



Board of Regents

October 2016

October 14, 2016

9:00 a.m. - 12:00 p.m.

Boardroom, McNamara Alumni Center

BOR - OCT 2016

1. Introduction of General Counsel
 - Docket Item Summary - Page 4
2. Recognition: Award of Outstanding Merit
 - Docket Item Summary - Page 5
3. Approval of Minutes - Action
 - Minutes - Page 6
4. Report of the President
 - Docket Item Summary - Page 49
5. Report of the Chair
 - Docket Item Summary - Page 50
6. Consent Report - Review/Action
 - Docket Item Summary - Page 51
 - Gift Report - Page 53
 - Conflict Management Plan - Page 60
7. Overview of System-Wide Strategic Planning Process
 - Docket Item Summary - Page 64
 - Presentation - Page 66
8. Overview of Major Budget Levers
 - Docket Item Summary - Page 76
 - Presentation - Page 77
9. President's Recommended FY 2018-19 Biennial Budget Request - Action
 - Docket Item Summary - Page 97
 - Resolution - Page 99
 - Presentation - Page 101
10. President's Recommended 2016 Six-Year Capital Plan - Action
 - Docket Item Summary - Page 118
 - Resolution - Page 119
 - Summary Document - Page 120
 - Project Description Report - Page 126
 - Project Funding Report - Page 141
 - Presentation - Page 150
11. President's Recommended 2017 State Capital Request - Action

Docket Item Summary - Page 158

Resolution - Page 159

Summary Document - Page 160

Presentation - Page 161

12. Report of the Committees

Docket Item Summary - Page 165



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: Introduction of General Counsel

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

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler

PURPOSE & KEY POINTS

The purpose of this item is to introduce Douglas R. Peterson, newly appointed General Counsel.

Douglas Peterson began his tenure at the University of Minnesota on September 19, 2016. Peterson comes to the University from Stinson Leonard Street LLP, where he was a partner practicing in the areas of complex business litigation and white-collar defense. Previously, he served as Assistant U.S. Attorney for the District of Minnesota; he tried a variety of criminal cases and argued numerous cases before the Court of Appeals for the Eighth Circuit. Peterson has also served as a clerk for the Honorable Robert G. Renner, U.S. District Judge for the District of Minnesota.

Peterson received his J.D. cum laude from Harvard Law School and his B.A. summa cum laude in economics from Yale University. A native of Mankato, Minnesota, he has a deep understanding and appreciation of University of Minnesota's impact on the local, regional, and global community.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: Recognition: Award of Outstanding Merit

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Regent Dean E. Johnson

PURPOSE & KEY POINTS

The purpose of this item is to recognize the University of Minnesota Bands as they celebrate their 125th anniversary.

BACKGROUND INFORMATION

The Award of Outstanding Merit is given to an individual or group of individuals that has demonstrated long and meritorious service to the University.

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Audit & Compliance Committee
September 8, 2016**

A meeting of the Audit & Compliance Committee of the Board of Regents was held on Thursday, September 8, 2016, at 7:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Executive Vice President and Provost Karen Hanson; Vice President Brian Herman; Interim Vice Presidents Bernard Gulachek and Michael Volna; Executive Director Brian Steeves; and Associate Vice President Gail Klatt.

Student Representatives present: Connor Klemenhausen and Tareyn Stomberg.

2016-17 COMMITTEE WORK PLAN

Regent Brod and Associate Vice President Klatt reviewed the 2016-17 work plan for the Audit & Compliance Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan. Brod emphasized the theme of compliance throughout the work plan.

INTERNAL AUDIT UPDATE

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

Klatt reported that since the last update in June 2016, University departments implemented 39 percent of outstanding recommendations rated as “essential,” just below the goal of 40 percent. Regent Brod remarked on the improvement since the same update last year reported only 16 percent implementation.

Klatt shared that audits of the University’s Payment Card Industry (PCI) compliance, purchasing cards, and vendor payments – three significant business processes – were completed with exceptional results. She applauded David Laden for his work with Office of Information Technology to ensure the University’s PCI compliance.

**UPDATE ON REMEDIATION OF
INTERCOLLEGIATE ATHLETICS AUDIT FINDINGS**

Regent Brod invited Interim Vice President & CFO Michael Volna and Director of Intercollegiate Athletics Mark Coyle to provide an update on the remediation of intercollegiate athletics audit findings, as detailed in the docket.

Volna presented background information and status updates on the implementation of “essential” recommendations. He outlined the work plan and status of a financial oversight committee that was charged by President Kaler in late 2015 to align Athletics policies with University policies. Volna noted that the committee has been meeting every three weeks and will continue to do so until the work plan is complete.

Coyle shared that the guiding principles of Athletics under his authority include sound fiscal management and a commitment to transparency. He emphasized the importance of intention and consistency in decision making across all levels of the department.

Regent Brod noted that in the short time Coyle has been at the University, Athletics has made significant progress.

In response to a comment from Regent Beeson, Coyle shared that he is focused on communication with his management team to ensure that accurate information is shared in a timely manner. He noted that the focus should be on the student athletes and that when the department is under scrutiny, it takes away from that focus.

In response to a question from Regent Omari, Volna clarified that the annual financial certification in Athletics is to ensure that staff across central and departmental finance functions understand the chain of authority and oversight responsibilities.

Omari inquired about the impact to student athletes. Coyle assured the committee that the audit findings have not impacted the work of student athletes in the classroom or in sports.

Volna responded to a question from Regent Hsu by confirming that time was the only barrier to implementing the outstanding recommendations. Associate Vice President Gail Klatt shared that in some cases, recommendations have been implemented but are not yet complete because there is no evidence of sustainability.

Regent Lucas and Regent Hsu complimented Coyle on what he has been able to accomplish in his short tenure. President Kaler added that enormous progress has been made.

UPDATE ON IMPLEMENTATION OF HUMAN PARTICIPANT RESEARCH PROTECTION PLAN

Regent Brod invited Vice President Herman and David Strauss, Associate Professor of Psychiatry, Columbia University Medical Center and external reviewer for the Human Participant Research Protection Implementation to update the Board on progress made since June 2016 related to the Human Research Protection Program work plan implementation, as detailed in the docket.

Herman shared that since the committee was last updated in June, eight biomedical review panels have been added to the Institutional Review Board (IRB) and policies have been put into place to safeguard individuals with impaired decision-making capacity.

Strauss walked through a status report on progress of the Human Participant Research Protection Program work plan and applauded the University for its efforts thus far. He noted that although recommendations have been implemented, the work is never complete and gains must be sustained.

Regent Beeson recommended that the new chair of the Department of Psychiatry share an update at an upcoming meeting. In response to a comment from Beeson, Struss noted that he does not believe the University is spending too much money on essential structures that provide oversight in human subject research. He added that the University will continue to attract both talent and funding for future research.

In response to comments from Regent Simmons, Strauss agreed that mandatory research ethics education for investigators is critical. Herman added that oversight is collaborative, with investigators relying on their faculty chair and the IRB among other entities for guidance in conducting research.

Simmons wondered whether the research vice president should have ultimate responsibility for oversight of human subjects research, or if it was typical for the medical school dean to serve in that capacity. Herman responded that is not prudent for oversight and compliance responsibilities to sit with the position that ultimately benefits from the research, like the dean of the medical school would.

In response to a question from Regent Hsu, Herman assured the committee that progress was unaffected when the National Institutes of Health (NIH) did not renew funding for the Clinical and Translational Science Institute (CTSI). He noted that it is common for NIH not to renew funding, and the University will apply again next year. He added that the Medical School has committed to maintaining the CTSI during the transition period.

Regent Brod commented that she was pleased with the implementation rates, but concerned about how to measure accomplishments moving forward. Herman shared that there is a team focused on creating accountability metrics.

REVIEW OF RFP PROCESS FOR EXTERNAL AUDIT CONTRACT

Regent Brod invited Interim Vice President Michael Volna and Interim Controller Suzanne Paulson to review the Request for Proposal (RFP) process for hiring an external auditor, as detailed in the docket.

Paulson shared that the current agreement with Deloitte & Touche expires at the end of the fiscal year. She outlined the scope, criteria, and timeline of the RFP process.

In response to comments from Regent Beeson and Regent Omari, Volna assured the committee that the RFP would reach firms nationally and the turnaround time would be sufficient to produce an adequate pool.

In response to a question from Regent Hsu, Volna shared that the cost to the University is on the low end of all Big Ten schools. Hsu asked about the number of firms that have been contracted in the past. Volna responded that the previous five contracts were awarded to four different firms, each for a period of five to seven years.

Brod encouraged Volna to remain mindful of the timeline and scope throughout the process.

The meeting adjourned at 9:29 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Facilities, Planning & Operations Committee
September 8, 2016**

A meeting of the Facilities, Planning & Operations Committee of the Board of Regents was held on Thursday, September 8, 2016 at 9:45 a.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Fred Wood; Interim Vice Presidents Michael Berthelsen and Michael Volna; and Executive Director Brian Steeves.

2016-2017 COMMITTEE WORK PLAN

Regent McMillan and Interim Vice President Berthelsen reviewed the 2016-17 work plan for the Facilities, Planning, & Operations Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

**ISSUES RELATED TO THE 2016 SIX-YEAR CAPITAL PLAN
AND THE 2017 STATE CAPITAL REQUEST**

Regent McMillan invited Interim Vice President Berthelsen to present for review issues related to the 2016 Six-Year Capital Plan (Plan) and the 2017 State Capital Request, as detailed in the docket.

Berthelsen outlined the process for developing the Plan. He explained the portfolio planning process and how projects move through it. He detailed strategic considerations involved in adding projects to the Plan, with a main focus on renovating or removing buildings that have been identified as critical under the facilities condition assessment. Berthelsen reminded the committee that reducing poor and critical condition facilities is a component of the University Progress Card. He summarized those facilities that are or will soon become poor or critical, reporting that those buildings contain approximately 1.5 million square feet.

Berthelsen described the poor and critical needs by campus, including the estimated replacement value and projected 10-year needs. He described the building-by-building planning process that seeks to identify which buildings should be renovated, which should be decommissioned, and how those buildings align with the University's priorities given limited resources. He outlined the source of funds to address poor and critical facilities, including HEAPR, repair and replacement funds, and utility rates. Berthelsen described the process that is used to prioritize projects on each campus for HEAPR funding, noting that each campus defines its own priorities and submits a list of projects for central administration review to ensure those projects are statutorily eligible.

Berthelsen reviewed the 2017 State Capital Request. He reminded the committee that with no 2016 bonding bill, the 2017 request is a resubmittal of last year's request. He noted that project costs were adjusted for construction inflation. Design funds for the Collection and Contemporary Learning project for the Twin Cities campus was the one project added.

President Kaler commented that the Plan is the final product of a comprehensive review of space aligned with the priorities of the University. He noted that the University is requesting \$100 million in HEAPR funding, but that the need is larger. He described how the administration is identifying space to decommission and consolidate, including buildings like Mayo.

Regent Devine commented on the helpfulness of the comprehensive review of facility deficiencies. He agreed that the HEAPR request is a small portion of what is actually needed across the system to address minimum needs. He shared his view that the state request is aggressive given that Pillsbury Hall did not gain much traction last year, but noted that the historic significance of the building deserves greater legislative attention.

Regent Roshia wondered how the construction of new buildings or the renovation of others affects the decommissioning process. Berthelsen responded that a building-by-building strategy is used to identify candidates for decommissioning. He noted the need to be aggressive with space utilization and to find solutions that consolidate and remove space. Berthelsen added that the Plan guides consideration of when to decommission a building. He asserted that the University is unable to keep building new facilities without decommissioning others. Berthelsen stated that University Services is setting goals and measures for space utilization to help with the decommissioning process.

In response to a question from Roshia, Berthelsen explained that capital planning for projects ineligible for HEAPR funding follows the same process as those that are eligible. Unlike with HEAPR funding, those units need to raise one-third of the cost of the projects funded through state bonding. He indicated that this requirement impacts how quickly those projects move through the planning process. Roshia commented that it is important to highlight projects from across the state to gain broader legislative support.

In response to a question from Regent Johnson, Kaler noted that the legislature showed interest last session in funding HEAPR and that the largest amount included in a draft bill was \$55 million. The Chemistry and Advanced Materials Science building and Plant Growth Research Facility were also in draft bills. Kaler added that Governor Dayton expressed support for the Health Science Education Facility and made it a key component in negotiations for a special session.

Regent Anderson observed that relocating office space through decommissioning buildings like Masonic and Mayo eliminates a large portion of the poor and critical space. He suggested the administration explore replacing office space with public-private partnerships.

In response to a question from Regent Lucas, Berthelsen explained that the Washington Avenue Bridge is on the list for potential HEAPR funding, clarifying that the county owns the bridge but the University owns the pedestrian enclosure. Kaler expressed his support for using HEAPR funding for the bridge. He added that the Field House on the Twin Cities campus is also a project identified for HEAPR funding.

REAL ESTATE TRANSACTIONS

A. Purchase of 2.47 Acres at 600, 600 ½, and 625 27th Avenue SE, Minneapolis (Twin Cities Campus)

Susan Carlson Weinberg, Director of Real Estate, explained the real estate transaction as follows:

- The subject property consists of approximately 2.68 acres and is located at 600, 600½, and 602 27th Avenue SE, Minneapolis, directly adjacent and contiguous to the

University-owned property at 600 25th Avenue SE (formerly known as the Electric Steel Elevator property).

- The property is known as the Mathisen Elevator property (former Kurth Malting property), with two separate grain elevator facilities on two separate parcels that are bifurcated by part of an old, narrow rail spur owned by Union Pacific Railroad (formerly Chicago and Northwestern Railroad). The grain elevators are vacant and empty, and the University has been advised they have not been used for grain storage and distribution purposes for at least ten years. The property includes additional obsolete building structures totaling an estimated 11,323 square feet.
- Basis for the Request: The purchase of this property is an opportunity purchase. The current owner of the subject property, Mathisen Properties LLC, contacted the University to advise that the property is for sale.
- Details of Transaction: The purchase price for the subject property will be \$1,300,000 to be paid in cash at closing. The closing is expected to occur on or before October 31, 2016.

Regent Devine expressed his appreciation to the neighborhood for providing input and shared his view that it was healthy to have those perspectives represented.

B. Sale of 158.881 Acres at UMore Park (UMore Park)

Weinberg explained the real estate transaction as follows:

- The subject property consists of approximately 158.881 acres located in the northeast corner of UMore Park, abutting Blaine Avenue on the west and County Highway #42 (145th Street E) on the north. The property is undeveloped, fairly level, and currently has an agricultural zoning.
- Basis for the Request: The University offered this property for sale for industrial-business park development by Request for Proposal (RFP) in August 2015. No acceptable proposals were received, and the property remained for sale for industrial-business park development. Opus Development Company LLC (“Opus”) has offered to purchase the property for industrial-business park development on a phased take-down basis, with take-down timing reflective of market demand and identification of end-use clients by Opus, over a term of up to 10 years, which may be extended at University’s sole discretion for an additional 5 years. Nothing in the agreement prevents Opus from acquiring all of the property in the first take-down or all of the remaining property in a successive take-down, if market opportunities so allow.
- Details of Transaction: The sale price for the subject property will be \$2.25 per square foot of net developable area, which is defined to exclude non-buildable areas subject to easements for roadways, a sewer line, and a gas line. The total net developable area for the 158.881 gross acres is estimated at 143.095 net developable acres, reflecting a total price of \$14,024,750 for the property (before needed expenditures for utility infrastructure, and relocation of a gas line, and removal of Ranney pipes impacting development of the property). Opus will have a 120-day Due Diligence Period to investigate the property, including its environmental and physical condition, the City of Rosemount processes for infrastructure improvements and development approvals, and the condition of title.

In response to a question from Regent Rosha, Weinberg indicated that the University has established a partnership with the City of Rosemount and that the city supports this action.

Weinberg told the committee that both items would return for action in October.

CAPITAL BUDGET AMENDMENT: INTERCOLLEGIATE ATHLETICS TRACK AND FIELD FACILITY AND REC SPORTS FACILITIES RELOCATION - TWIN CITIES CAMPUS

Regent McMillan invited Assistant Vice President Suzanne Smith, Director of Intercollegiate Athletics Mark Coyle, and Vice Provost and Dean of Students Danita Brown Young to review the capital budget amendment regarding the Intercollegiate Athletics track and field facility and recreational sports facilities relocation, as detailed in the docket.

Smith summarized the location of the proposed track and field and the relocation of the recreational sports bubble and softball field. Coyle explained the project rationale, offering that the track and field location maximizes the shared amenities of Athletes Village and creates an integrated intercollegiate athletic experience. Brown Young reported that the student advisory board to recreational sports expressed a higher priority for quality facilities over location, but noted that the new location has greater access to parking and transit, including the Stadium Village light rail stop. Smith outlined the project description and cost estimates.

In response to questions from Regent Johnson, Smith stated that there is parking directly to the west of the new recreational sports location. While a small amount of parking is located next to the proposed track and field location, the Fourth Street Ramp and other surface lots are nearby. Coyle noted that most Gopher Athletics staff park in the Fourth Street Ramp.

Regent Devine expressed his support for the role of recreational sports in the student experience and his concern that the facilities were relocated once already during his tenure on the Board. He suggested finding a more permanent home for the facilities given the potential future uses for the proposed site.

In response to a question from Regent Roshia, Coyle explained that using debt to fund the track and field is the fallback position, but the goal is fundraising the full cost. He indicated that Gopher Athletics would be aggressive in raising money both for the track and field and relocation of the recreational sports facilities, along with the Athletes Village.

RESOLUTION RELATED TO DEMOLITION OF THE ELECTRIC STEEL ELEVATOR PROPERTY

Regent McMillan invited Assistant Vice President Suzanne Smith and Director of Planning Monique MacKenzie to review the resolution related to demolition of the electric steel elevator property, as detailed in the docket.

Smith described the location of the property. MacKenzie identified the characteristics of the property and the electric steel elevators. She noted the purpose of the design and the lack of improvements made to the elevators.

MacKenzie outlined the timeline and analysis of the property. She reminded the committee that the Board approved the acquisition in June 2015 and that the purchase included demolition by the prior owner. She reported that the prior owner was unable to demolish the elevators due to historic concerns expressed by the City of Minneapolis. The University revised the purchase agreement and acquired the land with the elevators intact. MacKenzie summarized University engagement with the State Historic Preservation Office (SHPO) and the creation of the historic property record, noting stakeholder involvement meetings and the execution of an adaptive reuse study. She explained that the adaptive reuse study identified no alternatives for the elevators that are consistent with the University's needs, mission, or operational model. She added that in addition to the reuse study, the University spent \$15,000 to upgrade security around the structure given the safety hazard it poses to urban explorers. The administration recommends demolishing the electric steel elevators.

MacKenzie described mitigation measures to preserve unique historic items within the structure. The University has compiled archival documentation and oral histories from former workers to include in the SHPO-required historic property record. MacKenzie described how the University worked with the Mill City Museum to identify historic artifacts for salvage and donation, with items like a grain paddle and grain scale identified for salvage and donation to the museum for future display.

Regent Lucas offered that the oral histories and donation of historic artifacts were something to be proud of, but shared her regret that the Prospect Park neighborhood felt bypassed in the decision process. She wondered if these elevators are unique and if one or two silos could be kept on site as a sculpture, like the Mill City Museum. Smith responded that she believed these elevators are among the last of this type. She explained that the full site needs to be used for the sports field, making it difficult to retain any portion of the elevators, but agreed to review its potential. Lucas stated her belief that the University owes it to the Prospect Park neighborhood to consider that option.

Regent Rosha emphasized the competing values that make this type of decision challenging. He offered his appreciation for the presentation that highlighted the value that is not being selected given the recommendation and the significance of the historic site.

In response to questions from Student Representative Dice, Smith noted that with the exception of the materials donated to the Mill City Museum, the remaining metal would be salvaged by the demolition firm and its scrap value used to reduce demolition costs. She reported that dust and construction mitigation techniques would be used to limit the impact on nearby buildings. MacKenzie noted little need for lead or asbestos mitigation.

CAPITAL BUDGET AMENDMENT: PIONEER HALL RENOVATION AND CONSOLIDATED SUPERBLOCK DINING FACILITY - TWIN CITIES CAMPUS

Regent McMillan invited Interim Vice President Berthelsen, Assistant Vice President Suzanne Smith, and Director of Housing and Residential Life Laurie McLaughlin to present for action the capital budget amendment for the Pioneer Hall renovation and consolidated Superblock dining facility, as detailed in the docket.

Berthelsen defined the project's goals. He outlined the planning process for Pioneer, noting that the first major project evaluation started in 2009. He reviewed the project rationale and how that rationale seeks to address the Twin Cities campus enrollment strategy adopted by the Board. Berthelsen described how the use of existing residence halls, the expansion of apartment capacity through master leasing, the examination of potential acquisitions of facilities near campus, and planning for future residence halls along the riverfront would meet the enrollment targets. He detailed Pioneer's existing deficiencies and the significant investment required to address them.

Smith summarized the renovation options. She reminded the committee that the administration had recommended the maintain character and capacity option in July. She stated that the administration now recommends the maintain character and capacity plus option, which increases capacity by 60 beds. She summarized the differences between the two options.

McLaughlin stated that students displaced by a Pioneer renovation would be housed in Wilkins Hall. She noted that adding more beds per room would expand Wilkins Hall capacity. The same option is available in Yudof Hall, if needed. McLaughlin explained that the master leases approved by the Board would yield sufficient capacity to meet housing targets, but that opportunities would be limited for third- and fourth-year students to live in University-managed housing during the renovation.

In response to questions from Regent Rosha, McLaughlin stated that Wilkins has 142 beds but could be expanded to 212. She explained that for the two years Pioneer would be closed, approximately 150 to 250 beds would be needed to house first-year students beyond current capacity of the other residence halls. If enrollment is static, McLaughlin indicated that all first-year students would be accommodated within residence halls. She offered that residence halls would be reserved for first-year students with the exception of living and learning communities for second-year students like the honors program in Middlebrook Hall.

Rosha wondered about the additional per-bed cost in the recommended option. Berthelsen responded that the additional cost per bed was approximately \$91,666. Rosha noted the lower marginal cost per bed and wondered if it was possible to increase the total bed count beyond 60. Smith responded that additional beds could be added but that it would change the exterior look of the building.

In response to a question from McMillan, McLaughlin noted that the University has until September 13 to give notice to University Village if the University wishes to exercise the right to extend the master lease for two years. She added that the University would have the ability to negotiate beyond a two-year extension.

Regent Devine commented that the committee has spent nearly 20 months on housing and now has an enrollment plan that guides the discussion. He noted that during his tenure on the Board, the University has spent \$100 million to upgrade housing and respond to the Board's priority to enhance the student experience. Devine explained that his decision on Pioneer came down to investing an additional \$100 million to keep the same number of beds. He emphasized his concern that the cost of attendance remains reasonable. He advocated renovating Pioneer up to the level of the other Superblock residence halls and then building a new residence hall that would expand capacity.

