRC Contact: Brown, D.

Year: Under Consideration / Evaluation

Stage: Proposal

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

431 Recreational Sports Project

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project is the final component of the Recreational Sports improvement plan funded by the Twin Cities campus student capital enhancement fee. Remaining identified needs include a satellite West Bank facility and outdoor recreation fields.

RRC: Recreational Sports

RRC Contact: Brown, D.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

441 AHC Interprofessional Education Center

Vice President: Health Sciences

Campus: UMTC

Facility: New Facility

Total Cost: \$100,000

Description: This project will address fundamental changes in health sciences education and training programs driven by accreditation requirements and faculty and student expectations. The new facility will consolidate and expand current learning environments and may include simulation centers, clinical care skills labs, multimedia learning labs, technology enhanced library and study spaces and interactive learning environments for connecting with the Duluth and Rochester campuses. The specific program will be determined following a strategic review of curriculum changes across the AHC schools.

RRC: Health Sciences

RRC Contact: Jackson, B.

Year: 2018

Stage: Proposal

444 Athletics Facilities Phase 1 Projects

Vice President: Athletics

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project will invest in athletic practice and academic facilities to provide University of Minnesota student athletes with the best opportunity to succeed and ensure the University remains competitive with other Big Ten schools. Top priorities for investment include a new football practice facility, academic support and training table facilities. This project is dependent on fundraising efforts.

RRC: Intercollegiate Athletics

RRC Contact: Teague, N.

Year: Under Consideration / Evaluation

Stage: Proposal

447 St. Paul Greenhouse Replacement

Vice President: Academic Affairs

Campus: UMTC

Facility: Plant Growth Facilities-West

Total Cost: \$6,000

Description: This project will renovate or replace collections and teaching greenhouse space on the St. Paul Campus. The greenhouse will be furnished with modern temperature, humidity and lighting controls and monitored via the master greenhouse campus control system. This project was included in the University's 2014 capital request.

RRC: Academic Affairs

RRC Contact: Hanson, K.

Year: 2015

Stage: Resource Acquisition

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

448 10 Church Street SE Repurposing

Vice President: Academic Affairs

Campus: UMTC

Facility: 10 Church Street SE

Total Cost: \$30,000

Description: This project will renovate the existing Bell Museum for the College of Design following the completion of the new Bell Museum on the St. Paul Campus.

RRC: Academic Affairs

RRC Contact: Hanson, K.

Year: 2016

Stage: Planning & Feasibility

449 Programmatic Renewal (UMD, UMM, UMC)

Vice President: Systemwide

Campus: Systemwide

Facility: System Campuses

Total Cost: \$18,000

Description: This program will fund facility improvements that support academic and student-focused programmatic needs in existing facilities on the Duluth, Morris and Crookston campuses.

RRC: Systemwide

RRC Contact: Multiple

Year: 2017

Stage: Planning & Feasibility

450 McNeal Hall Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: McNeal Hall

Total Cost: \$24,000

Description: This project will bring Minneapolis based CEHD departments together on the St. Paul campus in space that will be vacated by the College of Design. The research-driven focus of these units is in alignment with recent efforts by CEHD to establish a vibrant, research community in St. Paul and allows for the demolition of Peik Hall in Minneapolis.

RRC: College of Education and Human Development

RRC Contact: Quam, J.

Year: 2020

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

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: Proposal

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: Proposal

453 West Bank Classrooms Replacement

Vice President: Academic Affairs

Campus: UMTC

Facility: New Facility

Total Cost: \$30,000

Description: This project will replace existing traditional learning space on the Minneapolis West Bank Campus with active learning classrooms.

RRC: Academic Affairs

RRC Contact: Hanson, K.

Year: 2019

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

454 AHC Strategic Investment

Vice President: Health Sciences

Campus: UMTC

Facility: TC Campus

Total Cost: \$70,000

Description: This project will address needs identified by Academic Health Center strategic facility planning.

RRC: Health Sciences

RRC Contact: Jackson, B.

Year: 2020

Stage: Proposal

455 Child Development Replacement

Vice President: Academic Affairs

Campus: UMTC

Facility: New Facility

Total Cost: \$21,000

Description: This project will replace the 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: Proposal

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

Six Year Plan - Project Description Report

457 Biosystems & Ag Engineering Laboratory Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: Biosystems & Ag Engineering

Total Cost: \$50,000

Description: This project will provide new research laboratories to meet growing demands and satisfy requirements of federal grant proposals for CFANS. It will consolidate CFANS departments by grouping users in functionally appropriate space. Computational labs will be constructed in BAE and wet lab or volumetric research in Engineering Fisheries Laboratory. A new second floor will be added to Engineering and Fisheries Laboratory, maximizing the usable space for research.

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

460 Field House Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This project will make necessary improvements to the exterior of the Field House facility originally relocated to the University from Washington in 1949.

RRC: Recreational Sports

RRC Contact: Brown, D.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year Plan - Project Description Report

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

462 Public Space Reinvestments

Vice President: University Services

Campus: UMTC

Facility: TC Campus

Total Cost: \$0

Description: This program will fund a variety of small physical enhancements intended to improve the campus experience for students, employees and visitors.

RRC: Facilities Management

RRC Contact: Berthelsen, M.

Year: Under Consideration / Evaluation

Stage: Proposal

463 UMD Academic Priority

Vice President: Duluth Campus

Campus: UMD

Facility: UMD Campus

Total Cost: \$0

Description: This project will address academic facility needs on the Duluth campus. Academic, financial and physical planning processes on the Duluth campus will identify the campus's priorities for its next major investment.

RRC: Academic Affairs

RRC Contact: Black, L.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

Six Year 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 Aquisition: Projects in this stage have an approved pre-design document and have been approved to actively seek funds.

President's Recommended Six-Year Capital Plan and 2015 State Capital Budget Request and Update on Debt Capacity

Finance Committee – September 11, 2014
Richard Pfitzenreuter, Vice President



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Long-Term Debt as of June 30, 2014

(000s omitted)

	Beginning Balance June 30, 2013	Additions	Reductions	Ending Balance June 30, 2014
General Obligation (GO) Bonds – at par	\$ 649,970	\$ 12,760	\$ 32,835	\$ 629,895
Commercial Paper Notes Series A, B, C, D	230,050		15,250	214,800
Obligations to the State of Minnesota pursuant to Infrastructure Development Bonds (IDB)	25,816		4,306	21,510
Auxiliary Revenue Bonds	620		620	0
Subtotal University Supported	906,456	12,760	53,011	866,205
Special Purpose Revenue Bonds – State Supported Debt – at par				
Biomedical Facilities Funding Program	160,275	35,395	8,530	191,835
TCF Football Stadium	113,995		4,695	109,300
Subtotal State Supported	274,270	35,395	8,530	301,135
Ambulatory Care Center GO Series 2014B issued 8/6/14 – at par	0	145,760		145,760
Gateway Corporation	\$ 51,895	\$ 0	\$ 678	\$ 51,217