Berthelsen responded that the option to extend useful life was not fully designed and does not have a full project cost. He explained that the extend useful life option would replace current structures with the same structures and not address ADA compliance, code issues, or student experience items, and would fail to add lounges or additional bathrooms. He summarized the option as being more functional, but with the same concerns as the current structure. Berthelsen stated that the recommended option would create a 17th Avenue-type experience for Pioneer and the consolidated dining facility.

Regent Anderson commented that student experience is the overriding factor in evaluating this proposal. He expressed concern at the high cost. He noted student surveys showing that Pioneer has a lower satisfaction rate and lower retention rate of second-year students who return to University housing. Anderson offered that most of the students who live in Pioneer did not choose to live there, but were assigned there.

Rosha commented that he is thrilled with the increase in residential housing and that the University is providing a better overall product than it has in the past. He noted that the University has given an artificial value to students by keeping housing costs low by providing a low quality product. He questioned the teardown estimate, stating that it is problematic. Rosha expressed his belief that additional time is available to make this decision. He stated that without a plan for a new residence hall, it is difficult to evaluate the bridging options presented for Pioneer. He reiterated the priority to increase the number of students living in residence halls, but noted that this option does not significantly add capacity. Rosha added that this renovation will displace students and limit second-year access to residence halls without having a new residence hall built first that could keep capacity stable and add capacity upon completion. He emphasized that he could not support removing internal access to dining from the north Superblock residence halls and wondered why a 17th Avenue dining experience could not be constructed in both Centennial and Pioneer to preserve that access.

A motion was made and seconded to recommend approval of the capital budget amendment for the Pioneer Hall renovation and consolidated Superblock dining facility.

On recommendation of the President and the Interim Vice President for University Services, the FY 2017 Capital Budget is amended to include the following project:

- Pioneer Hall renovation and consolidated Superblock dining facility - Twin Cities campus
- Scope of Project: The Pioneer Hall renovation will retain the character-defining features of the existing building, while strategically expanding the building footprint to 241,000 gross square feet to accommodate a comparable number of beds in the existing Pioneer Hall. The renovated facility includes approximately 756 beds and an 850 seat consolidated dining facility that will more effectively and efficiently serve all students living in the Superblock.
- Master Plan: The project is in compliance with the Twin Cities Campus Master Plan dated March 2009.
- Cost Estimate: \$104,500,000
- Capital Funding: University long-term debt

Rosha requested a roll call vote. McMillan ordered the roll be taken on the motion and the vote was as follows:

Regent Anderson	Yes
Regent Devine	No
Regent Johnson	Yes
Regent Lucas	Yes
Regent Rosha	No
Regent McMillan	Yes

The committee approved the motion on a vote of four to two.

INFORMATION ITEMS

Interim Vice President Berthelsen referred the committee to the information items in the docket:

- FY 2016 Report on Real Estate Transactions Over \$1,250,000 and/or Over 10 Acres
- Request by Minnesota United to use TCF Bank Stadium for Major League Soccer
- Update on UMore Park Physical Hazards Mitigation

The meeting adjourned at 11:53 a.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Faculty & Staff Affairs Committee
September 8, 2016**

A meeting of the Faculty & Staff Affairs Committee of the Board of Regents was held on Thursday, September 8, 2016 at 9:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black and Stephen Lehmkuhle; Vice President Kathryn Brown; Interim Vice President Bernard Gulachek; and Executive Director Brian Steeves.

Student Representatives present: Lauren Anderson and Lauren Mitchell.

2016-17 COMMITTEE WORK PLAN

Regent Simmons and Vice President Brown reviewed the 2016-17 work plan for the Faculty & Staff Affairs Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

COMPENSATION PLANNING: PHILOSOPHY AND PRACTICE

Regent Simmons invited Vice President Brown along with Kenneth Horstman, Senior Director, Total Compensation, and Mary Rohman Kuhl, Director of Compensation, to discuss the philosophy and practice of compensation planning, as detailed in the docket.

Brown explained that with completion of the job family study, OHR can now utilize market comparison data in compensation planning. She highlighted relevant aspects of Board of Regents Policy: *Employee Compensation and Recognition*. Horstman shared that although salary and fringe account for 61 percent of the University's non-sponsored spending, any long-term strategy on compensation should view it as an investment in quality.

Rohman Kuhl reviewed the budget-based compensation model and explained the move to a model that is responsive to the market. She noted that the job family study and market research comparisons are critical components to a more competitive, market-responsive compensation model. She explained that salary is only part of the University's employee value proposition.

In response to a question from Regent Hsu, Brown explained that the 19 job families include Civil Service and Professional and Administrative (P&A) employee groups. She explained that faculty, graduate assistants, and labor-represented employees are not included in those job families. Brown clarified that of approximately 26,000 total employees, about 10,000-11,000 are Civil Service or P&A.

In response to comments from Hsu, Rohman Kuhl explained that employee performance is also an important measure in compensation. She noted that OHR has piloted a compensation model that outlines criteria for low-, mid-, and high-level performers and rewards them appropriately.

In response to a question from Regent Brod, Horstman offered that with 26 percent of the University's staff under the age of 35, strategies must shift to messaging the value of benefits for current and prospective employees in order to remain competitive.

In response to a question from Regent Simmons, Brown conveyed that the Affordable Care Act has made health care benefits more costly and therefore the historical rationale that the University offers more robust benefits and somewhat lower salaries is no longer valid. She stated that the University continues to offer better-than-average health insurance but is shifting to offer a more competitive salary.

Regent Beeson commented that Board of Regents Policy: *Employee Compensation and Recognition* should be better aligned with the strategic plan and should include emphasis on excellence and merit-based pay. Simmons suggested the committee review the policy. Beeson expressed his satisfaction with the results of the job family study, specifically the differentiation in compensation ranges. He noted that each family now has different market comparisons.

Regent Omari expressed his concern with measures for merit-based increases, noting that some of the most important work is difficult to measure even though it may lead to student satisfaction and retention. He cited the work of staff in Student Unions and Activities as an example. Simmons added that with merit-based pay, measurements must be clear and decisions justifiable. Hortsman responded that the move to merit-based compensation comes as a culture shift for managers at the University and that the needed training is significant. He added that while significant training is available, it also takes time and effort from managers to have a successful merit-based compensation program.

Student Representative Mitchell echoed Regent Omari's comments, adding that faculty members of color are often doing work that is difficult to measure.

UPDATE ON EMPLOYEE ENGAGEMENT

Regent Simmons invited Vice President Kathryn Brown and Brandon Sullivan, Director, Leadership and Talent Development, to deliver an update on employee engagement, as detailed in the docket.

Sullivan noted that employee participation in the annual engagement survey is a Gold Measure on the University Progress Card because employee engagement is critical for the University to have productive, innovative, and effective employees. He defined engagement as commitment and motivation to deliver quality work for the benefit of the institution. Sullivan added that scores have been improving in those colleges and units that have taken action as a result of their engagement survey results.

Sullivan shared that three recent panel discussions were held featuring University leaders who have used their survey results to improve engagement in their units. He noted that over 450 employees attended those sessions, and that a similar series will be offered in the coming year. Sullivan added that OHR is finalizing plans for the 2017-18 survey.

In response to a question from Regent Beeson, Sullivan stated that deans receive the survey data for their entire college, as do administrative vice presidents for their units. The President and Provost also see results. He explained that linking the engagement survey results to individual performance is not encouraged because it may lead to undesirable management practices. Brown added that the engagement survey is a developmental tool, not an evaluative one, and that other evaluation tools such as the 360 review and regular performance evaluations are more effective.

Regent Cohen commented that measuring the number of employees who take the survey is merely the beginning. She suggested the committee think about changing the progress card to include a measure of action taken to increase employee engagement. In response to a question from Cohen, Sullivan noted that at the recent workshops, leaders shared that employee feedback consistently includes a desire for more regular performance feedback and discussions about development. He added that those units have put in place more formal processes for both. Regent Hsu commented that he attended one of the workshops and offered that one panelist shared that their unit was planning to organize its efforts around the advancement of the progress card measures.

In response to comments from Regent Simmons, Sullivan reminded the committee that the University's participation rates are high compared to similar institutions. He added that the goal of 71 percent participation would nearly guarantee that each unit has a majority of its employees responding, which increases the validity of the data.

In response to a question from Regent Omari, Sullivan explained that to ensure validity of results and mitigate the risk of supervisor retaliation, a unit only receives its results when it has 10 or more employees.

In response to a question from Regent Brod, Sullivan noted that retention is one of the key reasons the University is focused on employee engagement; research shows that top talent will leave an institution if they feel disengaged. He shared that in the next couple years, the University will have enough data to determine if disengaged employees leave the University or become champions of engagement here.

CONSENT REPORT

Vice President Brown invited President Kaler to join her in presenting for review and action the Consent Report, which included the following items:

- Appointment of Douglas Peterson as general counsel.
- Conferral of tenure for three outside hires.

President Kaler presented for approval the appointment of Douglas Peterson as general counsel. Brown walked through the other items. A motion was made and seconded and the committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

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

The meeting adjourned at 11:27 a.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents Work Session:
FY 2018 Budget Assumptions**

September 8, 2016

A work session of the Board of Regents of the University of Minnesota was held on Thursday, September 8, 2016 at 1:15 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black, Stephen Lehmkuhle, and Fred Wood; Executive Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathryn Brown; Interim Vice Presidents Bernard Gulachek and Michael Volna; Executive Director Brian Steeves; and Associate Vice Presidents Gail Klatt, Stuart Mason, and Julie Tonneson.

Student Representatives present: Lauren Mitchell.

Chair Johnson invited President Kaler and Associate Vice President Tonneson to lead the Board in a discussion of FY 2018 operating budget assumptions, as detailed in the docket.

Kaler reminded the Board that an annual work session addressing priorities for the operating budget began last year. He commented that the addition of the work session provided increased transparency and helped facilitate Board consideration of the operating budget in the spring.

Tonneson proposed questions for the discussion and reviewed the budget development process. She noted the timeline for the biennial budget request, highlighting how the biennial request impacts the annual operating budget.

Kaler described his proposed FY 2018-19 biennial request. He offered three main areas for consideration and defined each:

- Investing in student success - \$8.5 million for FY18 and \$5 million for FY19
- MnDRIVE - \$8.5 million for FY18 and \$15 million for FY19
- Core mission support - \$22.6 million for FY18 and \$23 million for FY19

Kaler indicated that the proposed request also includes health training funding restoration and additional funding for Bell Museum operations. He explained that the three main initiatives for the biennium come to a total of \$122.2 million, or a 9.8 percent change from the current base appropriation. With health training and the Bell Museum, the increase totals \$143.2 million, or an 11.4 percent change from the current base appropriation. Kaler added that the University's increase to the base appropriation over the past eight biennia had averaged 9.8 percent. Given that data, he emphasized that this request was not unrealistic.

Tonneson outlined the timeline for development of the annual operating budget. She defined non-sponsored revenue by source and summarized the annual percent change in revenues and expenditures for all funds. She reminded the Board of the budget development process and the components of the budget framework. She noted the resource drivers for the University,

offering that funding from the state for FY 2017 remains below the pre-great recession peak in FY 2008, both adjusted and unadjusted for inflation. Tonneson summarized reallocations since FY 2012. She noted that the proposed budget assumption brings the total reductions in administrative costs to \$72.5 million, leaving \$17.5 million of the planned \$90 million to be implemented in the final two years.

Tonneson described trends in total tuition revenue from 2001 to 2017. She highlighted efforts to flatten the tuition cost curve from FY 2012 to FY 2017 by holding the average annual growth to \$19 million. She presented a breakdown of FY 2017 tuition revenue by campus. She noted that resident undergraduate tuition places the University in the middle of the Big Ten and non-resident, non-reciprocity (NRNR) tuition rates moved the University from last place to second to last place. She described the NRNR tuition trend since 2012 and reported on fall 2016 NRNR enrollment. She explained that NRNR enrollment is stable but pointed to a decrease in yield rates.

Tonneson compared FY 2017 annual merit increases for salary and benefits with local and education industry peers. She reminded the Board that fringe pool costs would bounce back in FY 2018 after being held down due to legal settlement proceeds in FY 2015. She noted the new Department of Labor regulations that increased the threshold for exempt staff, resulting in an estimated cost of \$5 million. She detailed the debt impact in the FY 2018 budget framework and defined the strategic choices faced by the Board and the budget levers available to them to balance the budget.

Regent Simmons wondered if policy around benefits and compensation creates challenges or requires revision. Tonneson responded that current policy provides useful guidance. Kaler noted that policy calls for competitive compensation and that the University competes with international and national markets for some positions, and a strong local market in other areas.

In response to a question from Regent Beeson, Kaler indicated that the original projects funded by MnDRIVE would continue and that the new request includes funds to start additional lines of research. He stressed that Vice President Herman tracks these funds closely and if the research proves unviable, money can be pulled back.

Regent McMillan observed that some of the new initiatives for MnDRIVE build on previous initiatives. Kaler agreed and noted that the water initiative was first focused on bioremediation while the new water initiative will focus more on agricultural use and mechanical and chemical ways to treat water.

In response to a question from Regent Devine about efforts to recruit students around the system, Tonneson explained that funds were set aside for each campus to target and set priorities for recruitment and retention. That program was started last year. Additional funding was added this year, with a focus on academic advising and programing to help retain students. Tonneson stressed that this funding is different from dollars spent to increase recruitment of NRNR students to the Twin Cities campus.

Simmons wondered how projects were selected for MnDRIVE given the many competing research priorities. Kaler responded that it is a challenge. He described how the administration takes input from the deans, provost, vice president for research, and faculty on potential areas. He described how the grand challenges have driven the focus on eliminating disparities. Kaler noted that Governor Dayton and legislators have expressed an interest in increased cancer care statewide. He reported that the University has strength in the area of big data and, with additional funding, it could be an area for the University to lead nationally.

Regent Rosha emphasized the need to complete a system-wide strategic plan in a timely manner. He expressed his belief that the University has a crisis of cost, not of quality, noting the continued creep of cost in higher education. He asked about how the University could

control the number of employees as a method to control costs. Rosha stressed that the state could be helpful in funding the academic health component of the University, which could result in significant savings to the University. He emphasized the need to continue to partner with the state on programs like MnDRIVE while seeking other areas to expand that relationship. Rosha noted that by building the relationship with the state, it would help the University in making budget requests that could reduce the cost to students.

Kaler commented that an NRNR tuition increase of 7.5 percent yielded a slight reduction in students, but netted roughly \$1.2 million in increased revenue. He recommended that the Board engage in further discussion of this strategy since there appears to be capacity for additional increases.

In response to a question from Student Representative Mitchell, Tonneson explained that the budget process is distributed across units, with priorities set at a local level. She recommended that students can have the greatest impact at the local level and can work to ensure that the unit understands student priorities.

Regent Hsu asked if the current model assumes an increase in enrollment based on the Board adopted enrollment strategy. Tonneson reported that the current model does not assume an increase in enrollment, but noted that a one percent increase in undergraduate enrollment would produce \$5.5 million in tuition revenue and a one percent increase in graduate or professional enrollment would produce \$3.2 million in tuition revenue.

Hsu explained that he examined the NRNR data and offered that 83 percent of those students did not submit a FAFSA form or had family income over \$110,000. He theorized that if the Board were to increase the NRNR tuition rate while discounting the rate for the remaining 17 percent, the rate could be increased to move the University to the midpoint of the Big Ten faster.

Simmons commented that additional data are needed to make a good decision regarding NRNR tuition rates. She emphasized the need for data that include not just revenue, but also student outcomes and whether graduates stay in Minnesota. She added that having that type of data could lead to a different decision.

Regent Anderson expressed his desire to continue the Operational Excellence (OpEx) initiative. He stated his belief that the University should charge residents as little as possible and create demand through quality.

Regent Brod agreed with the need to continue OpEx, but cautioned that those reductions cannot be at the expense of oversight and compliance. She offered that administrative optimization is needed more than reduction, to ensure a higher return on the resources being spent on administrative tasks. Kaler responded that \$90 million is a significant amount of money and that certain administrative tasks must be completed. He noted that mission support activities need adequate support, offering academic advising as an example. He agreed that more must be done to optimize administrative tasks. Brod wondered how the University's relationship with the state could help increase repair and replacement funding, seeking to find a larger resource pool.

In response to a question from Regent McMillan, Kaler agreed that a review of total compensation is timely as the University's workforce experiences a generational shift that requires the institution to be responsive and competitive with compensation and benefits.

Hsu expressed his desire that Gopher Athletics be able to contribute financially to the academic mission in the way that other Big Ten athletics departments do. Kaler responded that roughly a dozen athletic departments in the NCAA contribute funding to the academic mission of their institutions. He stated his expectation that Gopher Athletics should be able to do so with new media revenue. Kaler explained that there would always be funding to Athletics from

central administration, including the historic O&M allocation for Title IX, but emphasized that it is his goal to have a net positive flow of revenue from Gopher Athletics to central administration. Devine cautioned that the institutions in the Big Ten that return revenue have significantly larger revenue sources from stadiums and ticket fees and that it might not be a fair comparison.

The meeting adjourned at 2:28 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Academic & Student Affairs Committee
September 8, 2016**

A meeting of the Academic & Student Affairs Committee of the Board of Regents was held on Thursday, September 8, 2016 at 3:00 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellor Stephen Lehmkuhle; Executive Vice President and Provost Karen Hanson; Vice President Brian Herman; Associate Vice Presidents Gail Klatt and Frances Lawrenz; and Executive Director Brian Steeves.

Student Representatives present: Phillip Guebert and Mina Kian.

2016-17 COMMITTEE WORK PLAN

Regent Cohen and Provost Hanson reviewed the 2016-17 work plan for the Academic & Student Affairs Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

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

Regent Cohen invited Provost Hanson; Barbara Keinath, Vice Chancellor for Academic and Student Affairs, UMC; and Deborah Dillon, Associate Dean, College of Education and Human Development, to provide a summary of 2015-16 academic program changes and share examples of the process by which faculty and units develop proposals for new academic programs, as detailed in the docket.

Hanson outlined the review process academic program changes undergo prior to a recommendation to the Board. She emphasized that the process is highly consultative and engages participants at all levels. Hanson reported that over the last year, four baccalaureate degrees, four post-baccalaureate degrees, one joint degree program, five certificate programs, and eight minors were added. She noted that the number of degree programs remains relatively constant with additions and discontinuations each year.

Keinath highlighted two examples of new programs from the Crookston campus, both closely tied to the mission to deliver programs that are applied and career-focused. She explained that the addition of the baccalaureate English degree was fiercely contested on campus as contrary to that mission, but that it was designed to fit the mission and equip students with the writing skills that are highly valued by employers. Keinath described that a baccalaureate degree in agricultural education was developed in response to a high need for agriculture teachers in the state. She noted that there were no concerns from the campus community about the mission fit of the agriculture education program.

Dillon shared that new programs in the College of Education and Human Development (CEHD) are often developed in response to community need, and that the review process is rigorous. She shared three examples, including the school psychology post-baccalaureate that has been approved by the American Psychological Association. Dillon also noted that the Master of Social Work program recently underwent a two-year review to develop an innovative curriculum that would not only prepare students for licensure, but also for work in a wide variety of diverse settings. She offered a summary of the Minneapolis Residency Program, highlighting the partnership the University has with Minneapolis Public Schools to identify candidates, train, and employ educators through a 30-credit post-baccalaureate teacher license.

In response to a comment from Regent Lucas, Dillon noted that closing the achievement gap is a priority for CEHD, which is engaged through research and partnerships with the community. She noted that CEHD Professor Michael Rodriguez serves as special assistant to President Kaler on the achievement gap.

In response to a question from Regent Simmons, Keinath noted that Crookston offers almost exclusively bachelor of science degrees in keeping with its mission. Hanson added that bachelor of science degrees often have more required coursework in the major, while bachelor of arts degrees have fewer required courses, offering a greater breadth of knowledge in all disciplines.

In response to questions from Regent Anderson, Keinath explained that the University declined special legislative funding for agriculture education programs in order to retain autonomy in governance. Keinath noted that the Crookston campus collaborates with Extension and the Crookston Research and Outreach Center for teaching, internships, and guest lectures.

Regent Anderson and Student Representative Guebert commented about the evolution of minors over time. Hanson offered that minors traditionally round out coursework, but that role may be changing as students seek minors that are more related to their career path.

In response to a question from Regent Lucas, Dillon specified that students in the year-long Minneapolis Residency Program receive a stipend from Minneapolis Public Schools for co-teaching in the classroom and that CEHD was able to partner with a foundation that paid the program fee for all students in the program.

DEVELOPING AND PREPARING STUDENTS THROUGH A LIBERAL EDUCATION

Regent Cohen invited Provost Hanson; John Coleman, Dean, College of Liberal Arts; and Kenneth Leopold, Chair, Council on Liberal Education and Professor, College of Science and Engineering, to discuss the value of a liberal education, as detailed in the docket.

Hanson explained that the value of liberal education, as well as higher education in general, is contested widely and frequently. She noted that skepticism emerges when degrees do not have obvious or direct career paths, adding that there is a difference between training and education. Hanson concluded that the products of liberal education prepare students for the jobs of tomorrow.

Leopold described that liberal education enriches students by going beyond their field of study to the full breadth of inquiry. He noted that through a liberal education curriculum, students seek to know the “how” and “why” as opposed to the “what.” He stressed that students learn different ways to approach problems in addition to becoming practitioners in their own fields, and that leads to students becoming sophisticated citizens.

Coleman noted that in addition to liberal education, the value of a liberal arts degree is often scrutinized. He shared that although liberal arts degrees are not always tied to a specific job title or career path, return on investment is high. He emphasized that skills most sought by employers – critical thinking, problem solving, and effective communication – are core to education in the liberal arts.

In response to a comment from Regent Lucas, Coleman agreed that students are interested in expanding their knowledge and taking courses in fields of study outside of their own. He noted that around the world, institutions of higher education are moving to liberal education models and away from vocational training.

Student Representative Guebert inquired about the upcoming evaluation of, and possible changes to, the University’s liberal education requirements. Provost Hanson explained that it is not in response to a perceived weakness, but rather because time warrants a review since the liberal education requirements were instituted 10 years ago. Coleman added that changes to the process for qualifying a course are more often called into question, rather than the requirements themselves.

In response to a question from Regent Johnson, Coleman assured the committee that the College of Liberal Arts is transparent in defining the liberal arts and liberal education to prospective students and again to first-year students during orientation. Leopold noted that in the review of courses to fulfill liberal education requirements, the course syllabus must clearly outline how the course fits that requirement.

Regent Cohen inquired about the specifics of the liberal education requirements. Leopold explained that students must take one course in each “core” area and one course in each “theme” area; when added together, they must equal more than 30 credits. He noted that some courses fulfill both a “core” and a “theme” requirement, and students generally have crossover with major courses.

BOARD OF REGENTS POLICY: *ANIMAL CARE AND USE*

Regent Cohen asked Frances Lawrenz, Director, Institutional Animal Care and Use Committee, and Ben Clark, Assistant Director, Institutional Animal Care and Use Committee, to present proposed amendments to Board of Regents Policy: *Animal Care and Use* for review and action, as detailed in the docket.

Lawrenz explained that the amendment includes a definition of service and display animals, noting that policies and oversight for those animals differ from those for research animals.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of the proposed amendment to Board of Regents Policy: *Animal Care and Use*.

CONSENT REPORT

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

- **Request for Approval of New Academic Programs**
 - College of Liberal Arts (Twin Cities campus)—Create a B.A. degree in Ojibwe Language
 - Medical School (Twin Cities campus)—Create fellowship in Brain Injury Medicine
 - Medical School (Twin Cities campus)—Create fellowship in Family Planning

- **Request for Changes to Academic Programs**

- Crookston campus—Deliver the B.S. degrees in Early Childhood Education and Elementary Education at White Earth Tribal Community College
- College of Liberal Arts (Twin Cities campus)—Create sub-plan in Arabic within the B.A. degree in Asian Languages and Literatures
- College of Liberal Arts (Twin Cities campus)—Create sub-plan in Religions of Antiquity and discontinue sub-plans in Latin and Greek within the Ph.D. degree in Classical and Near Eastern Studies
- School of Public Health (Twin Cities campus)—Discontinue sub-plan for the partnership with Arizona State University within the Public Health Nutrition M.P.H. degree

- **Request for Approval of Discontinued Academic Programs**

- College of Education and Human Development (Twin Cities campus)—Discontinue the M.Ed. degree in Business and Industry Education
- College of Science and Engineering (Twin Cities campus)—Discontinue the B.S. degree in Statistics
- Medical School (Twin Cities campus)—Discontinue the M.S. degree and graduate minor in Experimental Surgery
- Medical School (Twin Cities campus)—Discontinue the M.S. and Ph.D. degrees in Surgery
- School of Nursing (Twin Cities campus)—Discontinue the M.S. degree in Nursing

The meeting adjourned at 4:47 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance Committee
September 8, 2016**

A meeting of the Finance Committee of the Board of Regents was held on Thursday, September 8, 2016 at 3:00 p.m. in the West Committee Room, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellors Lendley Black and Fred Wood; Vice President Katrice Albert; Interim Vice Presidents Michael Berthelsen, Bernard Gulachek, and Michael Volna; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason and Julie Tonneson.

Student Representatives present: Mike Kenyanya and Tareyn Stomberg.

2016-17 COMMITTEE WORK PLAN

Regent Beeson and Interim Vice President Volna reviewed the 2016-17 work plan for the Finance Committee, as detailed in the docket. Regents discussed the proposed topics and by consensus agreed to the work plan.

ANNUAL ASSET MANAGEMENT REPORT

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

Mason reported that the invested assets of the University totaled approximately \$2.56 billion on June 30, 2016. The Consolidated Endowment Fund (CEF) value as of June 30, 2016, was \$1,258 million, a decrease of \$35.6 million over last year after quarterly distributions of \$52.1 million. The total investment return for CEF was up 0.3 percent over the last 12 months, compared to a benchmark return of 0.7 percent. Mason offered that the benchmarks currently in place are aggressive, adding that early estimates showed many of the University's peers with negative returns for the year.

Andrew Parks, director and portfolio manager with the Office of Investments and Banking (OIB), explained that the investment return for CEF and the slight underperformance compared to the benchmark was driven by public equity investments and underperformance by riskier fixed-income managers. He reminded the committee that stable distributions are a key policy objective for CEF.

Mason discussed the Temporary Investment Pool, Group Income Pool, and Regents of the University of Minnesota Insurance Company (RUMINCO) fund performance. He outlined investment manager changes, and steps being taken to invest with targeted investment managers and the consideration of social responsibility when making investment decisions.

In response to a question from Regent McMillan, Mason explained that the Investment Advisory Committee sets the benchmarks against which OIB is evaluated. He described how the benchmarks used to be more simplistic, but have moved to a complex matrix that has set aggressive goals for OIB to achieve.

In response to a question from Regent Hsu, Mason explained that OIB considers a variety of social concerns when looking at potential investments and weighs those concerns against the need to grow the endowment to provide additional academic support to students and units. He reminded the committee that the student group that was active a year and half ago advocated for the University to divest from oil, coal, and other fossil fuels. Mason noted that in response, the University made a \$50 million investment into a low-carbon fund that reduces exposure to public companies with high carbon emissions. Mason suggested that while it is not a perfect solution, it marked a significant move for the University, and that other social concerns are addressed on a case-by-case basis.

Regent Devine wondered how OIB has been able to achieve constant performance in private capital. Mason responded that more than half the time spent by OIB in this area is dedicated to identifying potential managers and performing due diligence on those managers. He described how OIB seeks managers in small-market private equity, while continuing to focus on the venture portfolio.

Student Representative Kenya asked why OIB had moved from more illiquid investments to a larger portion of liquid funds. Mason commented that the move was based on experience from the great recession, during which time the University was overweight in illiquid private funds as compared to the benchmark. He noted that this made it difficult for the University to be responsive to the recession. He added that in response to that experience, the University has moved back within the benchmark range.

BOARD OF REGENTS POLICY: INVESTMENT OF RESERVES

Regent Beeson invited Associate Vice President Mason to present proposed amendments to Board of Regents Policy: *Investment of Reserves*, as detailed in the docket.

Mason explained that the current policy limits the Office of Investments and Banking (OIB) from investing University reserves in illiquid investments. The proposed amendments would allow OIB to make limited illiquid investments managed by external investment managers. These investments would follow guidelines already in policy.

Mason indicated that OIB has already identified a manager, Golub, and a fund that invests in high-grade loans that have resulted in a 15-year average return of 10 to 11 percent. He added that the University already has well-performing investments with Golub.

Interim Vice President Volna reported that the University has a significant amount of liquidity and that the proposed amendments would allow the administration to invest a portion of those assets and receive a higher return. He explained that some of the returns could be used to finance a portion of the upcoming network upgrade. Volna indicated that the administration could think more broadly about how to use those returns in the future.

In response to a question from Regent McMillan, Mason explained that the current cap of 30 percent for this type of investment required by Board policy puts a limit on the amount of money that can be invested. He noted that of the 30 percent, roughly 12 percent is already invested. He expressed that there is not a desire to change that percentage.

Regent Hsu asked how the proceeds would move through the University. Mason responded that the proceeds would be budgeted through central reserves. He stressed that any future use of proceeds would come for approval through the annual operating budget or as an amendment to the central reserves budget.

In response to a question from Beeson, Mason stated that the loans being made by Golub are investment-grade, senior-secured loans to smaller corporations. He added that banks are not lending in this area, which offers a very low default rate with consistent returns.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of the proposed amendments to Board of Regents Policy: *Investment of Reserves*.

**FINANCIAL COMPONENTS OF THE PRESIDENT'S
RECOMMENDED FY 2018-19 BIENNIAL BUDGET REQUEST**

Interim Vice President Volna and Associate Vice President Tonneson presented for review the financial components of the President's recommended FY 2018-19 biennial budget request, as detailed in the docket.

Tonneson reviewed state appropriations to the University in FY 2016-17, including operations and maintenance funding and special appropriations. Using these numbers, Tonneson explained how the state would calculate the beginning base for funding in FY 2018-19. She also reviewed the timeline for the biennial budget request.

Tonneson outlined the goals of the biennial budget request as:

- Student success.
- MnDRIVE.
- Core mission.
- Health training restoration.
- Bell Museum funding.

The total request for all five programs for the biennium is \$143.2 million, a change from base of 11.4 percent. Tonneson stated that this is a healthy request and put it in context with past state appropriations since 2008.

In response to a question from Regent Hsu, Tonneson explained that the state appropriation for the increased debt service for the Bell Museum is held centrally. She indicated that this request is for additional operating funding given the large building and additional programs the new facility will house. Tonneson noted that the additional funding would flow directly to the College of Food, Agricultural, and Natural Resource Sciences (CFANS) to cover those operating costs. She added that the University already receives a small amount of funding from the state for the Bell Museum, but characterized that funding as under \$1 million. Hsu asked if the funding in both years of the biennium is needed. Tonneson responded that the request includes \$2 million in the first year and an additional \$3 million in the second, to increase recurring funding by \$5 million per year moving forward.

Regent Devine added that there is willingness from the Minnesota Legislature to add funding for the Bell Museum. He expressed hope that the University would be aggressive in seeking the additional funds.

**FINANCIAL COMPONENTS OF THE PRESIDENT'S RECOMMENDED
2016 SIX-YEAR CAPITAL PLAN AND 2017 STATE CAPITAL REQUEST**

Interim Vice President Volna presented for review the financial components of the President's Recommended 2016 Six-Year Capital Plan (Plan) and 2017 state capital request, as detailed in the docket.

Volna explained that the Plan includes major capital improvements planned for fiscal years 2017-2022. Year 1 of the Plan (2017) outlines the projects that the University will be submitting to the State of Minnesota for consideration during the 2017 legislative session. The 2017 state capital request totals \$317.6 million in project costs, with the State of Minnesota contributing \$245 million and the University responsible for \$72.5 million. He reminded the committee that with no bonding bill passed last session, the University's request is nearly identical to the one approved by the Board last year, noting slight changes to project costs and the addition of the

Collections and Contemporary Learning project for the Twin Cities campus. He added that the Plan totals \$1.6 billion.

Volna outlined a preliminary analysis of how the University's debt capacity will be affected by the Plan. He walked through the projected debt issuances and the amount of outstanding debt by project over the course of the Plan. Volna stressed that the University pays down a significant amount of debt each year, and provided the theoretical debt capacity. He concluded by noting that the full debt capacity update would be presented in October.

Beeson asked for an update on the Athletes Village project. President Kaler responded that the total cost for Athletes Village is \$166 million. With the addition of the track and field project, that brings the project total to \$185 million. Kaler reported that roughly \$80 million has been raised and expressed his confidence that the full amount is still reachable through fundraising.

In response to a question from Regent Hsu, Kaler indicated that while there is debt capacity to add the Lineman's Building to the Athletes Village project, there has to be a source to fund the additional debt service. He offered that more work needs to be done to understand where that funding would come from, but emphasized that he understands the desire to complete it with the rest of the project. Kaler stated that the first focus is to ensure the completion of the new track and field given Title IX considerations. Interim Vice President Berthelsen reported that design and planning for the Lineman's Building are underway and that he would update the Board on when a decision must be made to take advantage of building the facility with the rest of Athletes Village.

Regent Devine asked about the skyways for Athletes Village. Berthelsen responded that they are following the same approach as they are for the Lineman's Building to determine if those will be added.

Hsu wondered how much debt capacity exists for a major project in 2021. Volna responded that given initial projections, approximately \$985 million of capacity would be available with the reduction of the Pioneer Hall project if that were approved. He again stressed that debt capacity is not only the capacity itself, but also the funding needed to cover the debt service. Hsu asked if the University could spend up to the limit. Volna responded that he would never recommend spending to the maximum and that the Board and President would need to decide how much additional capacity should be set aside to ensure funding for projects that suddenly arise. Hsu wondered about the debt capacity needed to maintain the University's credit rating. Volna offered that some of that is dependent upon the project and additional analysis would need to be done.

RESOLUTION RELATED TO SALT SPRINGS LAND FUND INCOME DISTRIBUTION

Interim Vice President Volna presented for review and action a resolution related to Salt Springs Land Fund income distribution, as detailed in the docket.

Volna explained that the Board approved a sale of Salt Springs Land in June 2016. Under previous Board action, income from Salt Springs Land sales is distributed across the system to support American Indian students. Volna stated that the resolution directs the proceeds from the June 2016 sale to be used to establish a new endowment fund directed entirely to the Morris campus, which has the highest percentage of American Indian students.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of the resolution related to Salt Springs Land Fund income distribution.

CONSENT REPORT

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

General Contingency:

- Two revisions of previous reports were offered:
 - FY 2016 Fiscal Year End: A transfer of \$150,000 to Capital Planning & Project Management for a stadium security project was made in the final period of FY16 after the July docket was prepared. This transfer, along with a slight adjustment for rounding errors, changed the FYE balance for FY 2016 from \$172,501 to \$22,500.
 - FY 2017 July: The revised report notes the change in the carry forward noted above, along with funds transferred in July after the docket deadline.

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

- To ARI for an estimated \$17,500,000 for vehicle financing and leases initiated during the contract period from October 1, 2016, to September 30, 2021, with contract extensions through September 30, 2022, for Parking and Transportation Services – Fleet Services. Financing costs will be paid by internally-generated departmental funds. Supplier was selected through a competitive process and is a replacement of the request for EMKAY that was approved by the Board of Regents in June 2016.
- To Elsevier, Inc. for an estimated \$3,454,200 for subscription to Elsevier ScienceDirect as needed for the period of January 1, 2017, through December 31, 2017, for Minitex. Minitex is a division of the University of Minnesota Libraries; it reports to the University of Minnesota Libraries and is an information and resource sharing program of the Minnesota Office of Higher Education and the University of Minnesota Libraries. Minitex, on behalf of a group of 18 libraries, will purchase this resource. Minitex pays \$300,000 and the 18 libraries pay the remaining amount, \$3,154,200. The \$300,000 allotted as payment for Elsevier ScienceDirect is included in Minitex's 2017 budget. Supplier was selected by University Libraries under authority granted by the Board of Regents Policy: *Libraries and Archives* and Board of Regents Policy: *Purchasing*.
- To Illumina, Inc. for \$8,000,000 for manufacturer reagents and instrumentation service agreements as needed for the Genomics Department core facility, the University of Minnesota Genomics Center (UMGC) for the period of September 9, 2016, through September 8, 2019. The reagents from Illumina will be purchased with departmental funds. As an ISO, the University of Minnesota Genomics Center will order reagents as needed for expression, genotyping, and next-generation sequencing projects provided to University researchers. See docket for documentation of basis for vendor selection.
- To Sciquest Inc. for an estimated \$2,441,000 to provide 6 year licensing costs for our U Market eProcurement software delivered and supported through a collaboration between Purchasing Services and U Market Services for the period October 1, 2016, through December 31, 2022. Funding for this licensing will be provided by Purchasing Services' operating budget. Supplier was selected through a competitive process.

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

INFORMATION ITEMS

Interim Vice President Volna referred the committee to the information items in the docket:

- Quarterly Purchasing Reports
- Investment Advisory Committee Update
- Debt Management Advisory Committee Update

The meeting adjourned at 4:51 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
September 9, 2016**

A meeting of the Board of Regents was held on Friday, September 9, 2016 at 7:30 a.m. in the Gateway Room, McNamara Alumni Center.

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

Staff present: President Eric Kaler; Vice President Kathy Brown; Interim General Counsel Greg Brown; and Executive Director Brian Steeves.

Others present: Amy Phenix.

**RESOLUTION TO CONDUCT NON-PUBLIC MEETING
OF THE BOARD OF REGENTS**

A motion was made and seconded that the following resolution be adopted:

BE IT RESOLVED, that in accordance with Minnesota Statutes § 13D.01, Subd. 3 and 13D.03 Subd. 1, a non-public meeting of Board of Regents will be held on Friday, September 9, 2016 at 7:30 a.m. in the Gateway Room, 600 McNamara Alumni Center, 200 Oak Street, SE, Minneapolis, Minnesota for the purpose of discussing labor negotiations strategy.

The Board voted unanimously to adopt the resolution. The public portion of the meeting ended at 7:53 a.m., at which time the Board discussed labor negotiations.

The meeting adjourned at 8:16 a.m.



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

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
September 9, 2016**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, September 9, 2016 at 8:45 a.m. in the Boardroom, 600 McNamara Alumni Center.

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

Staff present: President Eric Kaler; Chancellor Lendley Black, Stephen Lehmkuhle, Fred Wood; Executive Vice President and Provost Karen Hanson; Vice Presidents Katrice Albert and Kathy Brown; Interim Vice Presidents Michael Berthelsen, Bernard Gulachek, and Michael Volna; Interim General Counsel Gregory Brown; Executive Director Brian Steeves; and Associate Vice Presidents Stuart Mason and Julie Tonneson.

INTRODUCTIONS

Dean, College of Science and Engineering

President Kaler and Provost Karen Hanson introduced Samuel Mukasa, Dean of the College of Science and Engineering, who began his appointment on August 31, 2016. Mukasa holds a Ph.D. in geochemistry from the University of California, Santa Barbara, an M.S. in geology from Ohio State University, and a B.S. in geology from University of New Hampshire. He completed a postdoctoral fellowship at Lamont-Doherty Earth Observatory of Columbia University in New York. He also received a D.Sc. honorary degree from Nkumba University, Entebbe, Uganda, in 2008. Mukasa briefly addressed the Board.

Dean, Law School

President Kaler and Provost Karen Hanson introduced Gerry Jenkins, Dean of the Law School, who began his appointment on July 31, 2016. Jenkins earned his J.D. from Harvard University Law School, where he was editor-in-chief of the *Harvard Civil Rights-Civil Liberties Law Review*. He earned an M.P.P. from the Kennedy School of Government at Harvard University, and his B.A. is in political science, from Haverford College. Jenkins briefly addressed the Board.

RECOGNITION OF REGENTS PROFESSOR

Recognition was given to Christopher Uggen, newly appointed Regents Professor. A Regents Professorship is the highest honor the University bestows on its faculty. The individual holds the title as long as he or she retains a full-time, tenured appointment as a faculty member of the University. Uggen is a Distinguished McKnight Professor and Martindale Chair in the Department of Sociology, College of Liberal Arts. Uggen briefly addressed the Board.

APPROVAL OF MINUTES

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

Presidential Performance Review Committee – June 26, 2016
Presidential Performance Review Committee – July 5, 2016
Facilities, Planning & Operations Committee – July 6, 2016
Board of Regents Meeting – July 6, 2016
Litigation Review Committee – August 8, 2016

REPORT OF THE PRESIDENT

President Kaler reported on the start of the new academic year, highlighting new student convocation and welcoming the class of 2020. He emphasized the importance of the system campuses and discussed his commitment to developing a system-wide strategic plan. He reported changes in senior leadership, including the search for a Senior Vice President for Finance and Operations, the hiring of two new deans, and the pending approval of a new general counsel.

Kaler reported on summer outreach activities, such as FarmFest, several county fairs, and the Minnesota State Fair. He noted the accomplishments of University students and alumni at the 2016 Olympic games. He reviewed the status of efforts to establish an integrated academic health system, emphasizing the University's commitment to advancing the medical school and the health sciences.

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

REPORT OF THE CHAIR

Chair Johnson called on Regent Simmons to provide an update on the status of the integrated academic health system. Simmons reported that the Board work group remains committed to finding solutions to advance the reputation of the medical school and the health sciences. She emphasized the importance of maintaining a productive relationship with Fairview, and noted that Regent Cohen has joined the work group.

Johnson reported on the Board retreat held July 6-7, 2016, during which the following priorities were developed for 2016-17:

- Raise the national profile of the University's academic health sciences and guide strategic evolution of the Medical School and its affiliated clinical practice.
- Establish standards for excellence in the student experience at each campus, including admissions principles, sound academic advising, meaningful opportunities for reciprocal community engagement, and learning outcomes that prepare graduates for life.
- Develop a system-wide strategic plan that illuminates and embraces the 21st Century land grant mission and its impact on the people of Minnesota.
- Examine options to further operational excellence and create a long-range plan to secure the University's financial future.

Johnson noted that these priorities guide the Board's agenda planning and development throughout the year and assist the president and senior leaders in advancing their work.

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

RECEIVE AND FILE REPORTS

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

CONSENT REPORT

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

- Summary of Gifts through July 31, 2016
- Summary of Expenditures

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

ANNUAL INTERCOLLEGIATE ATHLETICS REPORT

Chair Johnson invited President Kaler to introduce Intercollegiate Athletics Director Mark Coyle for the annual report on intercollegiate athletics. Kaler commended Coyle for the work he has done in the first few months he has been in his position.

Coyle reported that Athletics has 25 programs with more than 700 student-athletes, and a budget of \$105 million. He highlighted the past year's academic and athletic accomplishments, noting several national recognitions and awards. He explained that staff have been added to help oversee the department's compliance efforts. Coyle described facilities updates, provided an overview of projects underway, and outlined goals for future projects. He discussed the department's financial status, detailing major expenses and sources of revenue, and offered a projection of spending and revenue for the coming year.

Coyle explained that the department's guiding principles are actions, integrity, transparency, humility, and innovation. He emphasized the need to be intentional and consistent when communicating with internal and external audiences.

In response to a question from Regent Lucas, Coyle noted he has reviewed all athletic facilities and agrees that the men's and women's gymnastics facilities need improvement. He emphasized the importance of all Gopher athletics programs and the need to provide each team with adequate support.

Regent Omari asked how the University's revenue compares to other institutions. Coyle replied that the University's revenue is on par with its peers, noting that while the actual dollar amount may be smaller, the percentages are comparable.

Regent Brod remarked that success in athletics is not measured only by wins, but by behaviors and principle. She commended Coyle on the progress he has made in a short time at the University.

Regent Anderson remarked that he is impressed by the guiding principles and thinks they will be beneficial to the department.

Regent Rosha expressed interest in learning about additional areas of revenue growth. He suggested that the department should be viewed as a resource to manage, rather than a service to the University. He added that it might be beneficial to evaluate individual programs against the guiding principles, not just the department as a whole.

Regent Devine asked about the academic development of student-athletes and Coyle's plans for continued success. Coyle replied that he meets with each recruit and stresses the importance of academics. He recognized the work of McNamara Academic Center and emphasized the importance of creating strong students, not just strong athletes.

In response to a question from Regent Hsu, Coyle explained that he did not yet have a timeline for walkways connecting Athlete's Village and the Lineman's Facility. He reported that his staff is gathering data and that he would provide an update to the Board.

Omari emphasized the hard work and dedication of student-athletes, without whom there would be no athletics program.

ANNUAL REPORT ON PRIVATE GIVING

Chair Johnson invited Kathy Schmidlkofer, President and CEO, and Becky Malkerson, Executive Vice President and Chief Advancement Officer, UMF, to present an annual review of fundraising highlights, as detailed in the docket.

Schmidlkofer reported that for FY 2016, more than 72,000 donors made commitments of \$312 million in current and future gifts – the second highest amount in the history of UMF. Malkerson discussed progress of the Vision 2017 medicine and health campaign, which surpassed its intended goal a year early. The campaign has raised more than \$1 billion over nine years, resulting in the creation of 248 new scholarships and fellowships and 36 new faculty chairs and professorships.

Schmidlkofer reported that a record \$214 million was distributed to the University community in scholarships, fellowships, academic programs, faculty support, and research. She noted UMF's efficiency, spending 13 cents to raise one dollar. Malkerson reported on historical gift production, emphasizing a steady upward trajectory over 30 years. She reviewed total private giving from the past five years, which has resulted in over \$1.9 billion in support through grants and philanthropy. Schmidlkofer and Malkerson also highlighted several specific accomplishments made possible by gifts to the University and discussed future philanthropic goals.

Regent Cohen applauded UMF for its level of giving across all system campuses.

Regent Brod commented on the positive alignment of priorities between UMF and the University. She emphasized the importance of the longer-term legacy and endowed funds.

Regent Simmons noted that the large number of non-alumni donors is a clear example of the University's impact on the extended community. She added that one does not need to have attended the University to benefit from its services and impact.