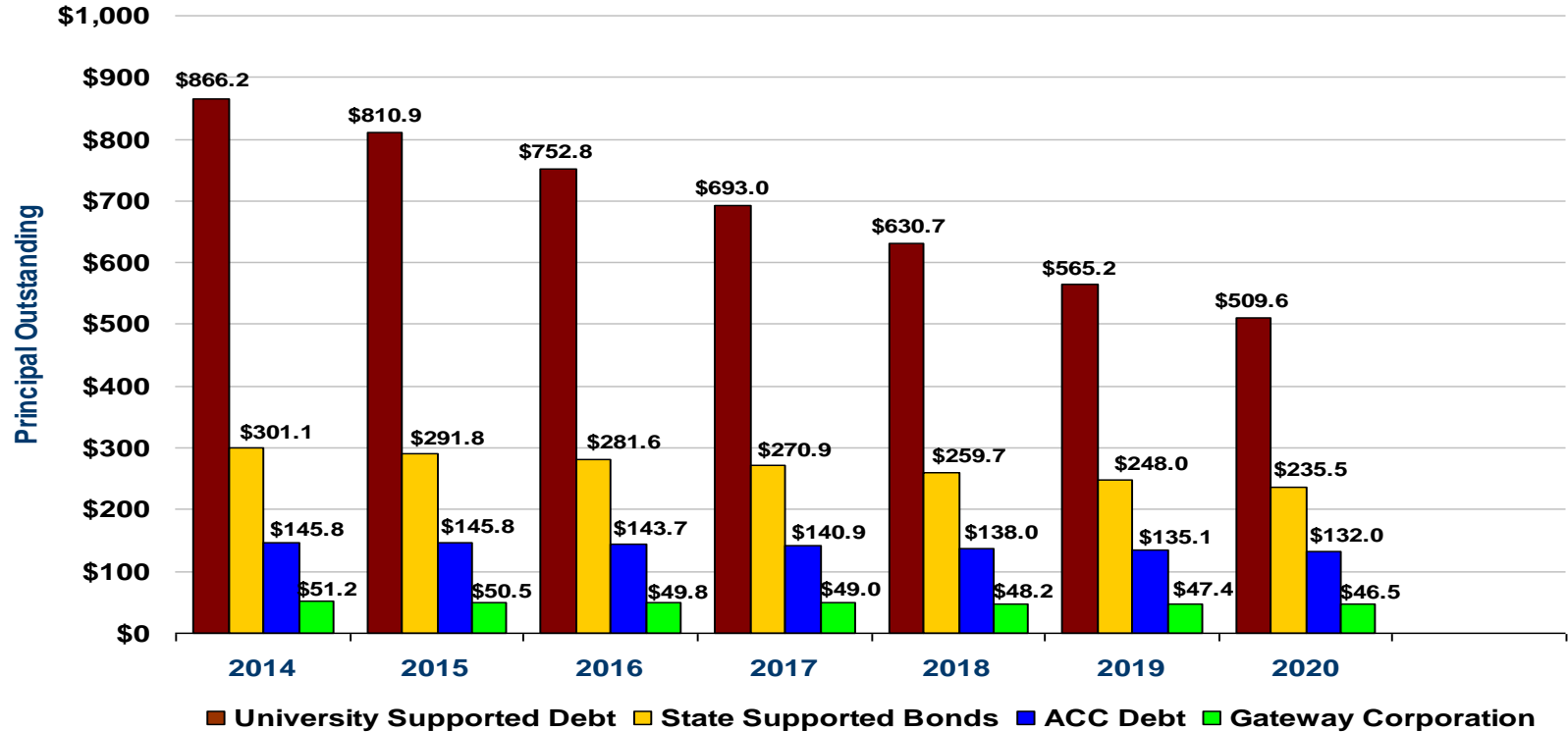
Long-Term Debt as of June 30, 2014 for financials also includes:

- Unamortized premium/discount of \$72,526 - is not included in ratio analysis for debt capacity purposes
- Capital leases of \$43,387 - is included in ratio analysis for debt capacity purposes, but amount is unchanged for projected future years

Current Amortization Structure

(in millions)

6/30/14 Direct Debt Outstanding (at par) plus 2014B issued 8/6/14



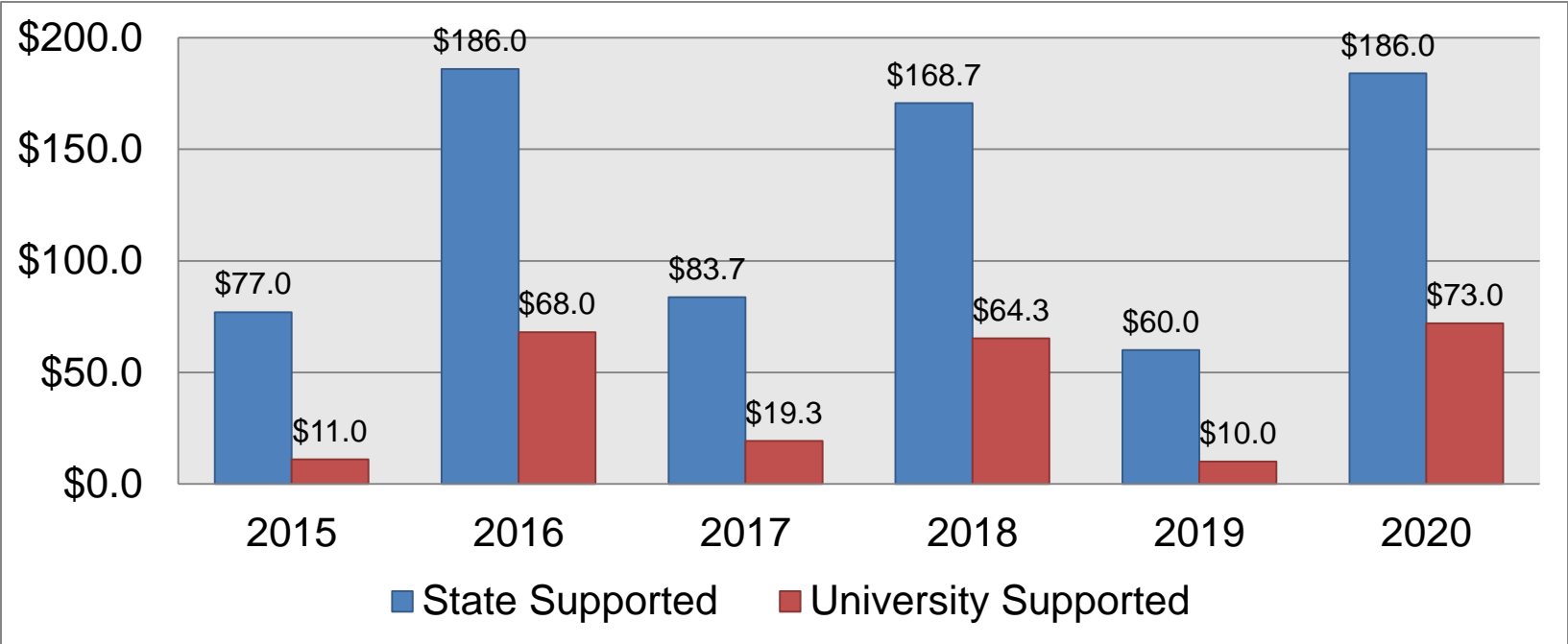
Approved Projects

(000s omitted)

Project	Campus	Total Project Amount	Other Funding	University Funding
Combined Heat & Power (CHP)	Twin Cities	\$ 95,881	\$ 13,000	\$ 82,881
<u>FY15 Annual Capital Budget</u>				
Chemical Sciences & Materials Building (predesign)	UMD	2,250	1,500	750
Laboratory Improvement Fund	Systemwide	13,000	8,667	4,333
Tate Science & Teaching Building	Twin Cities	92,500	58,950	33,550
Campus Wellness Center	UMC	<u>15,000</u>	<u>10,000</u>	<u>5,000</u>
Subtotal – FY15 Annual Capital Budget		<u>122,750</u>	<u>79,117</u>	<u>43,633</u>
Bell Museum	Twin Cities	57,500	6,000	51,500
Land Purchases	Twin Cities	<u>8,000</u>	<u>0</u>	<u>8,000</u>
Total		\$ 284,131	\$ 98,117	\$ 186,014

Six-Year Capital Plan

(in millions)



Projected Debt Issuances

(000s omitted)

	Total Debt	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Future years
Combined Heat & Power Plant (CHP)	\$ 83,000	\$ 43,000	\$ 40,000					
FY15 Annual Capital Budget	43,600		20,000	23,600				
Bell Museum	51,500	51,500						
Land Acquisitions	<u>8,000</u>	<u>8,000</u>						
Total Approved Projects	186,100	102,500	60,000	23,600				
2015 State Capital Request	11,000		2,200	6,600	2,200			
Six-Year Capital Plan	<u>234,600</u>			<u>13,600</u>	<u>44,700</u>	<u>38,200</u>	<u>45,000</u>	<u>93,100</u>
Total Six-Year Capital Plan	244,600	0	2,200	20,200	46,900	38,200	45,000	93,100
Total	\$ 431,700	\$ 102,500	\$ 62,200	\$ 43,800	\$ 46,900	\$ 38,200	\$ 45,000	\$ 93,100

Assumptions:

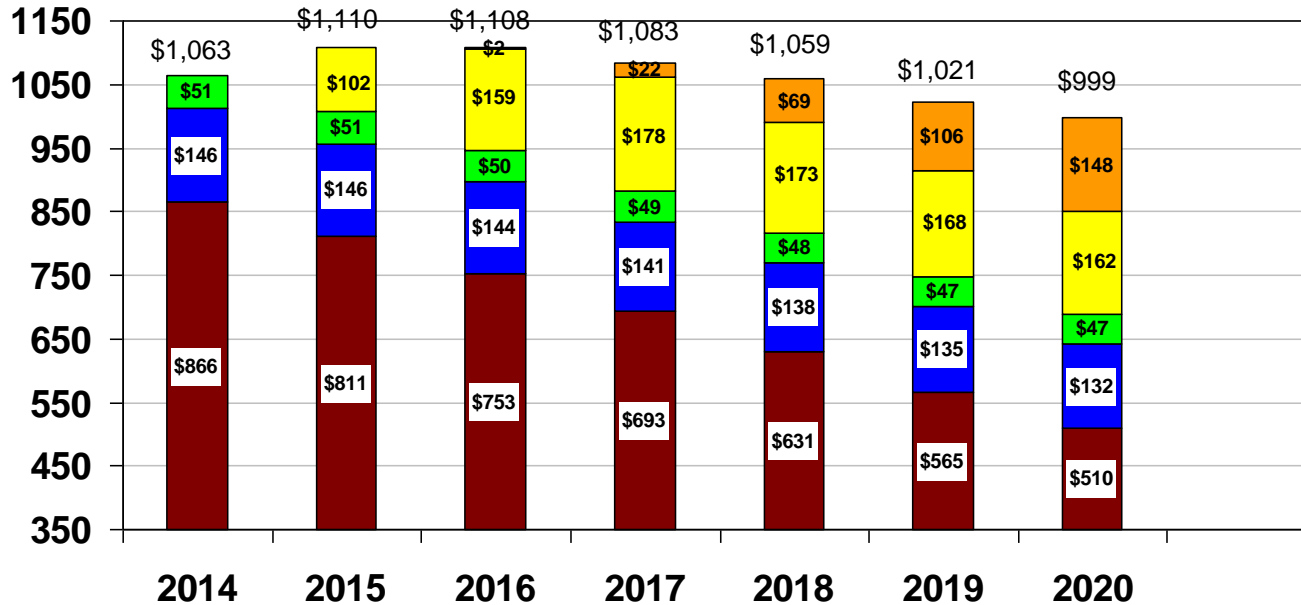
University funding is 100% debt-funded

Issuance of six-year capital plan over 3 years – approximately 20%-60%-20%

Projected Outstanding Debt as of June 30

(in millions)

Direct Debt Supported by University Resources



■ 6/30/2014 Outstanding
 ■ ACC Debt
 ■ Gateway Debt
 ■ Approved Projects
 ■ Six-Year Capital Plan

Letter Ratings to Designate University Credit Quality

Moody's Investors Service Rating
Aaa
Aa1 , Aa2, Aa3
A1, A2, A3
Baa1, Baa2, Baa3
Ba1, Ba2, Ba3
B1, B2, B3
Caa to C

Financial Security Evaluation
Exceptional
Excellent
Good
Adequate
Moderate
Weak
Default

Standard and Poor's Rating
AAA
AA+, AA , AA-
A+, A, A-
BBB+, BBB, BBB-
BB+, BB, BB-
B+, B, B-
CCC to D

The University of Minnesota is currently rated Aa1 by Moody's, and AA by Standard and Poor's.

Key Financial Metrics

RATIO	KEY COMPONENT	DEFINITION
A - Total Resources to Modified Direct Debt	Total resources	Unrestricted net assets + restricted expendable net assets + restricted nonexpendable net assets + UMF* total net assets less foundation net investment in plant
B - Total Expendable Resources to Modified Direct Debt	Total expendable resources	Unrestricted net assets + restricted expendable net assets + UMF unrestricted/temporarily restricted net assets less foundation net investment in plant
	Modified direct debt	The sum of the University's outstanding debt including capital leases, plus Gateway debt, less net unamortized premium/discount on the bonds less the special purpose debt (i.e., state-supported stadium debt and 75% of the biomedical facilities bonds) **
C - Debt Service to Operations	Debt service	Sum of the principal and interest paid on capital debt by the University excluding principal and interest on the special purpose debt
	Operations	University operating expense less scholarships & fellowships, plus interest on capital asset-related debt, excluding the interest on the special purpose debt

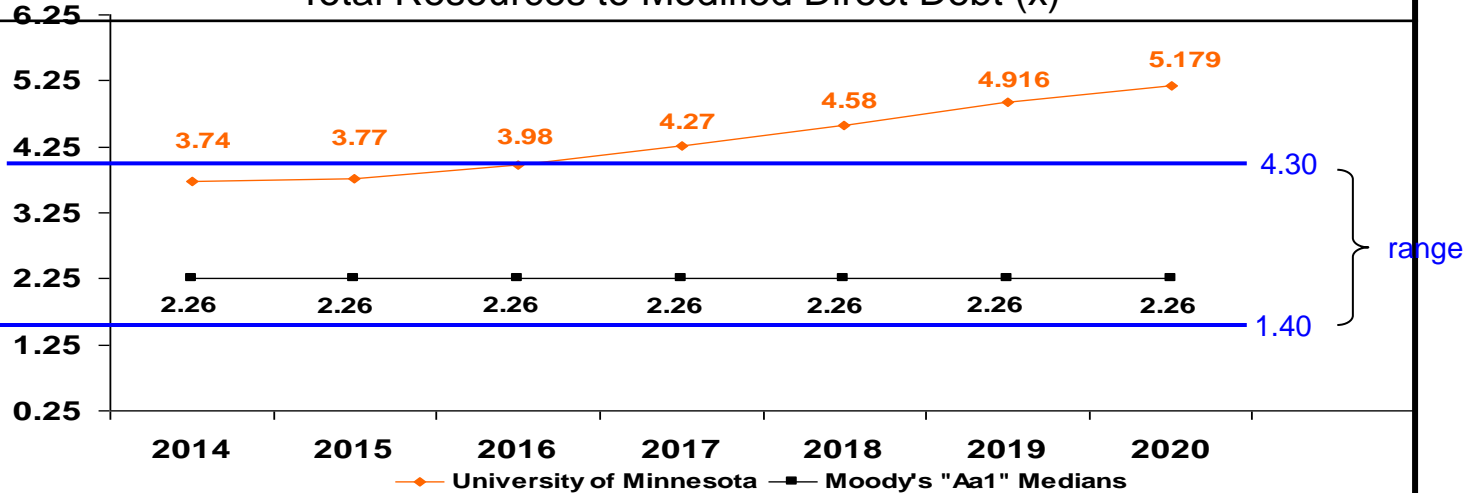
* UMF = University of Minnesota Foundation