Regent Devine remarked on the accomplishments of the 2017 Vision campaign.

Regent Rosha asked that UMF keep the Board informed of future ideas for donor relations and campaign efforts. He expressed hope for a continued strong partnership between the two entities.

CAPITAL BUDGET AMENDMENT: PIONEER HALL & SUPERBLOCK DINING FACILITY (TWIN CITIES CAMPUS)

Chair Johnson invited Interim Vice President Mike Berthelsen, Assistant Vice President Suzanne Smith, and Laurie McLaughlin, Director of Housing and Residential Life, to present

for action a proposed capital budget amendment for renovation of Pioneer Hall and a consolidated Superblock dining facility, as detailed in the docket.

Berthelsen reviewed the proposal's goals, which include expanding capacity, enhancing the student experience, and improving the dining experience in the Superblock. He discussed the project's rationale to help meet first-year housing needs, align with the Twin Cities campus enrollment plan and strategies, and address facility deficiencies. He reported on the projected capacity and demand of University properties and master lease facilities.

Smith summarized the renovations, detailing the projected cost estimates and the increased capacity following improvements. She explained project benefits, such as retaining the historic features of Pioneer Hall and expanding the footprint to increase the number of beds. She reviewed plans for new dining and residential spaces and reported on the total project costs. Smith explained that the project would be funded from University debt and has an anticipated completion date of September 2019.

McLaughlin outlined housing options during construction, which would include designation of new first-year student housing and use of apartment facilities.

Regent McMillan, Chair of the Facilities, Planning & Operations Committee, reported that the committee reviewed the proposal and voted 4-2 to recommend approval of the capital budget amendment. He moved its approval. The motion was seconded.

President Kaler remarked on feedback regarding the lack of climate controlled connections between the Superblock buildings and the proposed dining facility. He committed to launching an investigation into the costs and feasibility of adding walkways – whether above or below ground – to the project.

Regent Rosha suggested that the proposed plan does not necessarily increase capacity, which is one of the main goals of the project. He remarked that the use of apartment-style facilities during construction means other students could be displaced. He voiced concern about funding the project from debt, noting that this could limit future projects that might rely on the debt capacity. Rosha stated his lack of support for the specific amendment, but clarified that he is not opposed to other possibilities for housing expansion. He suggested more student input into the project.

Berthelsen agreed with the importance of considering the whole housing market, not just University-owned facilities, when evaluating student capacity. He noted that with so much apartment-style housing on or near campus, it is possible that no students will be displaced during construction.

Regent Devine stated that he would not support the specific proposal for three reasons: cost, especially if walkways are included; lack of clarity on whether the expansion adds capacity; and use of student money to support the project. He stressed the importance of enhancing the student experience, but suggested that this is not the best plan for accomplishing this goal.

Regent Brod thanked the President for his commitment to investigate options for walkways, noting that they would improve the overall student experience. She emphasized the importance of having both non- and for-profit housing on campus. She suggested identifying more ways to leverage the relationship between those in the for-profit market, such as is being done with the master lease plan.

Regent Hsu also expressed appreciation for consideration of walkways. He voiced concern about the increase in room and board costs, especially given the overall cost of attendance. He noted that Pioneer is not the lowest ranked dorm on campus, expressing support for improvements to the facility but not the proposed plan. He suggested that overall cost of

attendance could be mitigated by variable pricing for room and board, based on the desirability of a given facility.

Regent Beeson remarked on the progress made in housing and noted that the master planning process is complicated. He commented that he does not favor modest renovations, despite the high cost of complete renovations. He noted the rarity of pushback against the high costs of building or renovating other facilities, such as those for academic or athletic uses. He acknowledged that housing facilities are more expensive overall, but that they also generate revenue and significantly impact the student experience.

The Board of Regents voted 9-3 to approve the capital budget amendment for Pioneer Hall and the Superblock Dining Facility. Regents Devine, Hsu, and Rosha voted no.

PRESIDENT'S RECOMMENDED FY 2018-19 BIENNIAL BUDGET REQUEST

Chair Johnson invited President Kaler to present the President's Recommended FY 2018-19 Biennial Budget Request (Budget Request) as detailed in the docket materials.

Kaler reported that the Budget Request includes three FY 2018-19 initiatives:

1. Student Success
2. MnDRIVE
3. Core Mission

Kaler explained that the goal of the student success initiative is to improve students' long-term success and reduce student debt system-wide. He detailed several intended outcomes, including graduating more students in STEM fields to help support the state's workforce needs, and increasing enrollment and retention for students of color. He detailed new components of the MnDRIVE initiative, explaining that these goals will help the University and the state be more competitive in areas of discovery. Kaler emphasized that the core mission initiative will support academic and operational excellence on all campuses and across all facets of the institution's mission.

Kaler reported that the Budget Request also includes two initiatives related to the past legislative session:

1. Replacement of UCare funding.
2. Bell Museum and Planetarium operations.

He explained that health training restoration is necessary to continue providing critical health training and services statewide. He added that outcomes of the initiative will support core clinical training education and research programs, fund the Mobile Dental Clinic, and enhance access to care in greater Minnesota. Kaler noted that funding for the Bell Museum will support operations of the new museum, classroom spaces, and increase to educational programs.

The total request for all five initiatives for the biennium is \$143.2 million, a change from base of 11.4 percent. The President's Recommended FY 2018-19 Biennial Budget Request will return for action at the Board's October 2016 meeting.

Regent Simmons remarked that the request strikes a good balance between the needs and priorities of the University and of the state.

Regent Omari expressed appreciation for the alignment of the budget initiatives with the strategic goals. He suggested that transparency will be important in the use of funds for the Bell Museum.

In response to a question from Regent Hsu, Kaler explained that the proposed operating budget for the Bell Museum is adequate. He added that there may be future changes to account for factors such as inflation or opportunity costs. Kaler emphasized that the museum belongs to the state and it is the state's responsibility to fund it; the University has merely been entrusted with its operations.

**PRESIDENT'S RECOMMENDED 2016 SIX-YEAR CAPITAL PLAN
& PRESIDENT'S RECOMMENDED 2017 STATE CAPITAL REQUEST**

Chair Johnson invited Executive Vice President and Provost Hanson and Interim Vice Presidents Michael Berthelsen and Michael Volna to present the 2016 six-year capital plan (Capital Plan) and 2017 state capital request (Capital Request).

Berthelsen reported on the portfolio planning process for the Capital Plan and Capital Request, highlighting the distinctions between the two. He discussed the objectives of the Capital Plan and detailed each of its strategic emphases, which include renovation or removal of critical buildings, advancing the health sciences, modernizing labs and research facilities on the St. Paul campus, expanding STEM program facilities, and investing in improvements to the University's libraries.

Hanson discussed the importance of the libraries to the institution and the state. She observed that modernization has shifted demands on the library system but emphasized the importance of preserving older collections and archives. She detailed renovation plans for facilities on the Twin Cities and Morris campuses.

Volna explained the financial components of the Capital Plan.

Berthelsen reviewed the timeline and financial summary of the Capital Request, noting that it is the same as that made in 2016, with the addition of the library projects. He explained that in addition to Higher Education Asset Preservation and Renovation (HEAPR) funds, the request includes three renovation and design projects on the Twin Cities campus, construction of a new building on the Duluth campus, and system-wide investments in the academic and student experience.

In response to several questions from Regent Hsu, Berthelsen replied that \$10 million from a 2015 state appropriation was allocated for the design and preliminary construction of the health sciences education and clinical sciences buildings. Associate Vice President Suzanne Smith added that a contract for design had been awarded and design is underway. She noted that \$1.5 million of that amount was allocated for a feasibility study on the clinical sciences facility.

Berthelsen explained that the health sciences building would be constructed on the current site of the Masonic Memorial Building and VFW Cancer Center. Initial plans are in place for relocation of the departments in those facilities. He added that the location was chosen because it was the best option given its close proximity to other health sciences buildings. He explained that since medical faculty serve multiple roles, it is important for them to be close to clinical, research, and classroom facilities.

Berthelsen explained that a new chemistry building is scheduled to be constructed on the Twin Cities campus. The new facility will house primarily lab spaces and will allow for additional renovations to Smith Hall, which will be converted to research spaces.

In response to a question from Regent Anderson, Berthelsen reported that demolition costs were included in the total request.

Regent Brod remarked on the importance of evaluating the University's relationship with the legislature and being creative in seeking repair and replacement funds. She suggested partnering with other state higher education agencies and institutions to yield greater results. Kaler replied that the University has considered different approaches in its requests to the state in the past, without significant gain. He noted he is open to finding new ways to partner with the state and to consider options for other requests for funding.

Regent Devine agreed about consideration of other sources of funding. He remarked on the importance of emphasizing to the legislature the long-term goals of the health sciences. He noted that this emphasis will provide perspective for the incremental investments that will be made along the way.

Regent Rosha commented that the aspirational goals for critical facilities should be viewed from a perspective of access to excellence. He suggested that eliminating those facilities that are a drain on the institution's resources could improve the campus experience and help with funding requests to the legislature.

Regent Omari asked if the shift in library services to primarily online delivery has affected operations, and if there are variations between graduate and undergraduate needs. Hanson responded that the demand for services is still for both digital and hard copy materials, and that there has been a greater shift in student expectations for study spaces. She noted that the inclusion of Murphy Hall addressed the demand for both types of materials, noting the need to maintain older methods of operation while being highly modern.

Regent Simmons remarked on the health sciences and provided clarification for the comparisons to the Destination Medical Center. She commented on strategic planning around the health sciences and medical facilities.

REPORT OF THE ACADEMIC & STUDENT AFFAIRS COMMITTEE

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

- 1) Approval of the Consent Report for the Academic & Student Affairs Committee as presented to the committee and described in the September 8, 2016 committee minutes.
- 2) Adoption of amendments to Board of Regents Policy: *Animal Care and Use*, as follows:

SECTION I. SCOPE.

This policy governs University of Minnesota (University) research, teaching, display, and service activities involving animals when conducted by, or on the behalf of, University faculty, staff, or students or when using University facilities or equipment.

SECTION II. COMMITMENT.

The Board of Regents (Board) of the University affirms the appropriate use of animals in research, teaching, display, and service activities and is committed to the highest standards for their humane care and use. The president shall support and protect the officially sanctioned use of animals covered pursuant to this policy.

SECTION III. GUIDING PRINCIPLES.

In performing their duties, University faculty, staff, and students shall adhere to the following recognized principles:

- (a) procedures involving animals shall be designed and performed with due consideration for their relevance to human or animal health, the advancement of knowledge, or the good of society; and
- (b) the proper use of animals requires avoidance or minimization of discomfort, distress, and pain.

SECTION IV. DEFINITIONS.

Subd. 1. Institutional Animal Care and Use Committee. *Institutional Animal Care and Use Committee* (IACUC) shall mean the committee established by the president or delegate in accordance with federal regulations to review University animal care and use protocols, animal facilities, and the overall animal program.

Subd. 2. Institutional Official. *Institutional official* shall mean the individual appointed by the president to oversee all aspects of the University's animal care and use programs. The institutional official shall be an individual with the authority to allocate resources needed to maintain a smoothly functioning animal care and use program based on recommendations and advice received from the IACUC and the attending veterinarian. The institutional official shall be authorized to legally commit on behalf of the University that the requirements of the Public Health Service *Policy on the Humane Care and Use of Animals* (PHS Policy) and the USDA *Animal Welfare Act* (AWA) and its regulations (AWAR) will be met.

Subd. 3. Attending Veterinarian. *Attending veterinarian* shall mean an individual qualified by virtue of appropriate postgraduate training and/or experience in laboratory animal science and medicine who has the appropriate authority to execute the duties inherent in assuring the adequacy of veterinary care and overseeing other aspects of animal care and use to ensure that the program meets applicable standards.

Subd. 4. Research Animal Resources. *Research Animal Resources* (RAR) shall mean the program established by the president or delegate to provide veterinary services and support for activities covered under this policy.

Subd. 5. Service or Display Activities Involving Animals. *Service or display activities involving animals* shall mean activities that include animals housed at the University but do not involve research or teaching. Care for these animals is governed by best practice in animal care as specified by the persons in charge of the animals and approved by the IACUC. These animals do not include privately owned animals such as personal pets, service animals performing tasks for individuals with disabilities, or office fish tanks.

SECTION V. COMPLIANCE WITH FEDERAL AND STATE LAW.

Subd. 1. Federal and University Responsibilities. As required by federal law, the president or delegate shall appoint an IACUC to ensure that activities covered under this policy meet federal requirements. The president or delegate is responsible for overseeing the IACUC. University officials may not approve an activity covered under this policy if it has not been approved by the IACUC. Activities approved by the IACUC nevertheless may be subject to further review and approval by University officials.

Subd. 2. Regulatory Compliance. All activities covered by this policy must comply with applicable federal and state regulations and guidelines, including, but not limited to, the PHS Policy, the National Research Council *Guide for the Care and Use of Laboratory Animals*, the USDA AWARs, and the *Guide for the Care and Use of Agricultural Animals*.

SECTION VI. UNIVERSITY COMPLIANCE PROVISIONS.

Subd. 1. President. The president shall:

- (a) ensure that activities covered under this policy meet federal requirements; and
- (b) oversee the institutional official.

Subd. 2. Institutional Official. The institutional official shall:

- (a) ensure compliance with applicable laws, guidelines, and policies;
- (b) appoint IACUC members, in consultation with the leadership of the IACUC;
- (c) perform all necessary reporting requirements, including reports to the appropriate federal governmental and University officials any serious or continuing noncompliance with applicable laws and policies and any corrective action taken; and
- (d) consult with the Office of the General Counsel in carrying out these responsibilities as appropriate.; and
- (e) oversee the attending veterinarian.

Subd. 3. Attending Veterinarian. The attending veterinarian shall:

- (a) be a voting member of the IACUC; and
- (b) have direct or delegated authority and responsibility to ensure the provision of adequate veterinary care and to oversee the adequacy of other aspects of the animal care program.

Subd. 4. Research Animal Resources. The veterinary services and support provided by RAR shall include husbandry programs and facilities; veterinary medical services; and consultation on the selection, care, and use of University animals consistent with the recommendations in the Guide for the Care and Use of Laboratory Animals.

Subd. 5. IACUC. The IACUC shall have the authority and responsibility to:

- (a) review and approve, require modifications to, or withhold approval of all University activities involving animals prior to the start of the activity;
- (b) conduct semi-annual inspections of facilities where animals are being housed or used;
- (c) conduct semi-annual evaluations of the University's animal care and use program;
- (d) conduct continuing review of previously approved activities at appropriate intervals as determined by applicable regulations;
- (e) review and investigate complaints of noncompliance; and
- (f) promptly report to the institutional official:
 - (1) any alleged serious or continuing noncompliance with federal or state laws or University policies or procedures; and
 - (2) any corrective actions taken in response to noncompliance.
- (g) gain access to all facilities used for the care and research of animals;
- (h) obtain University records and other relevant information related to the use of animals; and
- (i) take any actions, including suspending an activity, that are in its judgment necessary to ensure compliance with applicable federal, state, or University policies and procedures.

Subd. 6. University Faculty, Staff, and Students. University faculty, staff, and students involved in the care and use of animals shall:

- (a) be appropriately qualified or supervised for conducting procedures on animals;
- (b) satisfy all required training;
- (c) enroll and participate in an occupational health program as required; and
- (d) abide by and carry out the decisions of the IACUC.

SECTION VII. ADMINISTRATIVE PROCEDURES.

The IACUC, with responsible oversight by the president or delegate, shall maintain appropriate administrative policies and procedures to implement this policy.

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

Regent Cohen reported that the committee also reviewed the its annual work plan; received an annual report on academic program changes; and discussed developing and preparing students through a liberal education.

REPORT OF THE AUDIT & COMPLIANCE COMMITTEE

Regent Brod, Chair of the committee, reported that the committee reviewed its annual work plan; received an update on the internal audit; discussed the remediation of intercollegiate athletics audit findings; received an update on the human participant research protection plan implementation; and reviewed the RFP process for external audit contract.

REPORT OF THE FACILITIES, PLANNING & OPERATIONS COMMITTEE

Regent McMillan, Chair of the committee, reported that the committee discussed its annual work plan; reviewed issues related to the President’s recommended 2016 six-year capital plan and 2017 state capital request; reviewed real estate transactions; discussed a resolution related to the demolition of the electric steel elevator property; reviewed a capital budget amendment which addressed the intercollegiate track facility and relocation of the rec sports bubble; and received information items outlined in the docket materials.

REPORT OF THE FACULTY & STAFF AFFAIRS COMMITTEE

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

- 1) Approval of the Consent Report for the Faculty & Staff Affairs Committee as presented to the committee and described in the September 8, 2016 committee minutes.

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

Regent Simmons reported that the committee also reviewed the committee’s annual work plan; discussed compensation planning; received an update on employee engagement; and reviewed information items outlined in the docket materials.

REPORT OF THE FINANCE COMMITTEE

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

- 1) Approval of the Consent Report for the Finance Committee as presented to the committee and described in the September 8, 2016 committee minutes.
- 2) Adoption of amendments to Board of Regents Policy: *Investment of Reserves*, as follows:

SECTION I. SCOPE.

This policy governs the investment of short-term and long-term reserves of the University of Minnesota (University).

SECTION II. SHORT-TERM RESERVES.

Subd. 1. Investment Objective. The primary investment objective for the University's short-term reserves, known throughout Section II of this policy as the Temporary Investment Pool (TIP), is current income and capital preservation. In addition, the following are priorities for the investment of short-term reserves:

- (a) maintaining sufficient liquidity to meet the near term funding and operations requirements of the University;
- (b) maximizing current income and investment returns on these reserves; and
- (c) providing backup liquidity for certain of the University's short-term or variable rate debt obligations.

Subd. 2. Overall Portfolio Characteristics. A majority of TIP funds are to be invested in high quality, relatively short-term interest bearing securities not exposed to significant market risk while a portion may be invested in the University's Consolidated Endowment Fund (CEF). The following percentages of annual operating revenues, as measured at the completion of each fiscal year, shall be retained in TIP:

- (a) at least 8% for the purpose of debt service reserves and related liquidity requirements;
- (b) at least 6% for the purpose of providing cash flow for operations; and
- (c) at least 5% for the purpose of providing core operating reserves.

A portion of the remaining balance of TIP may be invested in CEF. The investment in CEF, combined with private and/or illiquid securities, should not exceed 30% of total TIP funds at time of investment. Annually, when determining the amount of TIP to be invested in CEF, consideration shall be given to market conditions and other financial circumstances. TIP investments in CEF shall be reported periodically to the Board of Regents (Board).

The interest bearing portion of TIP investments shall be guided by the following:

- (a) Average duration shall be four years or less for the entire portfolio with a maximum duration of seven years for any individual holding.
- (b) Average credit quality shall be A1/A+ or better.
- (c) Individual securities owned shall maintain a rating of investment grade (defined as Baa3/BBB- rating or better by Moody's or Standard & Poor's) unless the president or delegate specifically approves retention of a lower rated security. The Board must be notified of such approvals.

Subd. 3. Investment Managers. While TIP funds may be invested directly by University personnel, the use of investment managers also is permissible. Investment managers shall not be subject to the prohibitions described in parts (3), (4), (5), (6), (7), and (8) of Section II, Subd. 5(b) as long as overall portfolio averages are in compliance with the guidelines described in this section.

Subd. 4. Investment Guidelines for Specific Types of Securities. The following investment guidelines shall apply to investments made directly by the University:

- (a) Federal Government Securities - Investments in federal government securities shall be limited to U.S. Treasury obligations, federal agency securities, and obligations guaranteed or insured by an agency of the federal government, with no limitation on amount per agency or percent of overall portfolio.
- (b) Money Market Investments - Investments in money market instruments shall be limited to money market funds or fixed income mutual funds designed to maintain a stable unit value, with no limitation on percent of overall portfolio.
- (c) Corporate Obligations - Investments in corporate obligations shall be limited to commercial paper, intermediate or long-term bonds, bank paper, and master notes. In aggregate, corporate obligations shall not exceed 50% of the portfolio, with a maximum limitation of 5% for any single issuer, and shall be guided by the following:
 - (1) Commercial Paper - Investments in commercial paper shall be limited to U.S. dollar denominated obligations of U.S.-based or foreign issuers whose commercial paper is rated A-1+, A-1, or A-2 by Standard & Poor's or P-1 or P-2 by Moody's.
 - (2) Intermediate or Long-Term Bonds — Investments in intermediate or long-term bonds shall be limited to bonds and flexible rate securities that are U.S. dollar denominated.
 - (3) Bank Paper - Investments in bank paper shall be limited to U.S. dollar denominated certificates of deposit, time deposits, bankers acceptances, letters of credit, and documented discount notes from U.S. or foreign issuers.
 - (4) Master Notes - Investments in master notes shall be limited to notes issued by U.S. corporations, with a maximum limitation of 10% of the portfolio.

Subd. 5. Prohibitions. Except for investments made in CEF or by investment managers in accordance with Section II, Subd. 3 of this policy:

- (a) leverage shall not be used in investing TIP funds; and
- (b) the following investments are prohibited:
 - (1) equity and equity related alternatives;
 - (2) securities convertible into equity;
 - (3) non-investment grade high yield securities;
 - (4) unrated securities;
 - (5) private and/or illiquid securities;
 - (6) securities not traded on a major exchange;
 - (7) any securities issued by a foreign government or corporation domiciled in a country that is not part of the Europe, Australasia, and Far East (EAFE) Index, or Canada; and
 - (8) derivative securities.

SECTION III. LONG-TERM RESERVES.

Subd. 1. Investment Objective. The primary investment objective for the University's long-term reserves, known throughout Section III of this policy as the Group Income Pool (GIP), is to maximize the total investment return while preserving capital balances until such time as the principal is required to fund the intended use. Because of the potential for higher levels of volatility, the GIP portfolio shall be invested by investment managers or in CEF.

Subd. 2. Investment Guidelines. GIP funds shall be invested on a total return basis. The following investment guidelines shall apply for GIP:

- (a) Interest Bearing Securities - Up to 100% of the portfolio may be invested in interest bearing securities that may include:
 - (1) bonds, convertible bonds, mortgage-backed and/or asset-backed securities that are issued by governments, government agencies, or corporations in developed market countries;
 - (2) securities, denominated in foreign currencies or U.S. dollars;
 - (3) securities rated below investment grade up to a maximum 20% allocation; and
 - (4) emerging market debt, up to a maximum 10% allocation.
- (b) Equity - Up to 50% of the overall portfolio may be invested in diversified equity and equity-related securities and/or in CEF.
- (c) Mutual Funds - Consistent in quality with these investment guidelines.
- (d) Money Market Funds - To the extent that money market funds are used in the portfolio, underlying assets in the fund shall have a minimum commercial paper rating of A2/P2 as rated by Standard & Poor's and Moody's.

Subd. 3. Prohibitions. Except for investments made in CEF:

- (a) leverage shall not be used in investing GIP funds; and
- (b) investments in derivative securities are prohibited.