** Stated another way: outstanding University-supported debt at par plus capital leases plus Gateway debt

Analysis of Key Credit Ratios

Resources and Leverage

Total Resources to Modified Direct Debt (x)



Desired Trend



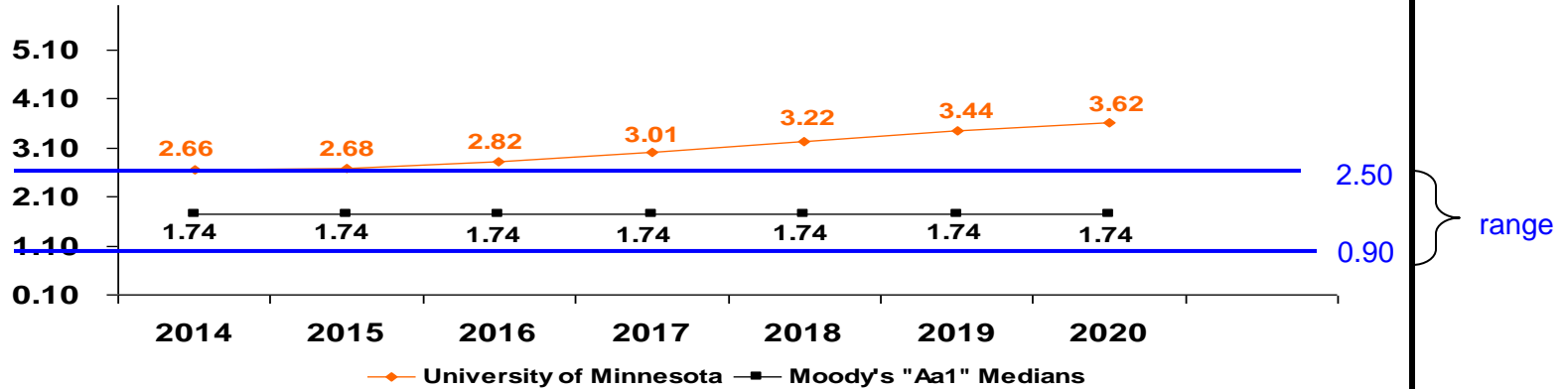
$$\frac{\text{Unrestricted net assets} + \text{Restricted expendable net assets} + \text{Restricted non-expendable net assets} + \text{UMF total net assets} - \text{Foundation net investment in plant}}{\text{Modified Direct Debt}}$$

Divided by Modified Direct Debt

Analysis of Key Credit Ratios

Resources and Leverage

Total Expendable Resources to Modified Direct Debt (x)



Desired Trend



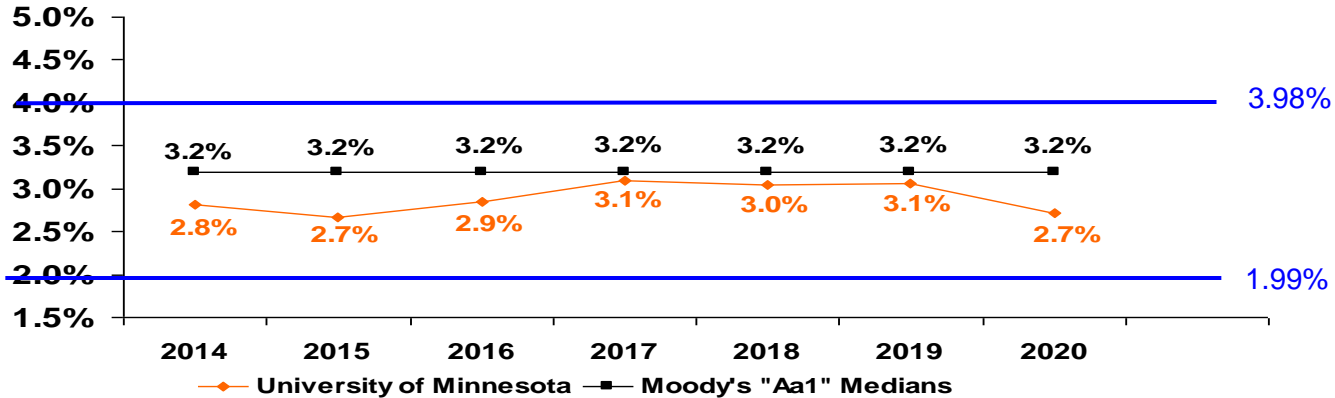
Unrestricted net assets + Restricted expendable net assets + UMF unrestricted net assets + UMF temporarily restricted net assets – Foundation net investment in plant

Divided by Modified Direct Debt

Analysis of Key Credit Ratios

Resources and Leverage

Debt Service to Operations (%)



range

Desired Trend

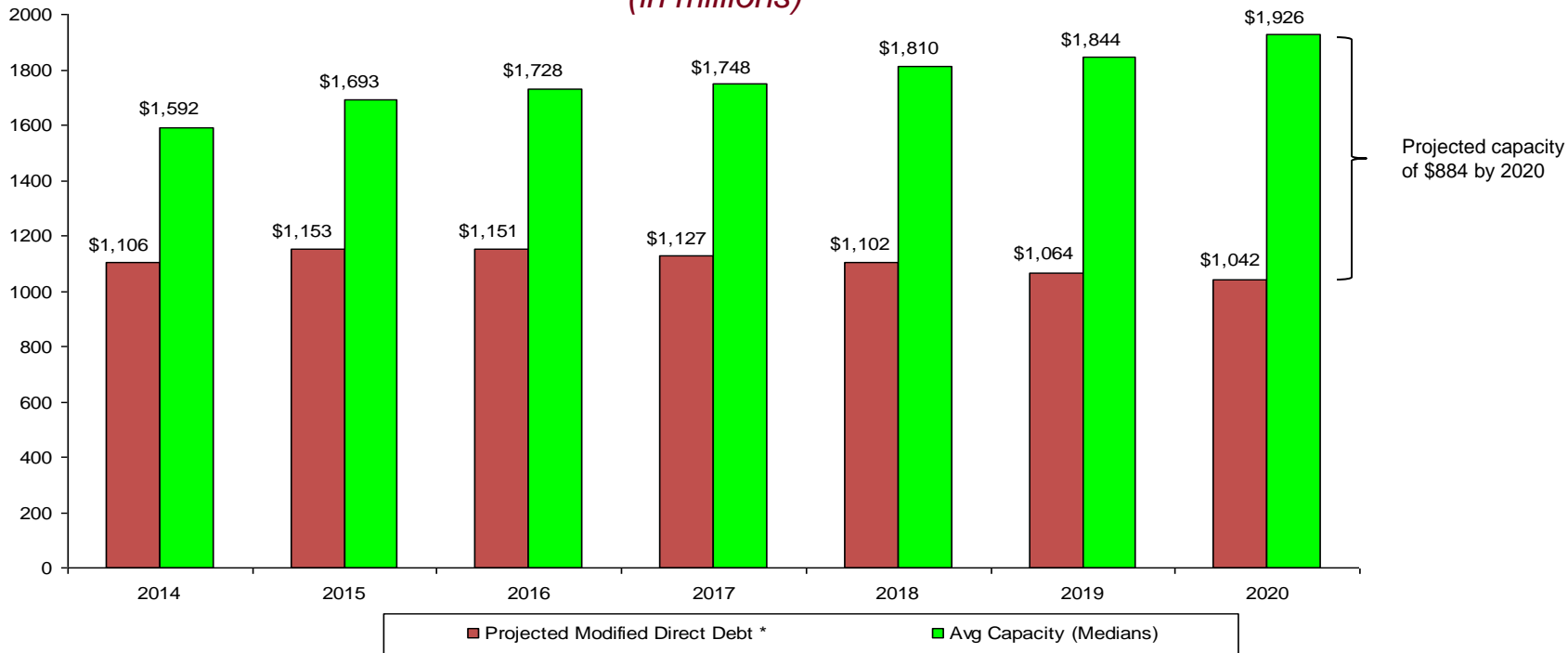


Actual Annual Debt Service

Divided by Total Operating Expenses (as adjusted)

Theoretical Projected Debt Capacity Including Foundation Resources

Based on Moodys "Aa1" Medians
(in millions)



* Projected Modified Direct Debt excludes net unamortized premium/discount on the bonds and the state supported special purpose revenue bonds, both of which are included in long-term debt for financial reporting purposes.



UNIVERSITY OF MINNESOTA
Driven to DiscoverSM



UniversityofMinn



UMNews



UofMN



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

September 11, 2014

Agenda Item: Consent Report

Review Review + Action Action Discussion

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, Vice President & CFO

Purpose & Key Points

General Contingency

The purpose of this item is to seek approval for allocations from General Contingency greater than \$250,000. There are currently three items requiring approval:

1. To VP University Services, \$500,000 for construction of two loading docks for use by UMarket;
2. To VP University Services, \$250,000 for remodeling of University Relations space on ground floor of Morrill Hall; and
3. To the Office of Public Safety \$271,300 for installation of new PSECC radio system.

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

The purpose of this item is to seek approval for purchases of goods and services of \$1,000,000 and over.

- To Deloitte Consulting LLP for \$1,744,000 for consultative services for the Enterprise Asset Management project for the period of September 16, 2014, through July 31, 2015, for University Services. The project will be purchased with University Enterprise Assessment funds. Vendor was selected through a competitive process.
- To Forsythe Solutions Group, Inc. for an estimated \$2,160,000 and Dell Marketing for an estimated \$500,000 for an application delivery solution for the period September 15, 2014, through September 14, 2019, for the Office of Information Technology (OIT). OIT will make this purchase with O&M funds. Vendor was selected through a competitive process.
- To Oracle Corporation for \$1,066,149 to renew Oracle PeopleSoft Campus Solutions computer software licenses, updates, and maintenance support for the one-year period September 26, 2014, through September 25, 2015, for OIT. OIT funds these product support and software

updates to ensure continuous operation of Oracle PeopleSoft Campus Solutions. The expense will be covered from OIT's central O&M funds. The FY15 budget includes planning and funding for this expense.

Background Information

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

- General Contingency: Reservation and Delegation of Authority, Sec.VII, Subd. 1.
- Purchase of Goods and Services \$1,000,000 and Over: Reservation and Delegation of Authority, Sec.VII, Subd. 6.

President's Recommendation

The President recommends approval of the Consent Report.

General Contingency

Fiscal Year 2014-15

Recipient	Allocation	Balance	Purpose
1 FY2015 General Contingency		\$1,000,000	
2 Carryforward from FY2014 into FY2015	785,396	1,785,396	
3 New items this reporting period:			
4 VP University Services	*	500,000	1,285,396 UMarket Logistics Dock
5 VP University Services	*	250,000	1,035,396 U Relations Space Remodel
6 College of Liberal Arts		25,000	1,010,396 Human Rights Program
7 Office of Public Safety	*	271,300	739,096 PSECC Radio Technology
8 Environmental Health & Safety		200,000	539,096 UMore GUE Additional Investigation & Response Action Plan
9 VP University Services		(85,000)	624,096 U Market Sprinkler System (return of unused funds)
10 FY 2014-15 Ending Balance	624,096		

* Subject to Board approval due to cost of \$250,000 or more

General Contingency

2013-14 General Contingency:

Recipient	Allocation	Balance	Purpose
FY2014 General Contingency		\$1,000,000	
Carryforward from FY2013 into FY2014	1,406,141	2,406,141	
1 Dean of the College of Liberal Arts	20,000	2,386,141	Consultant to negotiate Showboat management agreement
2 Vice President for University Services *	250,000	2,136,141	U Stores sprinkler upgrade
3 Ex Dir for the Office for Business & Community Economic Dev.	55,000	2,081,141	Awards Incentive & Recognition (AIR) program
4 Vice President for Research	225,000	1,856,141	Consultant for F&A rate development and negotiation
5 Director of the Department of Concerts and Lectures	200,000	1,656,141	Northrop grand opening celebration
6 General Counsel	235,745	1,420,396	Outside legal counsel fees
7 Vice President for University Services *	275,000	1,145,396	Increased student-related public safety operations
8			
9 New items this reporting period:			
10			
11 Chancellor, Univerisity of Minnesota-Crookston	245,000	900,396	Move Agricultural Utilization Research Institute to new space
12 Chancellor, University of Minnesota-Duluth	65,000	835,396	Inventory and appraisal of contents of Glensheen property
13 Director, Northrop Concerts and Lectures	50,000	\$785,396	Five tables for grand opening gala
14			
15 FY 2013-14 Ending Balance	785,396		
16			
17			
18 * Subject to Board approval			
19			
20			
21			
22			
23			

Purchase of Goods and Services \$1,000,000 and over

To Deloitte Consulting LLP for \$1,744,000 for consultative service for the Enterprise Asset Management project for the period of September 16, 2014 through July 31, 2015 for University Services.

The University has determined our approach to asset management can be improved on a system-wide basis. To optimize the University's enterprise physical assets to create a better campus experience at a lower cost we will:

- *Improve the way we build (facilities) to lower lifecycle costs and design for flexibility in use*
- *Improve operations to lower cost and increase reliability of facilities and equipment*
- *Improve space management to improve productivity, increase utilization and lower total (physical) space*

The goal of the Business Process Design will be to develop an Enterprise Asset Management vision and documentation for both current and future work processes. In order to facilitate better decision-making we need a common approach to managing assets across the University, including:

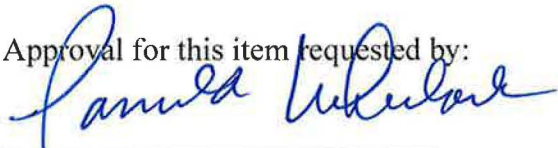
- *Standardized and streamlined business practices*
- *Integrated end to end technology*
- *A single source of enterprise asset data.*

Through a competitive process, Deloitte Consulting LLP, provided the best resources, experience, and methodology to serve as an Advisor to the project for this time period.

The project will be purchased with University Enterprise Assessment funds.

Submitted by: Mike Berthelsen, Facilities Management
300 Donhowe Building
Mpls Campus
Phone: (612) 626-1091

Approval for this item requested by:



VP or Exec. VP Signature

8/22/14

Date

Purchase of Goods and Services \$1,000,000 and over

To Forsythe Solutions Group, Inc. for an estimated \$2,160,000 and Dell Marketing for an estimated \$500,000 for an application delivery solution for the period September 15, 2014 through September 14, 2019 for the Office of Information Technology (OIT) for all students.