3) Approval of a Resolution Related to Distribution of Funds from Sale of Salt Springs Lands, as follows:

WHEREAS, the University of Minnesota (University) has been directed through Minnesota Statutes, section 92.05, that proceeds from the sales of the Salt Springs Lands be devoted to further support American Indian education at the system campuses of the University; and

WHEREAS, the Board of Regents (Board) adopted a resolution on January 8, 1993 to allocate the proceeds from sales of Salt Springs Lands, with 80 percent of proceeds directed to the Duluth campus, 15 percent to the Morris campus, and 5 percent to the Crookston campus; and

WHEREAS, the Board approved a sale of Salt Springs Lands to the State of Minnesota on June 10, 2016; and

WHEREAS, the University of Minnesota, Morris has had significant growth in the number of American Indian Students studying on campus, now 17 percent of full-time students, and also has the unique obligation as a campus established on the site of an American Indian boarding school (1887-1910), and a Federal and State mandated tuition waiver for American Indian students.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents directs that the proceeds from the sale of Salt Springs Lands on June 10, 2016 be set up as a new endowment fund, separate and distinct from existing Salt Springs Land endowment accounts, and that 100 percent of the income distributed from the new endowment fund be allocated to the University of Minnesota, Morris for programs and activities that further American Indian Education.

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

Beeson reported that the committee also reviewed its annual work plan; received the annual asset management report; reviewed financial components of the President's recommended

biennial budget request, 2016 six-year capital plan, and 2017 state capital request; and received information items outlined in the docket materials.

REPORT OF THE GOVERNANCE & POLICY COMMITTEE

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

REPORT OF THE LITIGATION REVIEW COMMITTEE

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

The meeting adjourned at 12:02 p.m.



BRIAN R. STEEVES
Executive Director
and Corporate Secretary



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: Report of the President

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler

BACKGROUND INFORMATION

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



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: Report of the Chair

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Regent Dean E. Johnson

BACKGROUND INFORMATION

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



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: Consent Report

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Regent Dean E. Johnson

PURPOSE & KEY POINTS

The purpose of this item is to seek Board approval of items in the Consent Report, as required in Board of Regents Policy: *Reservation and Delegation of Authority*. Items for consideration:

A. Gifts

The President recommends approval of the Summary Report of Gifts to the University of Minnesota through August 31, 2016 (attached).

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

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

- *Shari L. Ballard (Elect for 4th term, first as a Regent-nominated trustee)* – Shari Ballard is the senior executive vice president and president of U.S. retail for Best Buy Co, Inc. She is responsible for all U.S. Best Buy stores, Best Buy Mexico, and the company’s real estate strategy. Ballard is a seasoned executive with deep retail experience. After graduating with a bachelor’s degree from the University of Michigan Flint, she was hired in 1993 to work in a local Best Buy store, beginning as an assistant store manager and rising to general manager. After a variety of retail leadership roles, she was promoted to executive vice president of human resources and legal. In 2007, Ballard assumed responsibility for Best Buy stores in the U.S. She was promoted to president of Americas, U.S. and Mexico in 2010; two years later, she was appointed president of international, overseeing business and the transformation efforts in Canada, China, Europe and Mexico. In 2014, Ballard assumed the role of president of U.S. retail, beginning a dual role to include chief HR officer a few months later. Ballard also serves on the Board of Directors of the Delhaize Group.

- *The Honorable Richard B. Beeson (Renew for a 2nd term as a Regent-nominated trustee)* – Richard Beeson serves as Executive Vice President for Corporate Development & Government Relations at Sunrise Banks, following 20 years as President & CEO of Sunrise-owned Park Midway Bank in Saint Paul. Previously, he was with the City of Saint Paul Department of Planning & Economic Development as senior project manager. Beeson received a bachelor’s degree from the University of Minnesota in political science and an MBA from the University of Saint Thomas. He has served on the board of Women Venture, the Saint Paul Conservatory for Performing Artists, and numerous others, including as chair of the Saint Paul Area Chamber of Commerce, the Central Corridor Partnership and as treasurer of the Saint Paul RiverCentre Authority.
- *Richard K. Davis (Renew for a 3rd term as a Regent-nominated trustee)* – Richard Davis is chairman and chief executive officer of U.S. Bancorp. He has been an influential force in the banking industry for 38 years. Davis began his banking career as a teller at age 18 and now leads the nation’s fifth largest commercial bank. He became CEO of U.S. Bancorp in 2006, having been a senior executive with the organization and its predecessors since 1993. He chairs U.S. Bancorp’s managing committee, the 14 highest-ranking executives. His leadership and prudent approach to financial management has garnered national and international praise for U.S. Bancorp, which has emerged as strong and stable following one of the most difficult chapters in banking history. Davis has held executive positions with Bank of America and Security Pacific Bank, and with legacy organizations of U.S. Bancorp, including the former Firststar Corporation in Milwaukee and Star Banc Corporation in Cincinnati. Davis earned a bachelor’s degree in economics from California State University at Fullerton. Davis is very active in the Twin Cities community, dedicating time to several philanthropic boards.
- *Walter F. Ling (Renew for a 5th term, second as a Regent-nominated trustee)* – Walt Ling recently retired from IBM after a nearly 39-year career in sales, service, technical support and general management. He began his IBM career in Fort Wayne, Indiana, after receiving his Bachelor of Science degree in Electrical Engineering from the University of Notre Dame. He earned postgraduate MBA credits from the University of Indiana. Ling has worked in Fort Wayne, Indiana; New York; Chicago; and Rochester, Minnesota. He was the senior state executive for IBM in Minnesota and served as the senior location executive for the Rochester site. Ling is an active member of the Twin Cities and Rochester communities, serving on several philanthropic boards.
- *The Honorable Margaret E. Lucas (Renew for a 4th term, first as a Regent-nominated trustee)* – Peggy Lucas is a founder and partner in Brighton Development, a housing development company known for its small, inner-city infill projects and historic preservation. She is a two-time graduate of the University of Minnesota, receiving both a BA and an MSW. Lucas and her husband served for two years in the Peace Corps in Iran. Lucas is an active community volunteer serving for 18 years on the Metropolitan Sports Facilities Commission and currently on the board of Art Space. Her previous University activities include the University of Minnesota Foundation Board of Trustees, the Humphrey School Dean’s Advisory Council and the Women’s Intercollegiate Athletics Advisory Council.

C. Conflict Management Plan

PRESIDENT’S RECOMMENDATION

The President recommends approval of the Consent Report.

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

October 2016 Regents Meeting

	August		Year-to-Date	
	2016	2015	07/01/16 08/31/16	07/01/15 08/31/15
U of M Gift Receiving	\$ 190,439	\$ (8,759)	\$ 229,283	\$ 117,144
4-H Foundation	41,207	33,838	77,097	61,666
Arboretum Foundation	459,253	(504,726)	1,176,079	2,549,739
Univ of MN Foundation	15,869,899	22,435,303	27,832,391	50,669,407
Total Gift Activity	\$ 16,560,798	\$ 21,955,658	\$29,314,850	\$ 53,397,956

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

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

Gifts to benefit the University of Minnesota

Gifts received in August 2016

<u>Donor</u>	<u>Rec'd by</u>	<u>Gift/Pledge</u>	<u>Purpose of gift</u>
<u>\$1 Million and Over</u>			
Fred C. and Katherine B. Andersen Fdn.	UMF/UM	Gift	Medical School, Minnesota Landscape Arboretum
Doris I. Anderson Estate	UMF	Gift	Medical School
Childrens Cancer Research Fund	UMF	Gift/Pledge	Medical School
<u>\$500,000 - \$1,000,000</u>			
Albert M. Marden	UMF	Pledge	College of Science and Engineering
<u>\$250,000 - \$500,000</u>			
Elwood F. Caldwell	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Robina Fdn.	UMF	Pledge	Law School
Regis Fdn. for Breast Cancer Research	UMF	Gift	Academic Health Center
<u>\$100,000 - \$250,000</u>			
Frederick B. Wells Jr. Trust	UMF	Gift	Medical School
Miles W. Murphy Estate	UMF	Gift	Humphrey School of Public Affairs
Floyd D. Rudy Estate	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
The Hormel Fdn.	UMF	Gift	Hormel Institute
Patrick Mulvey Estate	UMF	Gift	University of Minnesota Duluth
David S. Weissbrodt	UM	Gift	Libraries
Rosemary L. Chase Estate	UMF	Gift	School of Nursing
Robert L. and Pamela W. Senkler	UMF	Gift	University of Minnesota Duluth, Academic Health Center
Lowell Schwab and Rae Carter	UMF	Gift	Carlson School of Management, Intercollegiate Athletics, College of Liberal Arts
Anne N. Kersey	UMF	Pledge	Academic Health Center
<u>\$50,000 - \$100,000</u>			
Alan Stormo Donor-Advised Fund at Schwab	UMF	Gift	Medical School
Darrel R. Alkire Estate	UM	Gift	Minnesota Landscape Arboretum
Oliver's Army	UMF	Pledge	Medical School
Northrop Grumman Corp.	UMF	Gift	College of Science and Engineering
Russell C. and Rebecca J. Bierbaum	UMF	Pledge	Intercollegiate Athletics

\$50,000 - \$100,000

Fred C. Requa Estate	UMF	Gift	School of Dentistry
Ames Construction Inc.	UMF	Gift	Intercollegiate Athletics
TriEst Ag Group Inc.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Karl Potach Fdn.	UMF	Gift	Hormel Institute
Denneth C. and Joan L. Dvergsten	UMF	Pledge	College of Biological Sciences
DSM Nutrition Organization	UMF	Gift	College of Science and Engineering
Jack R. Lake Estate	UMF	Gift	Minnesota Landscape Arboretum
Boston Scientific Corp.	UMF	Gift	Medical School, College of Science and Engineering
Barr Engineering Co.	UMF	Pledge	College of Science and Engineering
Becton Dickinson and Co.	UMF	Gift	College of Science and Engineering
Generation Next	UMF	Gift	College of Education and Human Development
John W. Mooty Fdn. Trust	UMF	Pledge	Intercollegiate Athletics

\$25,000 - \$50,000

Muriel Whiteside Charitable Trust	UMF	Gift	Medical School
Helen S. Henton Trust	UMF	Gift	Unrestricted
Lee A. Borah Jr. Estate	UMF	Gift	College of Liberal Arts
David E. Christensen	UMF	Pledge	Law School
Stephanie J. Spahr	UMF	Gift	School of Public Health
Esther J. Perlman Estate	UMF	Gift	College of Veterinary Medicine
The Bruce and Joan Richard Family Fund	UMF	Gift	Carlson School of Management, College of Science and Engineering
William S. Marvin Fund-MN Community Fdn.	UMF	Gift	College of Science and Engineering
Shanghai Institute of Ceramics	UMF	Gift	College of Science and Engineering
Carolina Ortiz Cordero	UMF	Gift	Medical School
FMC Corp.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
National Sports Center	UMF	Gift	Academic Health Center
Target Corp.	UMF	Gift	College of Science and Engineering, Carlson School of Management, Law School
Alkire Family Fdn.	UMF/UM	Gift	Medical School, Minnesota Landscape Arboretum
Center for Computer-Assisted Legal Instruction	UMF	Gift	Law School
Fairview Health Services	UM	Gift	Medical School
Berger Transfer and Storage Inc.	UM	Gift	Intercollegiate Athletics
John and Sally Turriffin Family Fund-Mpls Fdn.	UMF	Gift	Medical School

\$25,000 - \$50,000

Gerald and Nancy Witowski	UMF	Gift	Medical School
Harapanahalli S. Muralidhara	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Bernard and Fern Badzin Fdn.-Signa Fund Mpls Fdn.	UMF	Gift	College of Liberal Arts
Hubbard Broadcasting Inc.	UMF	Gift	Academic Health Center
Muriel Whiteside Estate	UMF	Gift	University of Minnesota Duluth
Roy P. Rasmussen Jr.	UMF	Gift	Medical School
S. and T. McCarthy Fund-Vanguard Charitable Endowed Program	UMF	Gift	College of Veterinary Medicine
Sealed Air Corp.	UMF	Gift	College of Science and Engineering
Susan Park Rani	UMF	Pledge	College of Science and Engineering

\$10,000 - \$25,000

Dow International Finance S.a.r.l	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Albert L. Walonick Estate	UMF	Gift	Medical School
Mary Jean Laubenfels Estate	UMF	Gift	Unrestricted
Jennifer Voelker and Michael Ness	UMF	Gift	Global Programs and Strategy Alliance
LaVerne I. Colness	UMF	Gift	University of Minnesota Duluth
The Diabetes Research Fdn.	UMF	Gift	Medical School
UniHealth Fdn.	UMF	Pledge	Medical School
Max Kade Fdn. Inc.	UMF	Gift	College of Liberal Arts
Medtronic Inc.	UMF	Gift	Medical School
Ann T. Drinkwalter	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
AgriBank FCB	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Al Schrader Family Fdn. National Philanthropic Trust	UMF	Gift	Intercollegiate Athletics
Anpario PLC	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Donn P. Barber	UMF	Gift	Carlson School of Management
John F. Grundhofer Charitable Fdn.	UMF	Gift	Academic Health Center
Johnson and Phillipp Revocable Family Trust	UMF	Gift	University of Minnesota Duluth
Rusdu and Nurdan Saracoglu	UMF	Gift	College of Liberal Arts
The Gladys Kriebel Delmas Fdn.	UMF	Gift	Libraries
Arvid Olson Estate	UMF	Gift	Medical School
Truist	UMF/UM	Gift	Various Colleges
Loren Martell	UM	Gift	University of Minnesota Duluth
Timothy T. Amert	UMF	Pledge	College of Science and Engineering
Tobin H. and Susan F. Jones	UMF	Gift	Scholarships

\$10,000 - \$25,000

Bayer Corp.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences, College of Veterinary Medicine
Richard M. Schulze Family Fdn.	UMF	Gift	College of Science and Engineering, Carlson School of Management
Grain Millers Inc.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Albert and Anne Mansfield Fdn.	UMF	Gift	Law School
Boeing Shared Services Group	UMF	Gift	College of Science and Engineering
Harvey A. Bartz	UMF	Gift	Academic Health Center
ERJ Dining LLC	UM	Gift	Minnesota Landscape Arboretum
UnitedHealth Group Inc.	UM	Gift	Minnesota Landscape Arboretum
Edward T. Hesse Estate	UMF	Gift	Academic Health Center
ExxonMobil Fdn.	UMF	Pledge	College of Science and Engineering
Land O'Lakes Inc.	UMF	Gift	Carlson School of Management
Jay R. Johnson	UMF	Gift	Intercollegiate Athletics
3M Co.	UMF	Gift	Medical School
BASF Corp.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Campbell Fdn.	UM	Gift	Minnesota Landscape Arboretum
Donovan C. Loeslie	UMF	Gift	Intercollegiate Athletics
Eric Nyquist Memorial	UMF	Gift	Carlson School of Management
Julie A. Arnott	UMF	Gift	College of Science and Engineering
Kimberly-Clark Corp.	UMF	Gift	College of Design
MacDonald and Mack Architects Ltd	UMF	Pledge	College of Design
Merz North America Inc.	UMF	Gift	Medical School
Michele E. Vance	UMF	Gift	Academic Health Center
Minnesota Historical Society	UMF	Gift	Graduate School
RBC Wealth Management	UM	Gift	Minnesota Landscape Arboretum
Richard M. Kruger	UMF	Gift	College of Science and Engineering
Robert L. and Karen M. Morgan	UMF	Pledge	Intercollegiate Athletics
Syngenta Crop Protection LLC	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences

\$5,000 - \$10,000

United FCS	UMF	Gift	University of Minnesota Extension
Crystal Farms Refrigerated Distribution Co.	UMF	Gift	Intercollegiate Athletics
Courtside Club	UMF	Gift	Intercollegiate Athletics
Karen Wyckoff Rein in Sarcoma Fdn.	UMF	Gift	Academic Health Center
Scott D. Augustine	UMF	Gift	Intercollegiate Athletics
Syvilla M. Turbis Estate	UMF	Gift	Medical School, Academic Health Center

\$5,000 - \$10,000

Monsanto Co.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Willard Miller Jr. and Jane Miller	UMF	Gift	College of Science and Engineering
Erwin L. Weber Trust	UMF	Gift	Scholarships
Covestro	UMF	Gift	College of Science and Engineering
Hearing Components Inc.	UMF	Gift	College of Science and Engineering
Leslie F. Coleman	UM	Gift	Minnesota Landscape Arboretum
MasterCraft Boat Co.	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Xcel Energy Fdn.	UMF	Gift	College of Veterinary Medicine
Gowan Co. LLC	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Ruth G. and Dale L. Bachman	UMF	Gift	Center for Spirituality and Healing, Academic Health Center
Norton M. Hintz Estate	UMF	Gift	Weisman Art Museum
Johnson Brothers Liquor Co.	UMF	Gift	Intercollegiate Athletics
Marcia J. and Jon A. Pankake	UM	Gift	Libraries
David E. Christensen Fund-Fidelity Charitable	UMF	Gift	Law School
National Dentex Corp.	UMF	Gift	School of Dentistry
W C C O Radio 8-3-0	UMF	Gift	Intercollegiate Athletics
BioLegend Inc.	UMF	Gift	Medical School
Corn Capital Innovations	UM	Gift	4H Foundation
Hella L. Hueg	UM	Gift	Minnesota Landscape Arboretum
Minnesota Power Fdn.	UMF	Gift	University of Minnesota Duluth
TEL FSI Inc.	UMF	Gift	School of Public Health
Xcel Energy	UMF	Gift	School of Public Health
Minnesota Department of Corrections	UMF	Gift	Undetermined
Elizabeth A. Huey	UMF	Gift	Intercollegiate Athletics
Allan C. and Phyllis M. Tappe	UMF	Gift	Intercollegiate Athletics
Ashland Inc.	UMF	Gift	College of Science and Engineering
Carolyn J. Sorensen	UMF	Gift	College of Liberal Arts
Columns Resource Group Inc.	UMF	Gift	Academic Health Center
Dafei Chen	UMF	Gift	Law School
Donald J. Fisher	UMF	Gift	School of Dentistry
Dorothy L. Havrilak	UMF	Gift	College of Science and Engineering
First District Association	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Frank A. Bezdicek	UMF	Gift	College of Food, Agricultural and Natural Resource Sciences
Gary L. Grammens	UMF	Gift	Academic Health Center
Harold Van Every Estate	UMF	Gift	Medical School
J. A. Wedum Fdn.	UM	Gift	Minnesota Landscape Arboretum

\$5,000 - \$10,000

Joann E. Johnson	UMF	Gift	Intercollegiate Athletics
Kate M. Lange	UMF	Pledge	University of Minnesota Duluth
Kathleen W. Bryant and Jonathan K. Lindfors	UMF	Gift	Academic Health Center
Kelle Co.	UMF	Gift	College of Design
Kulik Family Fdn.-Fidelity Charitable	UMF	Gift	Medical School
Mark K. Coborn	UMF	Gift	College of Science and Engineering
Mary L. Devlin	UMF	Gift	College of Liberal Arts
Nancy Goodman	UMF	Gift	Medical School
Richard J. and Elizabeth B. Kleber	UMF	Gift	Medical School
Rosemary H. and David F. Good	UMF	Gift	Weisman Art Museum
Southwest Initiative Fdn.	UM	Gift	4H Foundation
Spectrum Pharmaceuticals Inc.	UMF	Gift	Medical School
Theodore V. and Barbara A. Galambos	UMF	Gift	College of Science and Engineering
Thomas A. Baden Sr.	UMF	Pledge	Scholarships
Timothy P. Metcalf	UMF	Gift	Academic Health Center

May 9, 2013

Dr. Eric Kaler
President
Office of the President
202 Morrill Hall
100 Church St SE
Minneapolis, MN 55455

CONFIDENTIAL

RE: FDUO RID 745193

Dear President Kaler:

The Office of Institutional Compliance, Conflict of Interest Program ("COI Program") initiated a Conflict of Interest review of your 2013 FDUO, in connection with your University responsibilities and the employment of your two sons by companies which may do business with the University.

Your Role at the University and Your Financial Interests

As president, you are the chief executive officer of the University, and ex officio president of the Board of Regents. You are supported by an executive team that includes one senior vice president, six vice presidents, the general counsel, the associate vice president of the Office of Internal Audit, chancellors of the four system campuses, the director of athletics, a special assistant for government and community relations, a chief of staff, and the interim president and CEO of the University of Minnesota Foundation.

Since beginning your tenure as president, you have disclosed that your two adult sons are employed by Russell Reynolds Associates and Mortenson Construction. Morton Construction is located in the Twin Cities. Both companies have contracted with the University in the past, and are likely to do so in the future.

Your son, Charles, is employed by Russell Reynolds Associates, an international search and assessment firm which also provides culture assessments and CEO/Board advisory services. The firm has 41 offices across North and South America, Europe and Asia/Pacific, covering all major business regions including Africa, Eastern Europe and Russia, the Middle East and the South Pacific. Charles' responsibilities include researching candidates and facilitating the search process.

Your son, Samuel, is employed as a field engineer by Mortenson Construction. Mortenson Construction is frequently hired by the University for major building projects.

Under Administrative Policy: *Individual Conflicts of Interest*, the financial interests of your sons are imputed to you because they are family members you reasonably know may benefit personally from actions you take on behalf of the University. Both sons hold "significant financial interests" through remuneration received as employees of their respective companies, as a "significant financial interest" is defined as anything of monetary value that equals or exceeds \$10,000.

In e-mails to the University's Compliance Director, Lynn Zentner, dated January 9th and March 27th, 2012, you indicated that you would recuse yourself from any University decision to hire either company. The Institutional Executive Conflict Review Panel, on January 10 and February 14, 2012, and the full Institutional Executive Conflict Review Panel on February 28, 2012, reviewed this matter and concluded that a conflict management plan was not required as the email communications adequately addressed the matter.

However, you recently expressed your desire to have a conflict management plan in place to address the conflicts presented by your sons' employment with companies doing business with the University.

Conflict Review Panel

The Institutional Executive Conflict Review Panel reviewed the circumstances described above on April 1, 2013, and referred the matter to the Institutional Full Conflict Review Panel ("Panel"), which met on April 16, 2013.

The Panel made a conflict of interest determination pursuant to Administrative Policy: *Individual Conflicts of Interest*, Section I.F.1. It is the Panel's view that, given (i) your chief executive role for the University and (ii) your sons' significant financial interests in companies that do business with the University, a conflict of interest exists under Administrative Procedure: *Avoiding Conflicts of Interest in Special Situations*, Section II. Purchasing, which states:

No employee in direct contact with suppliers or potential suppliers to the University, or who has direct or indirect influence over purchasing decisions or contracts, or otherwise has official involvement in the purchasing or contracting process may:

1. Have any financial, business, or personal interest directly or indirectly in contracts or purchases of goods or services used by the University.

You are further directed to Minnesota Statute Section 15.43, Subdivision 1, which states in part:

Financial interest of agents. No employee of the state or of the University of Minnesota in direct contact with suppliers or potential suppliers to the state or the university, or who may directly or indirectly influence a purchasing decision or contract by

establishing specification, testing purchased products, evaluating contracted services, or otherwise has official involvement in the purchasing or contracting process may:

- (1) Have any financial interest or have any personal beneficial interest directly or indirectly in contracts or purchase orders for goods or services used by, or purchased for resale or furnished to a department or agency of the state or the university.

Conflict Management Plan Mechanisms

The Panel determined that the conflict can be managed through a conflict management plan that includes the following mechanisms:

1. You will have no role in deciding which search firm the University will hire whenever Russell Reynolds is one of the firms under consideration and you would otherwise have input on the choice of the search firm. In these circumstances, the Vice President for Human Resources or delegate, in consultation with the chair or co-chairs of the particular search committee, will select the search firm to be retained by the University.
2. In these circumstances, your conflict of interest will be disclosed to the members of the Search Committee involved in selecting the search firm and these individuals will be advised that a management plan has been issued that precludes you from any participation in the decision-making process regarding the hiring of Russell Reynolds.
3. You will have no role in deciding which construction company the University will hire whenever Mortenson Construction is one of the firms under consideration and you would otherwise have input into the selection of the company.
4. In these circumstances, your conflict of interest will be disclosed to those individuals involved in selecting the contractor and these individuals will be advised that a management plan has been issued that precludes you from any participation in the decision-making process regarding the hiring of Mortenson Construction.

On or about the anniversary date of this conflict management plan, the COI Program will follow-up with you to confirm your compliance with this plan.

You were provided a draft copy of this conflict management plan by the COI Program for your review and comment. In an email response to Lynn Zentner, Director of the Office of Institutional Compliance, dated May 4, 2013, you agreed with the plan's terms.


Dr. Eric Kaler
May 9, 2013
Page 4

A copy of this letter is being provided to Kathryn Brown, Vice President for Human Resources, so that she can assist with the implementation of this plan as it pertains to the Russell Reynolds firm.

Thank you for your cooperation during this review and the very helpful information you provided. Please do not hesitate to contact the COI Program, should you have any questions about this or any other conflict of interest matter. You may contact Lynn Zentner at 612-626-7852 or at lzentner@umn.edu.

Sincerely yours,


Lynn A. Zentner, Director
Office of Institutional Compliance


Daniel A. Feeney, Chair
Institutional Conflict Review Panel

cc: Kathryn Brown, Vice President for Human Resources



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: Overview of System-wide Strategic Planning Process

Review Review + Action Action Discussion

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Stephen Lehmkuhle, Chancellor, UMR
Rebecca Ropers-Huilman, Vice Provost, Faculty Affairs

PURPOSE & KEY POINTS

The purpose of this item is to discuss the development of a system-wide strategic plan. The discussion will include an overview of the proposed charge, the composition of the committee, and the planning process.

The purpose of the system-wide strategic planning process is to better align institutional resources and leverage the University's strengths as a system. This plan will draw from existing campus plans, including the Twin Cities plan [Driving Tomorrow](#), and will be mindful of the distinctive mission and strengths of each campus. The goal of the plan is to develop a document that embraces the 21st Century land grant mission by articulating: the common values, processes, and expectations across campuses; and the contributions of constituent parts of the system to local, national, and global communities.

The system-wide strategic planning committee has been charged with the following:

- Review campus planning documents and annual reports that detail unique areas of strength;
- Gather input from administrators, faculty members, and students on each campus about how system-wide excellence can advantage all campuses; and
- Recommend new opportunities to leverage a system-wide perspective and resources to benefit campus and state-wide communities.

The committee will produce a plan to be used in system-wide decision making. This will guide administration and faculty as they pursue enhanced opportunities for interactions across all campuses, research outreach centers, and extension programs. This planning effort seeks to answer the following questions:

- What is the University's identity as a system?
 - What are its collective strengths and commitments?
 - What are the unique strengths of each individual campus?
- How does the University ensure that unique strengths are complementary and connected within the system?
- How does the University ensure that the strengths of each campus and auxiliary units are accessible to, and meet the needs of, students, faculty, and other stakeholders?
- What strategic intentions should guide short- and long-term planning, decision making, and resource allocation?

BACKGROUND INFORMATION

The Board previously discussed this topic at the following meetings:

- July 2016: *System-Wide Strategic Planning: UMR*, Board of Regents
- June 2016: *System-Wide Strategic Planning: UMC*, Board of Regents
- May 2016: *System-Wide Strategic Planning: UMD*, Board of Regents
- March 2016: *System-Wide Strategic Planning: UMM*, Board of Regents
- October 2015: *Update on UMTC Strategic Plan Implementation*, Board of Regents
- March 2015: *Twin Cities Strategic Plan Implementation Steps and Metrics*, Board of Regents
- October 2014: *Strategic Plan for the Twin Cities Campus*, Board of Regents

System-Wide Strategic Planning Process Board of Regents

President Eric W. Kaler
Chancellor Stephen Lehmkuhle
Vice Provost Rebecca Ropers-Huilman

October 14, 2016

What We Will Cover Today

- Purpose of System-Wide Strategic Planning
- Committee Membership
- Proposed Process
- Discussion

Purpose

- Better align resources and leverage strengths
- Draw on existing campus plans to promote system-level clarity and focus
- Guide decision-making
- Help identify and pursue opportunities across system campuses
- Illuminate and embrace our 21st Century land grant mission by articulating:
 - 1) the common values, processes, and expectations
 - 2) how the unique strengths of the constituent parts of the system can strengthen what the University of Minnesota offers to the State of Minnesota, to our region, and to the world

Proposed Guiding Questions

1. Who are we as a university system?
 - a. What are our collective strengths and commitments?
 - b. What are the unique strengths of individual campuses?
 - c. How do we ensure that the unique areas of strength are complementary and connected within the system?
1. How do we ensure that the collective and unique strengths of our campuses, Extension, and Research Outreach Centers are accessible to and meet the needs of students, faculty, Minnesota communities, and other stakeholders?
1. What strategic intentions should guide decision-making and resource allocation in short-and long-term planning?

Proposed Committee Membership

Objective: *Convene a committee of individuals with system-wide and constituent representation who bring a “University citizen” perspective*

- Co-chairs: Rebecca Ropers Huilman, Twin Cities; and Stephen Lehmkuhle, Rochester campus
- Faculty members
- Students
- Senior leaders with system-wide responsibilities
- Leaders with undergraduate education responsibilities and leaders with graduate and professional education responsibilities

Proposed Process

Three phases:

- 1) Inquiry (Fall 2016)
- 2) Synthesis (January 2017)
- 3) Affirmation (Spring 2017)

Inquiry

- Review campus planning documents and annual reports
- Gather input from each campus and other units about how excellence throughout the system can advantage all campuses
- The inquiry phase includes a work session in December with the Board of Regents

Synthesis

- The Planning Committee will review the input gathered from the campuses and strategic planning documents from each campus
- Based on those insights, the Committee will recommend new opportunities to leverage a system-wide perspective to benefit all our students and citizens across the state
- The Committee may invite others to provide feedback concerning any recommendations
- The synthesis work will largely be completed at a working meeting in January, 2017

Affirmation

- Share initial recommendations with the President
- Share recommendations with each campus and other units and solicit feedback
- Share the committee's initial recommendations with the Board of Regents at the May, 2017 meeting
- The Planning Committee will review feedback from these stakeholder engagements and make final recommendations
- The co-chairs will review the final recommendations with the President in preparation for final consideration by the Board of Regents in June, 2017

Discussion - Key Governance Questions

- Does the stated purpose align with the Board's desires?
- Do the guiding questions appropriately frame the desired inquiry and suggest a useful outcome?
- Does the proposed process meet the Board's vision in terms of stakeholder engagement and timeliness?



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: Overview of Major Budget Levers

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Michael Volna, Interim Vice President and CFO
Julie Tonneson, Associate Vice President, Budget and Finance
Lincoln Kallsen, Director, Institutional Analysis

PURPOSE & KEY POINTS

The purpose of this item is to review financial concepts that will help inform discussions about, and development of, the FY 2018 budget. The discussion will include a review of budget concepts related to various institutional funding and revenue sources. Key questions include:

- Why has the budget process traditionally treated funding sources differently based on their characteristics? How and when does the process incorporate each funding source?
- How is reallocation viewed in the context of resource allocation?
- What are the options for each type of revenue as a lever in balancing the budget?
- What are the dollar equivalencies for particular percentage changes in the revenue levers?

The discussion will also include a review of changes in cost over time by major category, as well as considerations for incorporating cost changes into budget planning. A set of cost levers will be identified, with dollar equivalencies for a particular percentage change or dollar value range based on past trends.

BACKGROUND INFORMATION

Institutional costs are managed from a strategic perspective based on desire and demand for programs and services. However, these costs are often reflected in the annual budget in terms of reductions or additions to “objects of expenditure.” This includes operational costs such salaries, equipment, and communications. Similarly, larger programmatic changes generally take place over a period of several years, yet the associated incremental costs are reflected in the annual budget as isolated expenses. These factors highlight the difficulty of reflecting change in costs for long-term, strategic decisions within the context of one fiscal year. This is why it is often necessary to define cost levers for the annual budget development process as “object of expenditure” categories.

Overview of Major Budget Levers

*Board of Regents
October 14, 2016*



UNIVERSITY OF MINNESOTA

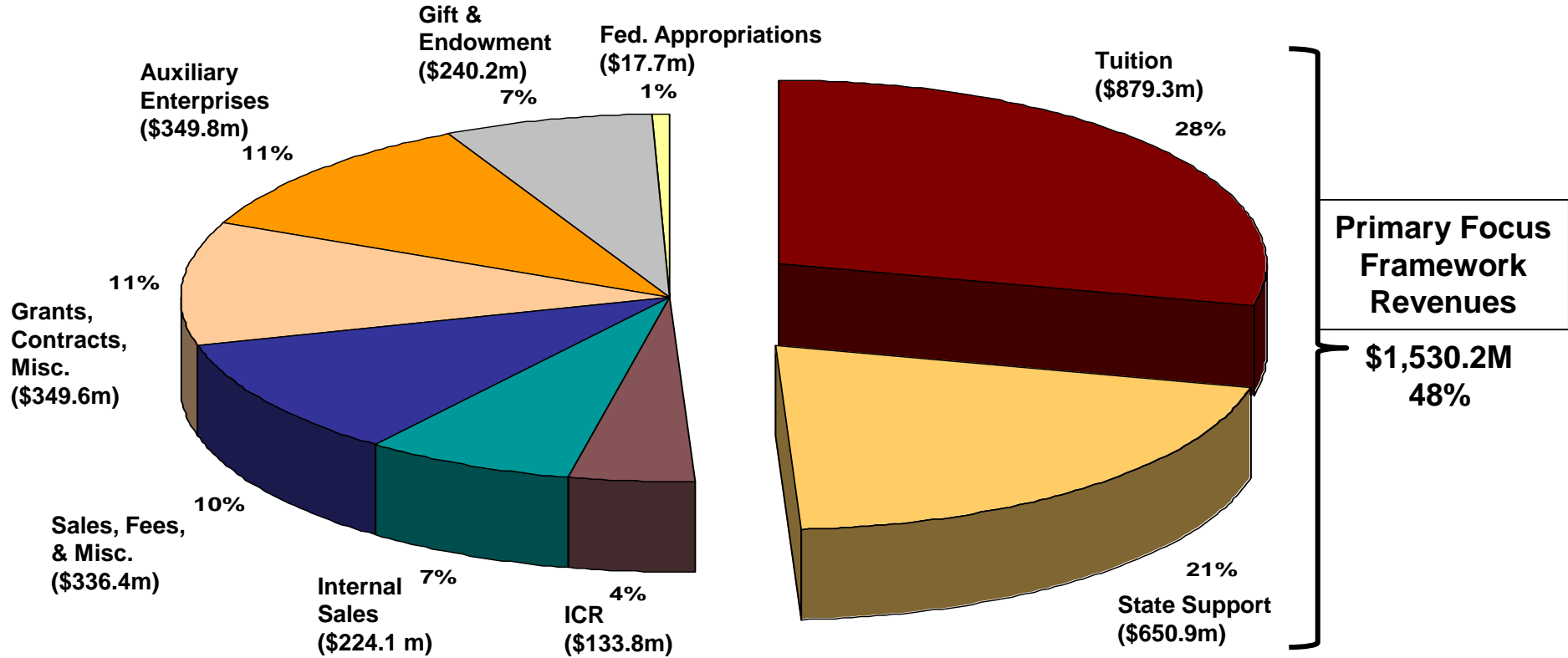
Driven to DiscoverSM

Agenda

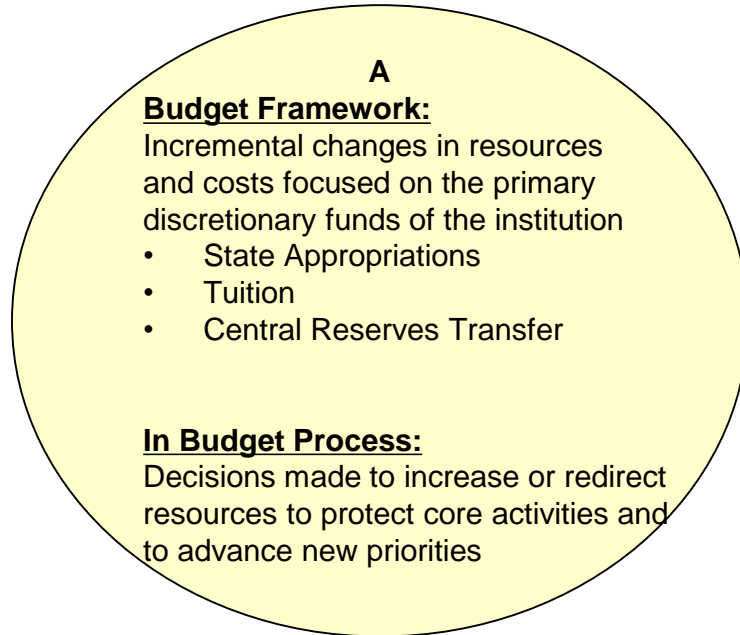
- Revenue Levers
 - Framework vs. Non-Framework Revenues
 - Reallocations
 - Levers for FY18
- Cost Drivers/Levers
 - Cost Categories and Trends
 - Object vs. Function View of Expenditures
 - Levers for FY18

University of Minnesota Non-sponsored Revenue Sources

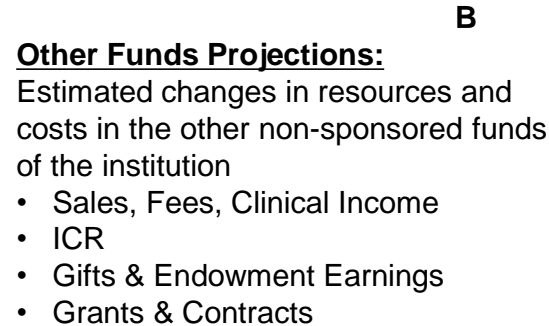
All Funds FY17: \$3.2 Billion



University's Non-Sponsored Operating Budget Categorized Into Two Components for Budget Development



Narrative of Budget Focused Here



In Budget Process:
Increase to cover all associated cost increases/program growth;
Keep growth in student fees to a minimum;
Reallocate within fund source as necessary;
Move costs to/from O&M when possible, appropriate & necessary

The University's All-Funds Operating Budget Recommended to the Board of Regents

Categorized Into Two Components for Budget Development – Why?

Sales and Fees
Clinical Income
Indirect Cost Recovery/F&A

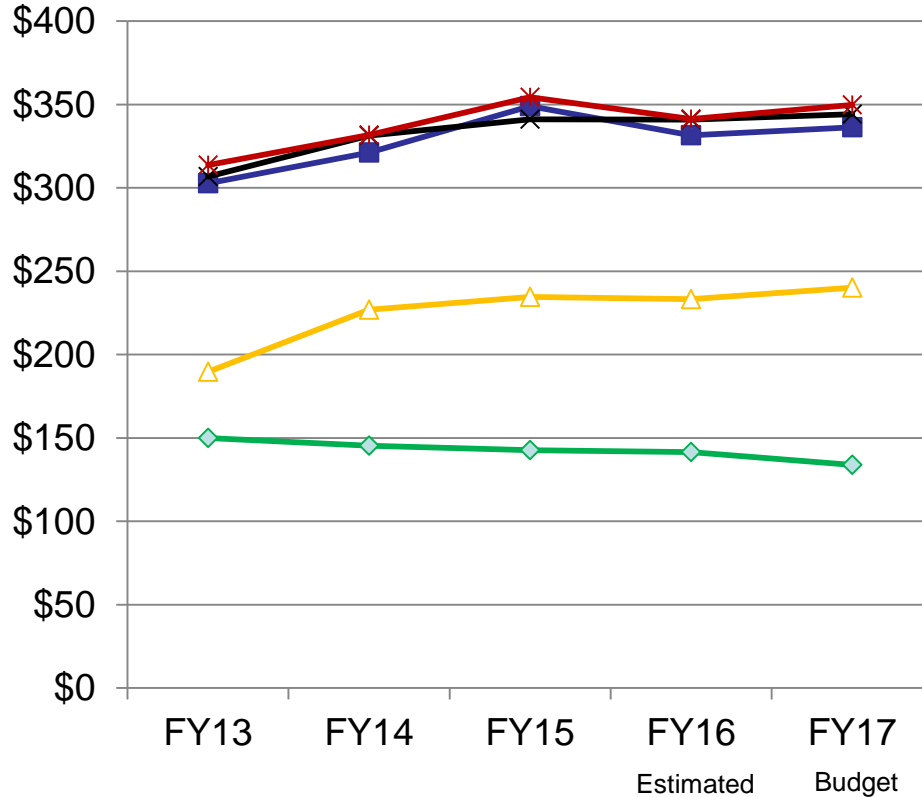
Gifts
Endowment Earning
Non-sponsored Grants & Contracts



- Often for restricted purpose – little discretion
 - External source restricts use
 - Internal policy restricts use
- Generated by unit-level actions – type and magnitude vary by unit
- Overall \$ magnitude of annual change is less significant
- Often cannot plan for steady change – sporadic or slow
- Depending on source – change cannot be considered “recurring”

Trends in Non-framework Revenues

\$ in Millions

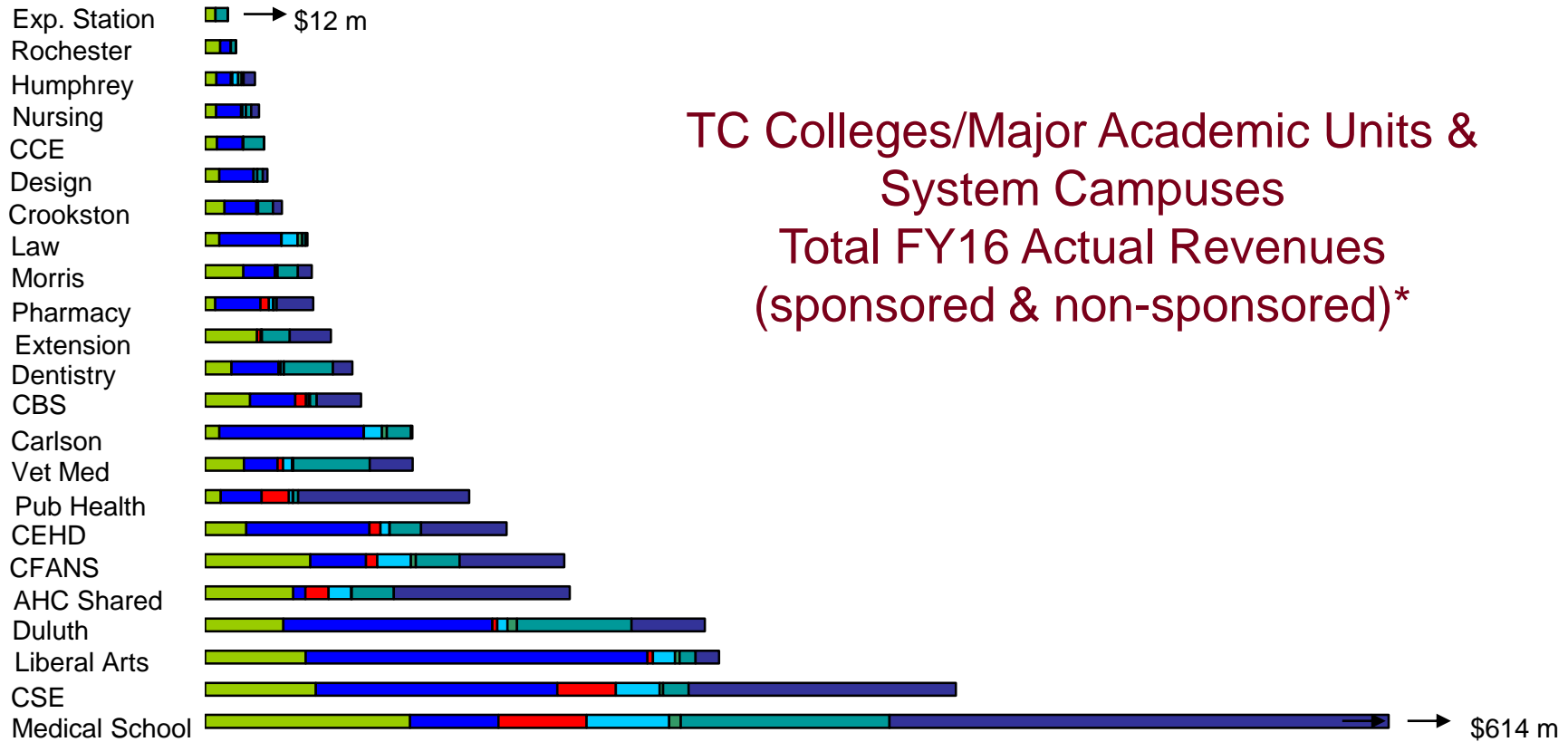


- ◇ ICR
- Fees/Clinical & Misc.
- △ Gifts & Endowment
- ✕ Grants & Contracts
- * Auxiliary

Avg. Annual Change	
%	\$
-2.8%	-\$4.0m
2.8%	\$8.4m
6.4%	\$12.6m
3.0%	\$9.4m
2.9%	\$9.1m

Gifts & Endowments w/o FY14 growth – avg. annual change = 1.9% and \$4m

TC Colleges/Major Academic Units & System Campuses Total FY16 Actual Revenues (sponsored & non-sponsored)*



* Fees/Sales includes auxiliary revenues on system campuses



Reallocation as a “Resource” within the Budget Framework

Part 1: Available Resources

<i>State Appropriation</i>
<i>Internal Reallocation</i>
<i>Tuition</i>
<i>Other Resources</i>

Combined with other resource changes to pay cost increases

Compensation
Strategic Choices
Facilities & Capital Expenses
Operations

Part 3: Balancing the Budget

Reallocation in Other Non-Sponsored Funds

Internal Reallocation
Other Revenues

Combined with other resource changes to pay cost increases & fuel program growth

Compensation
Strategic Choices
Facilities & Capital Expenses
Operations

Reallocations Planned in the Annual Budget Tuition & State \$ Equivalencies

	Planned Reallocation	Equal to What % On Tuition Rate* & \$/student	Equal to What % Increase in State \$
FY12	\$40.5m	9.2% - Avg. \$1,055	7.1%
FY13	\$4.0m	0.9% - Avg. \$106	0.7%
FY14	\$14.9m	3.4% - Avg. \$403	2.5%
FY15	\$16.1m	3.7% - Avg. \$442	2.6%
FY16	\$30.5m	7.0% - Avg. \$838	4.7%