This is a purchase of hardware and software to allow for an initial delivery of approximately 30 specialized education software applications with a potential to grow to accommodate additional applications to students wherever they may be and on whatever device they may be using. For applications not able to be delivered through Microsoft App-V managed packages, the University will provide virtual desktops.

Included in this purchase is Citrix XenDesktop with Platinum support, Dell servers, Cisco network equipment and VMWare vSphere Enterprise Plus. Also included is implementation and training services and three years of maintenance and support for both hardware and software.

Student Benefits:

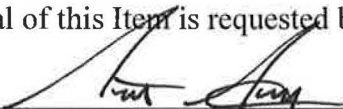
Students will no longer be dependent upon space availability in computer labs to use educational applications as they will now be able to access these applications from their residence hall, home or, in some cases, mobile devices, at their convenience.

These vendors were selected as a result of a competitive bid process among several providers specializing in virtual application and desktop delivery solutions.

OIT will make this purchase with O&M funds.

Submitted by: Ron White
Purchasing, OIT Business Office
Phone: (612) 625-2333

Approval of this Item is requested by:



Vice President and CIO

8.27.14

Date

Purchase of Goods and Services \$1,000,000 and over

To Oracle Corporation for \$1,066,149 to renew Oracle PeopleSoft Campus Solutions computer software licenses, updates, and maintenance support for the one-year period September 26, 2014 through September 25, 2015 for the Office of Information Technology (OIT).

All full and part-time University of Minnesota faculty, students, and staff are represented in and are served by the PeopleSoft Campus Solutions system. Among the mission-critical functions of this system are:

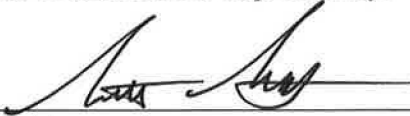
- *Tracking and billing of tuition and fees*
- *Processing of federal financial aid*
- *Class registration*
- *Processing of Admissions applications*
- *Producing official transcripts*
- *Awarding of degrees*
- *Payroll*
- *Benefits*
- *Hiring and maintenance of employee records throughout their employment*

The Oracle PeopleSoft "Software License and Services Agreement" provides software licenses, updates, and 7x24 technical support and problem resolution via telephone, the web, and on-site, if necessary. The high level of support provided by Oracle in the past has helped OIT maintain an excellent record for reliability and availability of this critical Enterprise system.

The Office of Information Technology funds these product support and software updates to ensure continuous operation of Oracle PeopleSoft Campus Solutions. The expense will be covered from OIT's central O&M funds. The FY15 budget includes planning and funding for this expense.

Submitted by: Ron White
Purchasing, OIT Business Office
1300 South Second Street
Mpls. Campus
Phone: (612) 625-2333
Fax: (612) 625-3521

Approval of this Item is requested by:



Vice President and CIO

8.27.14

Date



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

September 11, 2014

Agenda Item: Information Items

Review Review + Action Action Discussion

This is a report required by Board policy.

Presenters: Richard Pfutzenreuter, Vice President & CFO

Purpose & Key Points

Debt Management Advisory Committee Update

The purpose of this item is to provide a report on the meeting of the Debt Management Advisory Committee (DMAC) held on September 10, 2014. The agenda included discussion of the sale of the Series 2014B general obligation bonds, the Recommended Six-Year Capital Plan and Update on Debt Capacity, and future debt issuances.

Ambulatory Care Center (ACC) Financing

On August 6, 2014, the University issued General Obligation Bonds Series 2014B in the par amount of \$145,760,000, with a premium of approximately \$13,778,000 for total proceeds of approximately \$159,538,000. Proceeds of \$150,000,000 will be used to fund the costs of construction of the Ambulatory Care Center, \$8,850,000 to pay capitalized interest during the construction period, and \$688,000 to pay costs of issuance. The bonds were issued for 25 years at a true interest cost of 3.638%.

Quarterly Purchasing Report

The purpose of this item is to provide a quarterly report of purchasing activity as required by Board of Regents Policies: *Purchasing* and Board of Regents Policy: *Board Operations and Agenda Guidelines*, including detailed reports with brief discussion on the following activity:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to Competitive Process
- Purchases made as Preapproved Exceptions to Competitive Process
- Regents Purchasing Policy Violations

September 11, 2014

The Honorable David McMillan, Chair, Finance Committee
The Honorable John Frobenius, Vice Chair, Finance Committee
The Honorable Clyde Allen
The Honorable Richard Beeson
The Honorable Laura Brod
The Honorable Dean Johnson

Committee Members:

Enclosed are Purchasing Services' reports on purchasing activity for the fourth quarter, fiscal year 2014. Regents policy requires that purchasing activity, including exceptions to competitive purchases, be reported to the Board of Regents. This letter provides explanatory background and brief analysis of the report and attachments that follow.

Background

The enclosed reports and attachments provide statistics, graphics and some detail on four categories of purchasing activity for the fourth quarter:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to the competitive purchasing process
- Purchases made as Preapproved Exceptions to the competitive purchasing process
- Regents Purchasing Policy Violations

“Total Purchasing Activity” represents the total amount of goods and services purchased for the quarter and year-to-date across all funding sources, including construction projects.

“Approved Exceptions” refers to purchases where, following proper protocol, the vendor was not selected through a Request for Bid or Request for Proposal process. All of the approved exceptions were justified in writing by the requisitioning department, with the justification reviewed and approved by the Director of Purchasing before the purchase took place. Additionally, the appropriate Vice President and the University Controller approved all exceptions of \$250,000 and over, except pre-approved exceptions. Section II provides a listing of the transactions that followed this process and were approved as exceptions.

“Pre-approved Exceptions” are also purchases where the vendor has not been selected through a competitive process. However, they are exceptions that occur routinely with consistent reasons, so that the approval of the justification has become standardized. Refer to Section III of the report for a listing of transactions processed as pre-approved exceptions during the quarter.

“Regents Purchasing Policy Violations” refers to purchase transactions which bypassed the competitive process without following proper protocol and without the necessary approvals. Section IV provides a listing of purchasing violations.

The reports compare dollars spent on purchases in the respective quarter of the current year to dollars spent on purchases in same quarter of the two previous years. The same quarter-to-quarter comparison is made for approved exceptions and for preapproved exceptions. With that in mind, the following observations are worth noting:

Fourth Quarter:

- Both quarterly and year-to-date purchasing activity is down because of lower construction spending.
- Quarterly pre-approved exceptions were higher for Q4 FY14 than previous years’ quarters due to exceptions for Service/maintenance agreements with the original manufacturer/developer for equipment and software; Software license renewals and software upgrades available only from developer; Entertainers, lecturers, speakers and honoraria.
- The year-to-date pre-approved exceptions remain significantly more than the previous year’s exceptions because of an \$18,500,000 exception for the purchase of U Pass/Metro Pass products from the Metropolitan Council in Q1 FY14.
- There were two Regents Purchasing Policy Violations in the fourth quarter of FY14.

If you have any questions on the report, please do not hesitate to contact Tim Bray, Director of Purchasing, or me.

Sincerely,

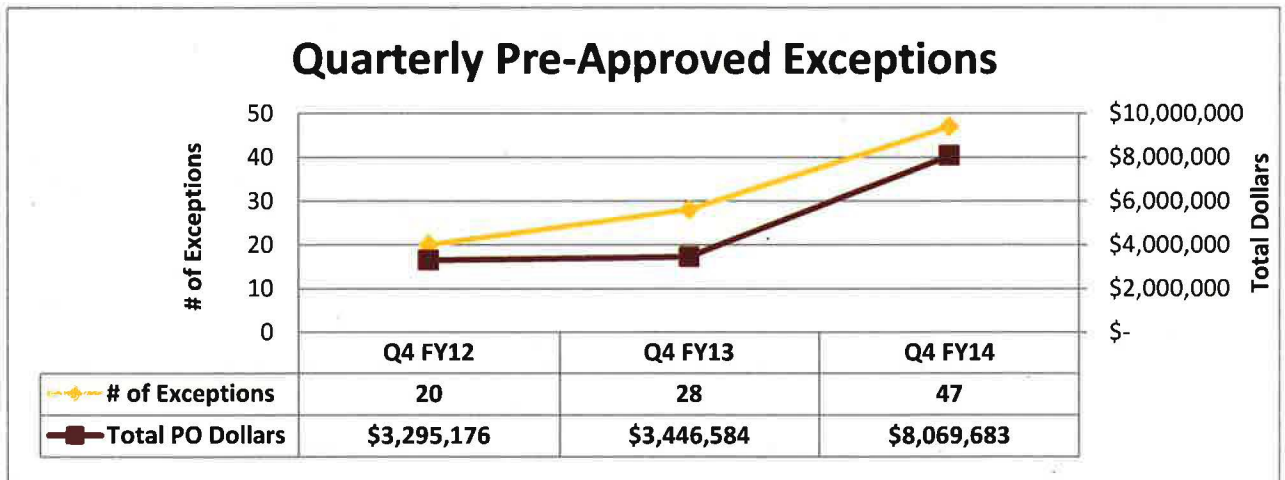
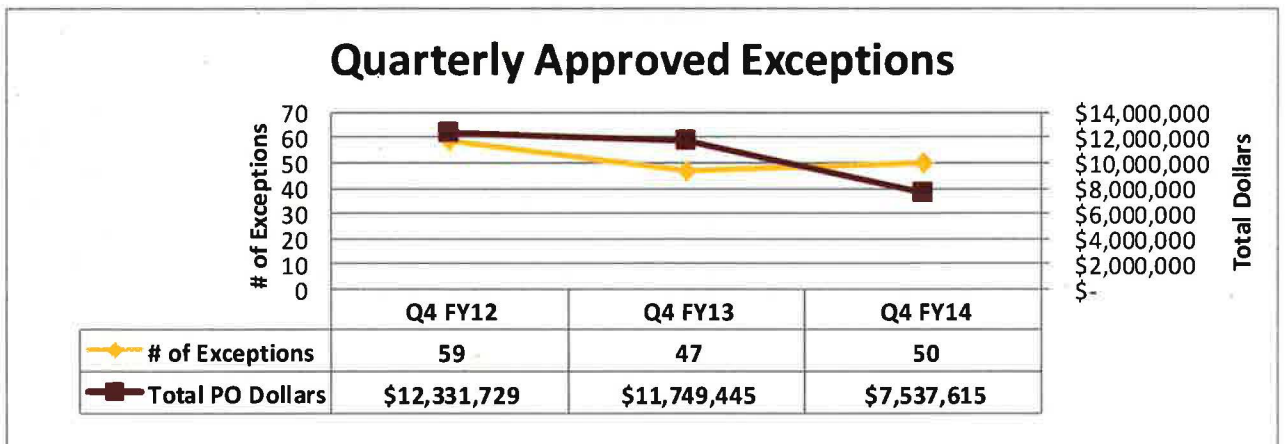
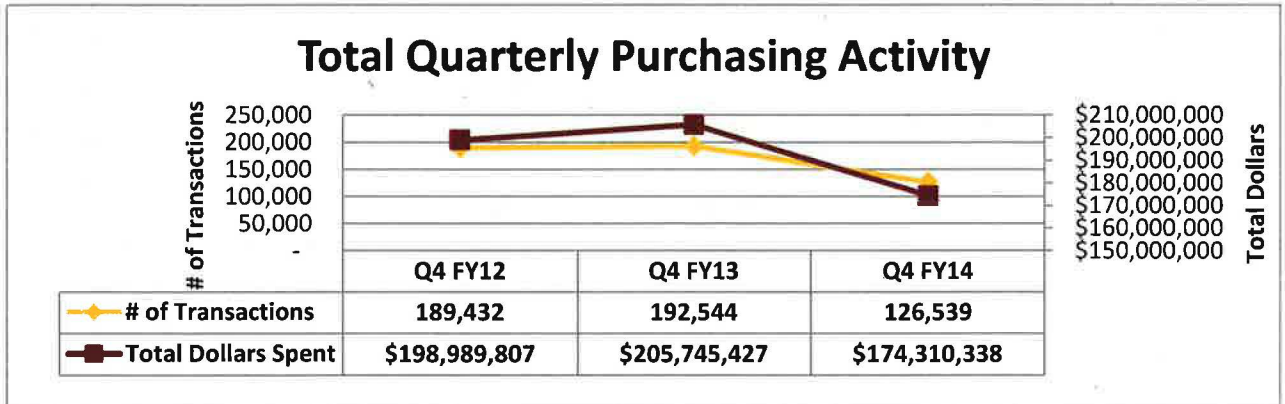


Michael D. Volna
Associate Vice President-Finance & Controller

Cc: Richard Pfitzenreuter, CFO, Treasurer and Vice President for Budget & Finance
Brian Steeves, Deputy Director, Board of Regents
Tim Bray, Director, Purchasing Services