* Resident undergraduate tuition rate – avg. across all campuses

Revenue Levers to Cover Costs

- Non-Framework Funds
 - Continue to grow where possible to cover all associated costs (but keep student fees at a minimum)
 - Continue to look for opportunities to move costs from O&M where appropriate
- Framework Funds
 - State Appropriation
 - Propose funding for program growth that will foster excellence at the University while benefitting the state's economy and citizens, and for basic infrastructure costs to help hold down tuition rates
 - Tuition
 - Build estimates into the budget plan based on implementation of approved enrollment management plan
 - Continue to implement tuition rates for graduate and professional programs based on market and competitive considerations in each arena
- Reallocation - Continue to re-prioritize activities and implement as necessary

Tuition Implications – Approved TC Undergraduate Enrollment Management Plan

Plan Says:

Modest undergraduate growth – potentially 1500-2500 over the next five years

Stabilize or reduce the avg. inflation-adjusted indebtedness at graduation

Attempt to raise the NRNR rates to the mid-point of the Big 10

Keep the resident rate increase to a minimum-remain in the middle half of the Big 10

Lever Impact:

Factor in this growth along with other enrollment changes

Be mindful of the tuition rate component of total cost of attendance

Current variance is ~\$10k – consider rate of change and enrollment issues

Currently 7 of 14 – watch peers

From Work Session – Revenue Budget Levers

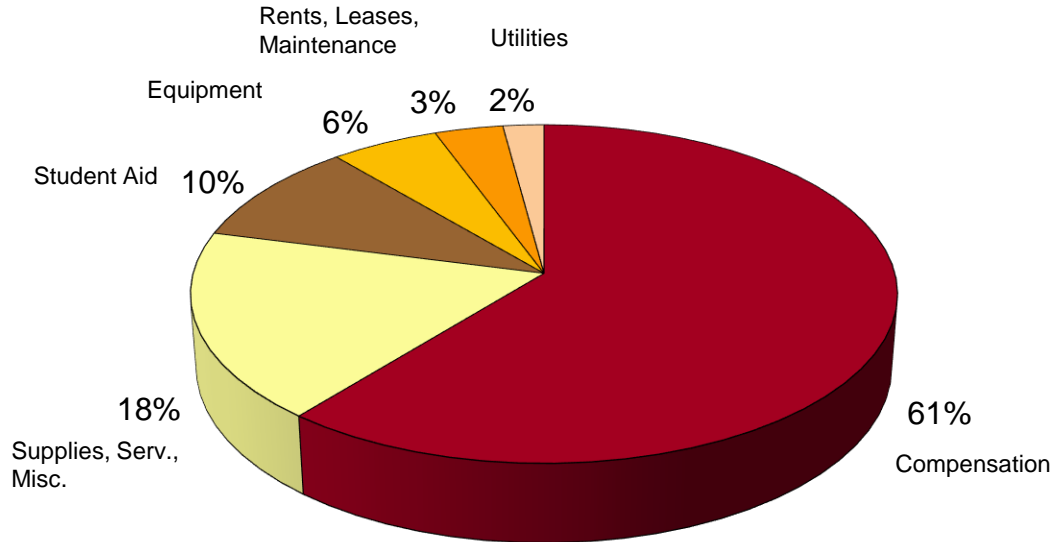
- State Appropriation
 - 1% on GF appropriation base ~ \$6.3M
 - 1% on total appropriation base + resident tuition ~ \$12.9m
- Tuition rate increases (stable enrollment)
 - 1% overall ~ \$8.7 million
 - 1% resident undergraduate ~ \$4.5 million
 - 1% NRNR undergraduate ~ \$1 million
 - 1% grad and professional ~ \$3.2 million
- Enrollment increases
 - 1% undergraduate = 434 students ~ \$5.5M
 - 1% graduate/prof = 175 students ~ \$3.2M
- Reallocation
 - 1% on Framework base ~ \$18.0 million
- Non-Framework Revenues
 - \$x million to cover costs
 - Look for \$x million to support current O&M costs

Other?

University of Minnesota Expenditures All Funds FY17: \$3.6 Billion

Non-Sponsored Funds
\$3,060,761,082

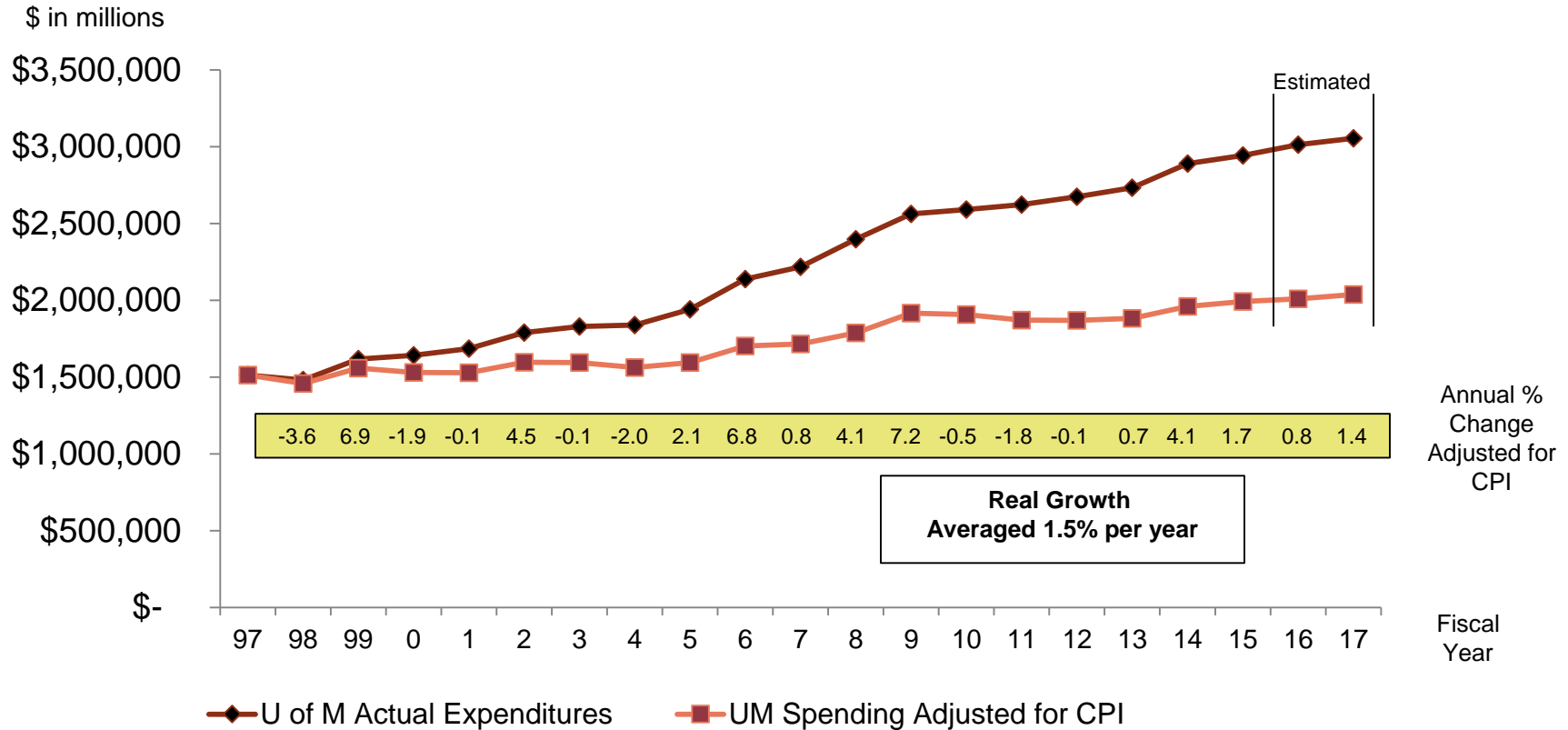
Sponsored Funds:
\$575,000,000



- Expenditures spread across spending categories
- Budgeted as multi-year spending plans

Trend in University of Minnesota Current Non-Sponsored Expenditures 2002 - 2014

Adjusted and Unadjusted for Inflation



“Object” vs. “Function”

Expenditures in “Object” View

Examples:

Salaries
Equipment
Supplies/Services

Accounting & reporting structure
largely built on this view

Expenditures in “Function” View

Examples:

Faculty Recruitment
Compliance
Improved Grad Rates

Build “stories” to describe largely
built from a summary of actions

As levers in budget planning – have to think in both views

Expense and Investment Categories

Framework Costs

```
graph TD; FC[Framework Costs] --> C[Compensation]; FC --> O[Operations]; FC --> FCE[Facilities & Capital Expenses]; FC --> SC[Strategic Choices];
```

Compensation

- Competitive Salaries
- Fringe Benefit Costs

Operations

- Technology Licensing
- Library Inflation/Licensing
- Infrastructure

Facilities & Capital Expenses

- Utilities
- New Building Operations
- Repair and Maintenance
- Debt service

Strategic Choices

- New Academic Initiatives
- Investment in Mission Support
- Institutional Financial Aid

Planning Considerations: Cost Levers

Some costs we must control through management of demand for services or programs

Should we.....?

- Control the number of employees we have at any given time?
- Tie annual salary changes to something?
- Design benefit packages to mirror some entity or industry?
- Expand or contract the number of square feet we own & operate?
- Invest more in maintaining our current physical spaces?
- Invest more in expanding the scope of our mission activities or build strength in our existing portfolio?
- Stop doing something – and if so, what principles should guide those decisions?
- Continue reductions to administrative/support activities (with a worried eye toward compliance functions)?
- Etc.

Planning Considerations: Cost Levers

We can realize functional or activity based investments and cost control through “object of expenditure” changes:

Example—Want to have the “best-ranked” Library - there is no one line item, so -

- allocate \$ for salaries to hire more librarians at higher levels of experience
- allocate \$ for expanded collections
- allocate \$ for facility improvements, equipment, systems, etc.

Example – Want to eliminate an academic program – there is no one line item, so -

- reduce salary expenditures by not replacing retiring faculty
- reduce salary/supplies/equip (etc.) expenditures by eliminating administrative support for student services as enrollment decreases
- reduce facility costs tied to square footage as employees, students and classes decrease

Planning Considerations: Cost Levers

Long term changes and strategies may not be evident from a review of annual budget decisions:

Example from previous slide – Make decision to eliminate an academic program

From decision to full elimination may take many years

(current students allowed to finish program, tenured faculty may not have a place to land, etc.)

Year 1–	Year 2 or 3 –	Year 2, 3 or 4 –	Final (yr. 4?) –
student support costs may decrease as new cohort not enrolled – reported as:	faculty retirement or movement & position not replaced – reported as:	fewer students/ classes/faculty so admin. support can decrease - reported as:	program no longer exists but actions already counted so add'l savings reported as
reduction in general operations	position elimination	position elimination	\$0

From Work Session – Cost “Increase” Budget Levers

- Salaries
 - 1% general salary increase ~ \$16.6M all-funds
 - Faculty salaries make up 30% of salary base
 - Fringe with no salary increase ~ \$28M all-funds
 - 1% salary increase & fringe ~ \$49.5M all-funds
- Strategic Choices: \$10M-\$20M annually
- Institutional financial aid
 - Approximately \$60M annually in “discretionary” financial aid (Promise, Admissions, Graduate)
- Facilities & Capital Expenses: \$2.5-\$3M annually
- Operations: \$1M - \$2M annually
- Debt: \$2.6M estimated for FY18

Other?

Cost “decrease” budget levers – wrapped into implementation of annual reallocations



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: President’s Recommended FY 2018-19 Biennial Budget Request

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Michael Volna, Interim Vice President and CFO
Julie Tonneson, Associate Vice President, Budget and Finance

PURPOSE & KEY POINTS

The purpose of this item is to take action on the University’s Biennial Budget Request to the State of Minnesota for FY 2018 and FY 2019.

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 of singular impact 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 includes four FY2018-19 initiatives (one additional since review in September):

1. Student Success – Advance state and University performance measures (articulated in the University Progress Card) by addressing critical areas of student-focused initiatives surrounding time to graduation, demand for and capacity in science/technology/engineering/math (STEM) programs, and the development of pipeline programs for under-represented students.
2. MnDRIVE – Leverages faculty, research and disciplinary strength through the MnDRIVE program (Minnesota Statute 137.66) 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, and align with grand challenge research and medical discovery team priorities.
3. Core Mission – Acknowledges the University’s responsibility to achieve success in each facet of its mission through increased appropriations to deliver academic excellence and quality student services, continue world-class research and engagement activities, and maintain

technology, equipment and aging facilities across five campuses.

4. NRRI Applied Research for Economic Development – Acknowledges the need at the Natural Resources Research Institute (NRRI) on the Duluth campus to recruit new, unique skills and a strong researcher support base for collaborative execution of strategic research programs in three target arenas: minerals, mining & water; energy & the environment; and forest products & bio-economy.

The total request for these four items is \$40.6 million in FY18 and an additional \$45 million in FY19. The biennium to biennium appropriation increase (fiscal years 2018 and 2019 compared to fiscal years 2016 and 2017) would be \$126.2 million or 10.1%.

In addition, this biennial budget request includes two items related to past legislative sessions:

1. Replacement of UCare Funding – Replacement of UCare funding is an exceptional need left unresolved during the 2016 legislative session. The University's 2016 supplemental budget request included funds to replace the loss of financial support from UCare, a health care insurer created over thirty years ago by the University to serve public program patients. While no longer a part of the University, UCare has continued to provide operating funds to the Department of Family Medicine and Community Health and the Mobile Dental Clinic, which it can no longer do as a result of a Department of Human Services decision not to award a contract to UCare for Medicaid and other public programs. To replace that loss of financial support and continue critical health training and services statewide, this proposal includes a request for \$6 million in FY18 and an additional \$2 million in FY19.
2. Bell Museum and Planetarium Operations – The University is seeking support for enhanced services and facility operations of the new, state-of-the-art Bell Museum and Planetarium scheduled to open on the St. Paul campus in the summer of 2018. After factoring in projected earned income, a state investment is needed to ensure the operating base budget is sufficient to realize the state's intended vision for the museum. The larger footprint will result in a 100 percent increase in the number of students served daily and programmatic additions, including:
 - A new 120-seat planetarium;
 - Four dedicated K-12 classrooms;
 - Exhibitions that include mechanical and electronic interactives;
 - Videos, and other complex custom-made components; and
 - The Planetarium's sophisticated projector and computer server system.

These items contribute to the need for additional funding, and this proposal includes a request for \$2 million in FY18 and an additional \$3 million in FY19.

BACKGROUND INFORMATION

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

The Board reviewed the FY 2018-19 Biennial Budget Request at its September 2016 meeting.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to the State Biennial Budget Request for FY 2018-19.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

State Biennial Budget Request for FY 2018-19

WHEREAS, the University of Minnesota, 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 engagement; and

WHEREAS, the University proposes to strengthen its focus on the long-term success of its students by improving retention and graduation success, in accordance with the Progress Card approved by the Board of Regents and the performance measures included in 2013 and 2015 appropriation law from the State of Minnesota; and

WHEREAS, the University and the State of Minnesota play a critical role in supporting and strengthening economic and community vitality, improving the environment, and advancing 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 is committed to achieving operational excellence and efficiencies through internal actions to reduce administrative and operating costs and reinvest those savings in mission critical strategies; and

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

WHEREAS, many research opportunities are developing across the University's research community for which the Natural Resources Research Institute (NRRI) is viewed as a valuable partner, where added investment will allow those partnerships to grow, resulting in statewide, regional and global impacts; and

WHEREAS, the University plays a critical role in delivering essential education and training of the medical professionals across the state, and

WHEREAS, the new Bell Museum is scheduled to open in the summer of 2018 and the University is poised to fully utilize and realize the vision for the new facility,

NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2018-2019 biennium be adopted by the Board of Regents for presentation to the State of Minnesota. The request is for a general fund appropriation of \$674,949,000 in fiscal year 2018 and \$724,949,000 in fiscal year 2019 for a biennial total of \$1,399,898,000 in the form of general operations and maintenance and state specials appropriations. The Board of Regents further requests continuation of fiscal year 2017 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.

FY 2018-19 Biennial Budget Request

Board of Regents | October 14, 2016

President Eric W. Kaler
Interim Vice President Michael Volna



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Legislative Budget Request

- **Student Success** - Improve retention, graduation rates, access to high-demand STEM fields and admissions pipeline for underrepresented students
- **MnDRIVE** – Fuel research initiatives to address Grand Challenges and advance Medical Discovery Teams
- **Core Mission** – Support academic and operational excellence, and keep the lid on tuition for Minnesota residents
- **NRRI-Applied Research for Economic Development** – recruit new, unique skills and a broader researcher support base for collaborative execution of strategic research programs in NRRI’s three target arenas: minerals, mining and water; energy and the environment; and forest products and bioeconomy
- **Health Training Restoration** – Fill funding gap for critical health training and services statewide following loss of UCare support
- **Bell Museum** - Expand program reach and realize intended vision for Minnesota’s new and innovative museum on St. Paul campus

Addition
Since
September

Student Success

Improve students' long-term success and reduce student debt systemwide:

- Create Student Success Center
- Enhance equity through admissions pipeline and retention initiatives
- Promote — and eliminate backlog in — STEM education

Request

<i>Incremental over prior year</i>	FY18	FY19
Total	\$8.5M	\$5.0M



Student Success — Outcomes

- Increase graduation and retention rates
- Graduate more computer science students and others in STEM fields for state's workforce
- Reduce student and family college debt
- Increase enrollment and retention of students of color
- Achieve goals of State of Minnesota Dashboard



MnDRIVE

2016-17 Request

- Build on the successes of MnDRIVE
- Leverage the University's strengths, expertise and resources
- Further address the needs of the state, its residents, and industries
- Support the growth of targeted industry clusters
- Create new Minnesota-based companies

Request

<i>Incremental over prior year</i>	FY18	FY19
Initiatives Total	\$8.5M	\$15.0M

MnDRIVE – Improving Cancer Care Statewide

- Increase Minnesotans' access to cutting-edge cancer trials — and hope for cures and improved treatments
- Create an integrated, multi-site clinical trial network with partners across the state
- Provide consistency in research and patient safety

Outcomes

- Increase equitable access to care statewide
- Improve health for rural Minnesota patients
- Attract more industry-sponsored trials
- Move successful treatments to the general public more quickly



MnDRIVE – Eliminate Disparities

- Advance research, education and public policy to reduce inequities in:
Education, Employment, Health,
and the Criminal Justice System

Outcomes

- Increase workforce diversity
- Close opportunity gaps
- Inform policy and organizations' responses to these issues
- Foster public-private collaboration
- Improve Minnesota's economic vitality
- Advance Minnesota's Dashboard goals



MnDRIVE – Clean and Abundant Water

Driven by the reality that water is a precious and increasingly scarce resource, we will:

- Develop new technologies and solutions to improve water management
- Create new models for water quality and quantity monitoring
- Promote partnerships to improve community water management

Outcomes

- Deliver a secure and abundant supply of clean water
- Enhance long-term viability of key Minnesota industries
- Support the State of Minnesota's Dashboard
- Identify new technologies that can be commercialized by Minnesota businesses



Core Mission

Support academic and operational excellence on all campuses and across the University's core land-grant, teaching, research and public engagement mission

Increased state appropriation, plus modest growth in other revenues and continued internal reallocations, will allow us to address needs related to . . .