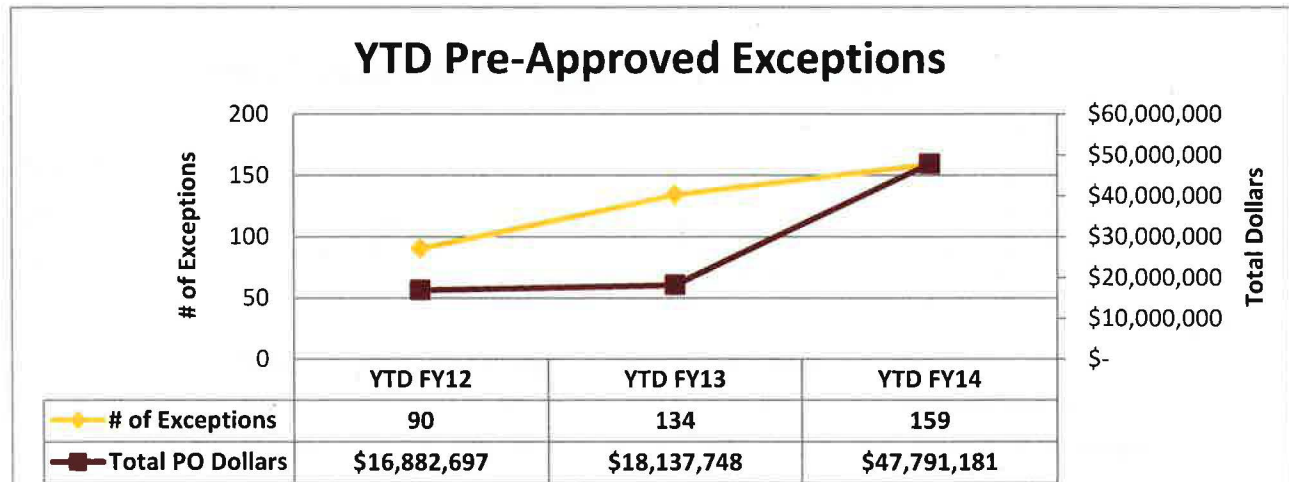
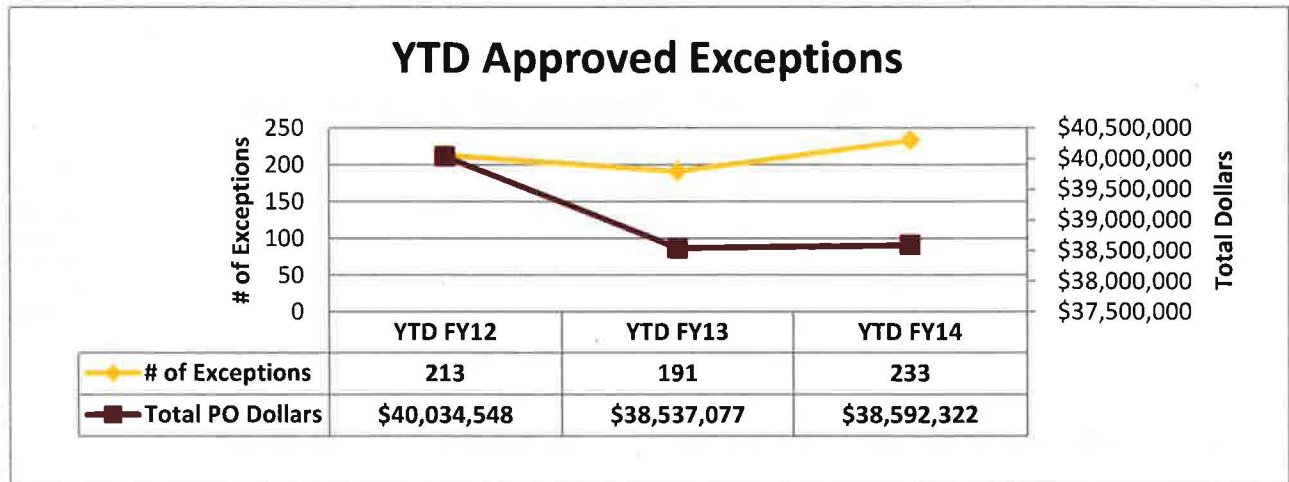
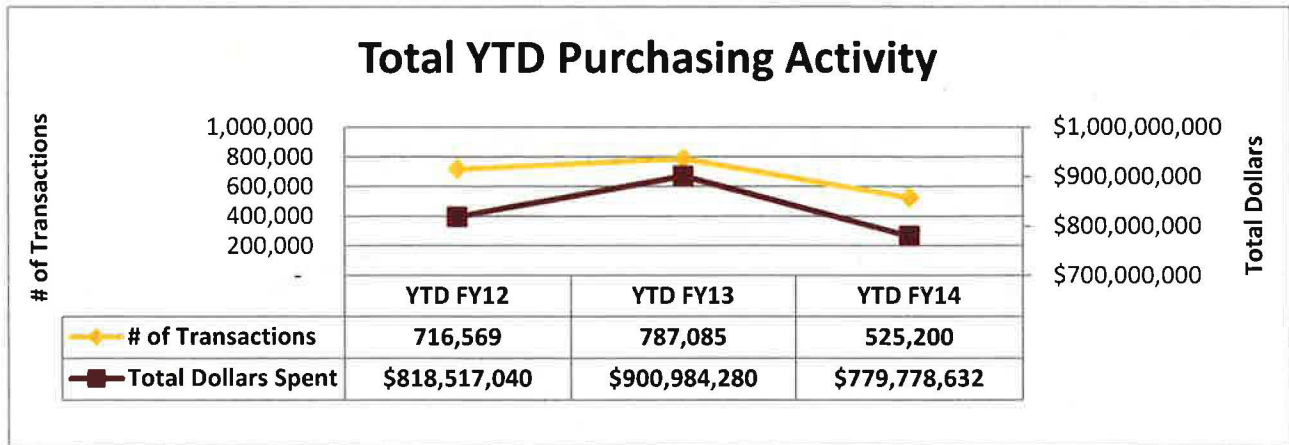
University of Minnesota Quarterly Purchasing Report As of June 30, 2014

I. Summary of Purchasing Activity for 4th Quarter



Q4 Exceptions	79	75	97
Q4 Exception Dollars	\$15,626,905	\$15,196,029	\$15,607,298

Summary of Purchasing Activity YTD



YTD Exceptions	303	325	392
YTD Exception Dollars	\$56,917,245	\$56,674,825	\$86,383,503

III. Pre-Approved Exceptions to Competitive Purchasing

Exception #2:	Total # of Exceptions	Total Dollars
Media advertising, purchase of or access to uniquely compiled database information.	1	\$309,185
Exception #4:	Total # of Exceptions	Total Dollars
Closeout of used items which requestor or Purchasing has verified to be at least 30% below comparable new equipment (does not include refurbished or remanufactured furniture).	2	\$191,190
Exception #6:	Total # of Exceptions	Total Dollars
Service (1) available only from another governmental agency or public entity or (2) required by law to be provided by another governmental entity.	2	\$109,033
Exception #7:	Total # of Exceptions	Total Dollars
Service/maintenance agreements with the original manufacturer/ developer for equipment and software.	16	\$2,396,370
Exception #9:	Total # of Exceptions	Total Dollars
Software license renewals and software upgrades available only from developer. This includes adding licenses to an existing license agreement.	9	\$3,170,959
Exception #11:	Total # of Exceptions	Total Dollars
Fairview purchases related to research projects.	2	\$315,324
Exception #12:	Total # of Exceptions	Total Dollars
Entertainers, lecturers, speakers and honoraria.	14	\$1,517,622
Exception #16:	Total # of Exceptions	Total Dollars
Search firms that have met pre-defined criteria. (See <u>Search Firm Criteria</u> .)	1	\$60,000

TOTAL Pre-Approved Exceptions

47 PURCHASES \$8,069,683

There are 25 categories of Pre-Approved Exceptions. Only those categories which had qualifying transactions are reported above.

IV. Regents Policy Violations

There were two Regents Policy Violations to report.

Department Name	Vendor Name	Total Dollar
Academic Health Center	University of California San Francisco	\$60,867.33
Product/Service Description		
Consulting Work for National Center		
Explanation for Violation		
Services were performed before a CPS was created.		
Action Taken by Department to Prevent Further Violations		
In the future this action will be prevented by ensuring that a CPS agreement is attached to an active Requisition/Purchase Order with required CPS purchasing forms prior to the agreement start date. Now that the department is fully staffed there should be no further issues with getting the requisitions routed for approval.		

Department Name	Vendor Name	Total Dollar
Natural Resources Research Institute	Wolf Wood, Inc.	\$208,068.80
Product/Service Description		
Lease of a Pilot Scale Thermal modification High Pressure, High Temperature Autoclave and Hot Oil Heater and Pump (60 month lease signed in February, 2012)		
\$176,068.80 plus NTE costs of \$32,000 for installation, shipping and training.		
Explanation for Violation		
The NRRI signed a lease and made the lease payments without setting up a requisition and purchase order. Therefore, Purchasing Services was not involved and was not able to initiate a competitive bidding process. Since the total commitment exceeded \$50,000, this is a Regents' policy violation.		
Action Taken by Department to Prevent Further Violations		
Policies were reviewed by departmental staff to know what is required for future leases. NRRI did work with General Counsel on the terms and conditions, but was unaware that they needed a PO for the lease.		