- Competitive compensation to retain talented faculty and staff
- Classrooms and equipment
- Compliance requirements
- Research and technology infrastructure
- Operation and maintenance of core facilities

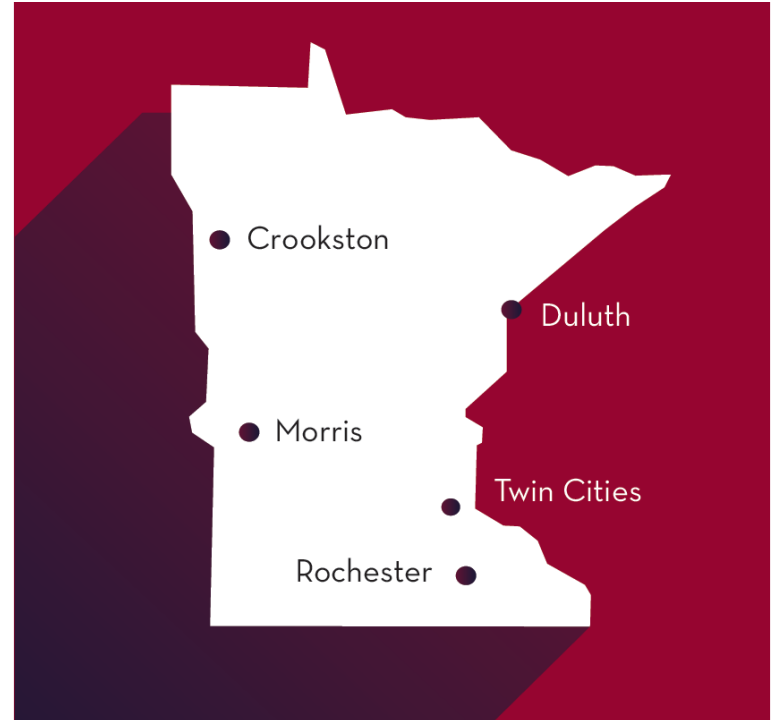
Request:

<i>Incremental over prior year</i>	FY18	FY19
Initiatives Total	\$22.6M	\$23.0M

Core Mission

Outcomes

- Retain faculty and staff to enrich student experience and discovery
- Maintain valuable academic and student programs
- Ensure safe, attractive and comfortable space for the more than 100,000 people who work, study and visit our five campuses daily
- Minimize tuition growth



NRRI – Applied Research for Economic Development

Funds to recruit new, unique skills and a strong support base for collaborative research programs in three target arenas: minerals, mining & water; energy and the environment; and forest products and bio-economy

Request

<i>Incremental over prior year</i>	FY18	FY19
Total	\$1.0M	\$2.0M

Outcomes

- Develop expertise and collaborations to manage Minnesota water quality, wildlife and forests
- Grow NRRI research staff to be more competitive for grants and contracts, and grow partnerships within 'U' system to deliver statewide, regional and global impacts

Health Training Restoration

Replacement support to continue to provide critical health training and services statewide

Outcomes

- Support core clinical training, education and research programs in the Department of Family Medicine and Community Health
- Fund the Mobile Dental Clinic for underserved communities
- Enhance access to care in Greater Minnesota

Request

<i>Incremental over prior year</i>	FY18	FY19
Initiatives Total	\$6.0M	\$2.0M

Bell Museum

Fund expanded operations of the new museum, its planetarium, K-12 classrooms and gallery space, and increase access to STEM education for children and all visitors

Request

<i>Incremental over prior year</i>	FY18	FY19
Total	\$2.0M	\$3.0M

Outcomes

- Support and fulfill the mission of the State's natural history museum
- Inspire and educate young Minnesotans from across the state
- Preserve Minnesota's natural history
- Help close the State's STEM achievement gap

Biennial Budget Request – General Fund

FY2018 - 2019

<i>Incremental over prior year</i>	2018	2019
Student Success	\$8.5	\$5.0
MnDRIVE	\$8.5	\$15.0
Core Mission	\$22.6	\$23.0
NRRI-Applied Research for Economic Development	\$1.0	\$2.0
Health Training Restoration	\$6.0	\$2.0
Bell Museum Operations	\$2.0	\$3.0
Total University Request	\$48.6	\$50.0

(dollars in millions)

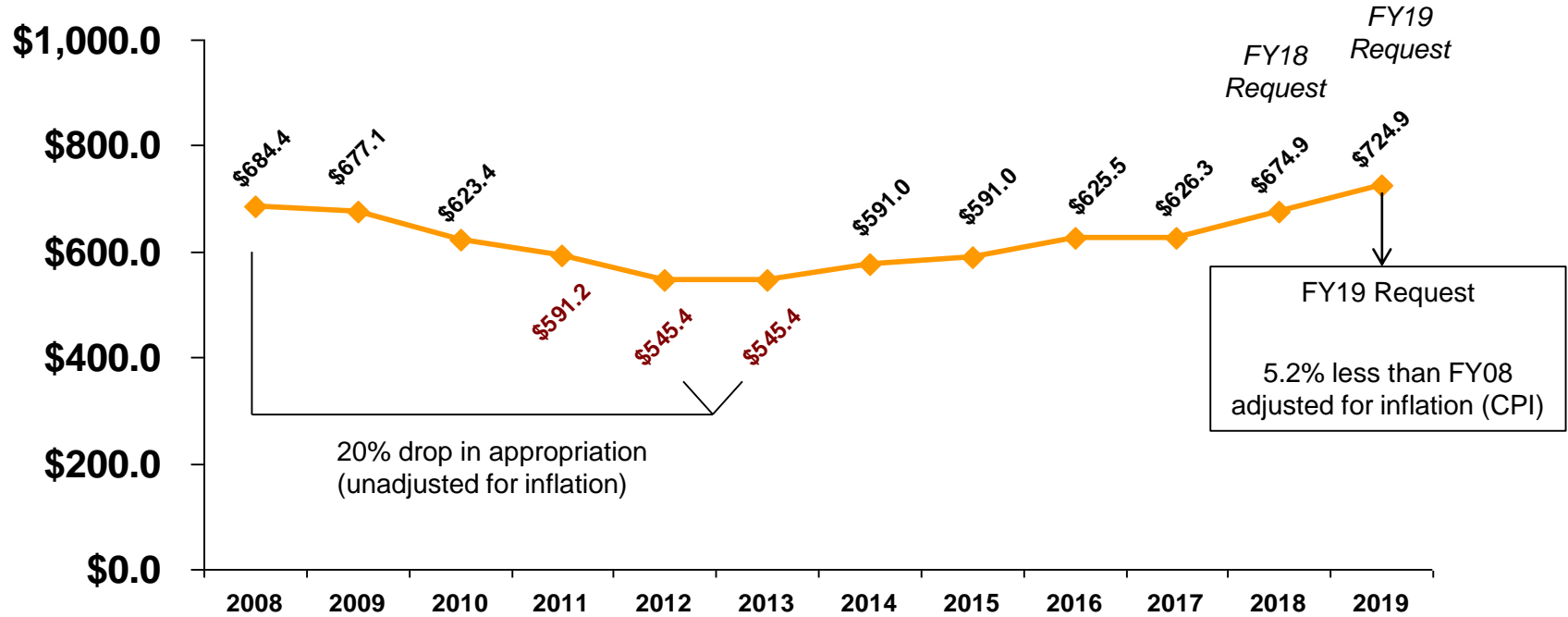


<i>Change to current base – biennial math</i>	Biennial
Beginning Base	\$1,252.6
Four New 2018-19 Initiatives	\$126.2
Subtotal Appropriation with New Initiatives	\$1,378.8
% change from base	10.1%
Four New 2018-19 Initiatives + Health Training & Bell Museum	\$147.2
Total Appropriation Requested with Health Training and Bell Museum	\$1,399.8
% change from base	11.8%

State Appropriations Trend: 2008-2017*

Operations & Maintenance/State Specials

(\$ in millions)



*Excludes Cigarette Tax, MnCare, and nonrecurring project appropriations



NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2018-2019 biennium be adopted by the Board of Regents for presentation to the State of Minnesota. The request is for a general fund appropriation of \$674,949,000 in fiscal year 2018 and \$724,949,000 in fiscal year 2019 for a biennial total of \$1,399,898,000 in the form of general operations and maintenance and state specials appropriations. The Board of Regents further requests continuation of fiscal year 2017 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.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: President's Recommended 2016 Six-Year Capital Plan

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

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Michael Berthelsen, Interim Vice President
Michael Volna, Interim Vice President and CFO

PURPOSE & KEY POINTS

The purpose of this item is to take action on the 2016 Six-Year Capital Plan (Plan), which includes major capital improvements planned for years 2017 through 2022. The Plan includes projects to be funded with state capital support as well as projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships.

Year 1 of the Plan (2017) outlines projects that the University will submit to the State of Minnesota for consideration during the 2017 legislative session.

BACKGROUND INFORMATION

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

The Board reviewed the 2016 Six-Year Capital Plan at its September 2016 meeting.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to the 2016 Six-Year Capital Plan.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The 2016 Six-Year Capital Plan

WHEREAS, preserving the University campuses through stewardship of public investments that have been made over 165 years is a commitment the Board has made to the State; and

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

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the 2016 Six-Year Capital Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research, and outreach objectives.

Overview

2016 Six-Year Capital Improvement Plan for FY2017 – FY2022

University of Minnesota

Overview

The *2016 Six-Year Capital Improvement Plan* (The Plan) for the University of Minnesota establishes the University's capital requests to be submitted to the State for consideration; sets priorities and direction for continued capital project and academic planning efforts; identifies the impact of additional University debt; assigns responsibility for capital fundraising; and forecasts additional building operational costs. The Plan is updated on an annual basis, and approved by the Board of Regents.

The President's recommended *2016 Six-Year Capital Improvement Plan* includes:

- 2017 state capital request
- Future state capital requests for 2018 through 2022
- Major projects scheduled to be financed with University resources during the period FY2018 through FY2022

Capital Process Leadership

The development of the University's overall capital improvement plan is guided by the Capital Strategy Group (CSG). The CSG includes:

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

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

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

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

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

Planning Process

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

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

- *Financial parameters* - The University reviews state economic forecasts, Minnesota Management and Budget debt capacity estimates and financial reports, past trends, and budget instruction documents to help shape the size of The Plan relative to the State bonding bill. The University also projects its debt capacity annually and builds the capital plan in adherence to the debt guidelines expressed in Board of Regents policy. The University also evaluates its capacity to fundraise for specific projects.
- *Operating budget impact* - The University has placed an increased emphasis in this plan update on each submitting RRC's ability to fund the incremental operating (facility and programmatic) and debt costs associated with proposed projects. RRCs are expected as part of feasibility analysis stage to work with staff from the Office of Budget and Finance and University Services to develop preliminary estimates for operating and debt costs. RRCs should make the assumption that all incremental costs will need to be funded from RRC resources and should discuss operating cost impacts for projects in The Plan as part of their annual budget meetings with the Office of Budget and Finance.
- *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 and others, cannot be renovated until Earth Sciences moves out of the building and into a renovated John Tate Hall, which in turn had to wait until Physics and Nanotechnology was completed.

- *Impact on academic programs (both research and instructional)* – The University manages the level of disruption that can be absorbed while still maintaining the operation of its research and teaching. Because the University does not close, renovations require “swing space” for programs to continue to operate and the institution needs to maintain a level of functional classrooms.
- *Health, safety, and regulatory requirements* – The University needs to maintain the health and safety of all its students, faculty, and staff, regardless of the program. These issues require some projects to be included in The Plan.
- *Geographic Distribution* – The University is a system with programs and facilities across the State of Minnesota. The Plan reflects the need to balance investment across the institution.

Project Stages

The 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).

To initiate a potential project (Proposal Stage), RRCs submit a request to complete a Feasibility Study to Capital Planning and Project Management. The Feasibility Study request is accompanied by a completed Capital Needs Identification Form. Requests are reviewed with the respective Vice President and the Capital Strategy Group prior to initiating the study.

Potential projects with completed Feasibility Studies are considered for inclusion in The Plan (Planning and Feasibility Stage). Projects included in The 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 Plan that have completed Predesigns and that require State funding are submitted to the State for consideration during the bonding process. Projects are eligible to begin fundraising once the predesign process is substantially complete.

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

Project Costs

Costs for projects in the Proposal or Planning and Feasibility stages in The Plan are order-of-magnitude estimates. Projections are based on square foot costs recently experienced with comparable building and space types at the University, applied to the estimated square footage of each project. Feasibility and predesign studies are prepared for projects at the appropriate time to determine more accurate cost figures.

Costs for projects in the Resource Acquisition stage, with completed predesigns, have been escalated to midpoint of construction as required for submission to the State as part of the University's state capital request.

Projects under consideration are shown with zero dollar cost estimates. Feasibility studies will be completed to determine approximate cost, scope, funding and schedule.

Cost figures in The Plan are updated when the plan is reviewed annually.

Areas of Focus for the 2016 Six-Year Capital Plan

The Plan is largely a continuation of previously expressed priorities updated to reflect the outcome of the 2016 capital request to the State.

The Plan is 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 FCA poor and critical space

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

Five key initiatives designed to advance strategic plan goals are embedded in the updates to The Plan.

- *Renovation or replacement of FCA Poor or Critical buildings* - Currently, about one third of University space (8.3 million square feet) is rated Poor or Critical in the Facility Condition Assessment (FCA). Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is in conflict with our goal of being an “exceptional University”. The Plan puts a strong emphasis on fixing or replacing some of our worst buildings. Higher Education Asset Preservation and Replacement (HEAPR) funding remains at the core of this strategy. Proposed investments involving Pillsbury Hall, Child Development, Mayo Building, Biological Sciences Greenhouse, and several yet to be selected critical facilities are all designed to advance this strategic goal.

A key component of the University's broader capital investment planning and HEAPR prioritization processes is the development of a building-by-building strategy. Under this initiative, planning and facilities staff are working to identify needs in each of the University's 916 buildings, and to classify them as “keep up / catch up”, “sustain”, or “dispose” based on a combination of factors including facility

condition, historic consideration, programmatic relevance, and adaptability. With this information, the University and its colleges and departments can plan investments and prioritize projects accordingly.

- *Advancing the Health Sciences* – This plan proposes three large investments in improving the educational and clinical research spaces for the Medical School and the other colleges of the Academic Health Center (AHC). Phases I and II were called out in the \$10 million of funding provided to the University by the State as an outcome of the 2015 session. Phase I will renovate, build new, and demolish outdated facilities for an integrated Health Sciences Education Center. Phase II will target necessary facilities to support a new Clinical Research Facility. A proposed Phase III would seek modern replacement space for programs currently housed in the Mayo Building, a complex of individual former hospital buildings constructed between 1920 and 1950 that are well past their useful life. The goal of this sequence of projects is to make significant progress towards the University’s goal of decommissioning the Mayo Building while advancing the quality and capability of the University’s health science programs in education, research, and clinical care.
- *Modernizing Saint Paul campus research laboratories* – In the 2013 Six-Year Capital Plan the University identified a need to invest in Saint Paul campus research laboratories and outlined a sequence of renovation, new construction, and decommissioning actions that focused on the needs of the College of Food, Agricultural, and Natural Resource Sciences (CFANS), the College of Veterinary Medicine (CVM), and the College of Biological Sciences (CBS). Leadership on the Saint Paul Campus identified a need for facilities capable of addressing the challenges of determining how safe, affordable, nutritious food can be provided for 9 billion people over the next 40 years while ensuring environmental sustainability, strengthening economic stability, and promoting public health.

The State provided funding to upgrade facilities and equipment for the Aquatic Invasive Species Lab and the Bee Research Lab in 2014. Funding to replace the Veterinary Isolation Facility was approved in the 2015 session. The University is again requesting funds in 2017 to replace the obsolete and FCA critical Biological Sciences Greenhouse. Additional requests to repair or replace laboratories on the Saint Paul are included in 2019 and 2020.

- *Expanding capacity in STEM programs* – Student demand for Science, Technology Engineering, and Math (STEM) programs as well as State performance measures related to STEM degrees has increased the need for additional laboratory facilities. Chemistry is a core component of most STEM programs and an inadequate supply of chemistry labs is restricting the University’s ability to meet demand and move students through the necessary course sequences. The University received design funding for the UMD Chemistry and Advance Materials Science building in 2014 and has included the balance of the project on the 2017 State Capital Request. The Plant Growth Research Facility and Academic and Student Experience Investment

program in the 2017 State Capital Request make investments in STEM related teaching and research laboratories on the UMC and UMTC campuses. The Plan also includes funding on the Twin Cities Campus for a Chemistry Teaching Laboratory Facility (2018) and a Chemistry Research Facility (2020).

- *Repositioning Libraries for the 21st Century* – In order to fuel the growth of scholarly understanding and new knowledge, institutions of higher education provide individuals with access to physical and digital collections that have traditionally been housed in campus library buildings. Growth in collections that have statewide and even national significance must be managed differently than the practices of the last 20 years. By virtue of their location and size, library spaces are in high demand for use by the campus community, to support collaboration, learning and other scholarly interaction. Capital investments are planned to provide appropriate storage and retrieval systems in order that physical materials remain accessible, but are no longer housed in the library buildings they currently occupy. Equally important will be investments in existing libraries so they remain the center of campus scholarship and exchange by creating flexible teaching, learning, and collaboration spaces. These investments will consider and address the needs across the University system of libraries and other collections. The FY2017 Annual Capital Budget included funding for the Rare Book Discovery Center. The Plan includes funding for Collections and Contemporary Learning on the Twin Cities campus to renovate Murphy Warehouse and Wilson Library in 2017 and 2018 and funding to update the Briggs Library on the Morris campus in 2018.

2016 Six Year Capital Plan
Project Description Report

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

Definitions

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

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

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

Project Costs

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

Projects under consideration are shown with zero dollar cost estimates. Feasibility studies will be completed to determine approximate cost, scope, funding and schedule.

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

466 Academic and Student Experience Investments

Vice President: Systemwide

RRC: Systemwide

Campus: Systemwide

Contact: Multiple

Facility: Systemwide

Year: 2017

Total Cost: \$24,000

Stage: Resource Acquisition

Description: This project will implement targeted strategic investments to modernize existing teaching, research, student support spaces systemwide. Funds will be allocated to advance high priority projects focused on learning spaces, student support services and research laboratories:

- \$4,800 for UMC to upgrade classrooms and laboratories in Dowell Hall, Sahstrom Hall and Owen Hall
- \$4,800 for UMM to renovate teaching spaces in the Humanities Building and Blakely Hall.
- \$6,000 for UMD to renovate A. B. Anderson Hall
- \$8,400 for UMTC to renovate teaching and research laboratories in the Biological Sciences Center.

This project was included in the University's 2016 State bonding request.

408 AHC Phase I: Health Science Education Center

Vice President: Health Sciences

RRC: Health Sciences

Campus: UMTC

Contact: Jackson, B.

Facility: Academic Health Center

Year: 2017

Total Cost: \$104,000

Stage: Resource Acquisition

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

This project was included in the University's 2016 State bonding request.

441 AHC Phase II: Clinical Research Facility

Vice President: Health Sciences

RRC: Health Sciences

Campus: UMTC

Contact: Jackson, B.

Facility: Academic Health Center

Year: 2020

Total Cost: \$80,000

Stage: Proposal

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

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

454 AHC Phase III: Mayo Replacement

Vice President: Health Sciences

Campus: UMTC

Facility: Academic Health Center

Total Cost: \$90,000

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

RRC: Health Sciences

Contact: Jackson, B.

Year: 2022

Stage: Proposal

488 Armory Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: Armory

Total Cost: \$35,000

Description: This project will renovate the 72,000 sf Armory building in the Old Campus Historic District of the Minneapolis campus. The project will correct code deficiencies, update HVAC and electrical systems and modernize the facility to support University needs.

RRC: Academic Affairs

Contact: Hanson, K.

Year: 2020

Stage: Proposal

527 Athletic Facilities Targeted Improvement Projects

Vice President: Intercollegiate Athletics

Campus: Systemwide

Facility: Multiple

Total Cost: To be determined

Description: This project will implement targeted investments to upgrade athletics facilities and infrastructure systemwide. Priority projects may include the following:

- Improvements to Robbie Soccer Stadium
- Office re-allocation and remodeling within the current Bierman and Gibson-Nagurski Complex
- Locker rooms and office space at UMC
- Locker rooms and training facilities at UMM

RRC: Intercollegiate Athletics

Contact: Coyle, M.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

419 Bolstad Golf Course Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: Bolstad Golf Course

Total Cost: To be determined

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

Contact: Brown, D.

Year: Under Consideration / Evaluation

Stage: Proposal

421 Boynton Health Services Remodel / Relocation

Vice President: Academic Affairs

Campus: UMTC

Facility: Boynton Health Service

Total Cost: To be determined

Description: The existing Boynton Health Services building has significant facility issues and the University's Long Term Development Framework, approved by the Board of Regents, shows the site as having potential for riverfront residential development. A feasibility study is needed to confirm the immediate and long term needs for the Boynton Health Services programs, the existing Boynton facility and the site.

RRC: Student Affairs

Contact: Brown, D.

Year: Under Consideration / Evaluation

Stage: Proposal

535 Center for Student Success

Vice President: Academic Affairs

Campus: UMTC

Facility: 10 Church Street

Total Cost: To be determined

Description: This project will renovate or replace approx. 56,000 square feet in 10 Church Street (former Bell Museum) for Admissions, innovative learning spaces and Academic Support Resources. The new or renovated facility will allow Fraser, Williamson Hall and one floor of Jones Hall to be vacated. The vacated Fraser Hall is planned for the new Chemistry Teaching Facility.

RRC: Undergraduate Education

Contact: McMaster, R.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

532 Center for Transportation Studies Relocation

Vice President: Research
Campus: UMTC
Facility: TC Campus
Total Cost: To be determined
Description: This project will create office and computational space to support the displacement of the Center for Transportation Studies from the Transportation and Safety Building.

RRC: Research
Contact: Herman, B.
Year: Under Consideration / Evaluation
Stage: Proposal

410 Chemistry and Advanced Materials Science

Vice President: Chancellor, Duluth
Campus: UMD
Facility: New Facility
Total Cost: \$42,380
Description: This project will construct approximately 58,000 square feet of research laboratories, instructional laboratories, teaching space, offices, and meeting space for the Swenson College of Science and Engineering on the Duluth Campus. The building is conceived as three stories with a mechanical and electrical penthouse. The research laboratory space, consisting of flexible wet and dry labs with adequate utilities, environmental controls and modern safety accommodations, will serve the needs of evolving research and teaching pedagogy.

RRC: Duluth Campus
Contact: Black, L.
Year: 2017
Stage: Resource Acquisition

This project received state bond funding in 2014 for predesign and design services. This project was included in the University's 2016 state bonding request.

456 Chemistry Research Laboratory Investment

Vice President: Academic Affairs
Campus: UMTC
Facility: TC Campus
Total Cost: \$40,000
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.

RRC: College of Science and Engineering
Contact: Mukasa, S.
Year: 2021
Stage: Proposal

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

451 Chemistry Teaching Laboratory Facility

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$60,000

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. Fraser Hall renovation/new construction is planned.

RRC: College of Science and Engineering

Contact: Mukasa, S.

Year: 2018

Stage: Planning & Feasibility

455 Child Development Replacement

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$21,000

Description: This project will renovate or replace the FCA-critical and functionally obsolete Institute of Child Development building. The project will provide state-of-the-art facilities for the Shirley G. Moore lab school and create other spaces to support research and support recruitment of new faculty and graduate students. Predesign will be underway in early 2017.

RRC: College of Education and Human Development

Contact: Quam, J.

Year: 2018

Stage: Planning & Feasibility

517 Collections and Contemporary Learning

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$60,000

Description: This project will begin to address the collections needs of the University of Minnesota for the next 20 years. Relocation of various library collections into the Murphy Warehouse from around the library system will enable the creation of new, innovative spaces for teaching and research in prime locations. Secure, environmentally controlled space in the Murphy Warehouse facilities will provide for storage, preservation, regeneration and characterization of essential resources. Wilson library will be renovated to better support contemporary learning and scholarship with services focused on enabling new discovery, interaction with digital media and technology tools, community engagement, teaching, and study areas.

RRC: University Libraries

Contact: Lougee, W.

Year: 2018

Stage: Planning & Feasibility

This project will seek \$6 million in funding for design in 2017 and \$54 million for construction in 2018. Total project value is \$60 million.

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

518 Critical Facilities Renewal - 2018

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$36,000

Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

RRC: Academic Affairs

Contact: Hanson, K.

Year: 2018

Stage: Planning & Feasibility

468 Critical Facilities Renewal - 2019

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$45,000

Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

RRC: Academic Affairs

Contact: Hanson, K.

Year: 2019

Stage: Planning & Feasibility

457 Critical Facilities Renewal - 2020

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$45,000

Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

RRC: Academic Affairs

Contact: Hanson, K.

Year: 2020

Stage: Proposal

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

470 Critical Facilities Renewal - 2021

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$45,000

Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

RRC: Academic Affairs

Contact: Hanson, K.

Year: 2021

Stage: Proposal

520 Critical Facilities Renewal - 2022 Project A

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$45,000

Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

RRC: Academic Affairs

Contact: Hanson, K.

Year: 2022

Stage: Proposal

534 Critical Facilities Renewal - 2022 Project B

Vice President: Systemwide

Campus: Systemwide

Facility: Systemwide

Total Cost: \$45,000

Description: This project will be defined in a future plan to repair or replace an FCA poor or critical facility. Currently, about one third of University space (8.3 million square feet) is rated poor or critical. Still, students study and live in those buildings, staff work in those buildings, faculty office in those buildings, and patients receive care in those buildings. This is unacceptable situation for an “exceptional University”.

RRC: Systemwide

Contact: Berthelson, M.

Year: 2022

Stage: Proposal

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

523 Dairy Research Facilities

Vice President: Academic Affairs

Campus: UMTC, WCROC

Facility: New Facility

Total Cost: To be determined

Description: This project will invest in dairy research and education on the St. Paul Campus and at the West Central Research and Outreach Center. The University is partnering with the Minnesota Dairy Research/Education and Consumer Outreach Authority and the Minnesota dairy industry to raise funds for this effort. The total value of the investment is anticipated to be approximately \$35m.

RRC: College of Food, Agriculture and Natural Resource Science

Contact: Buhr, B.

Year: Under Consideration / Evaluation

Stage: Proposal

533 Glensheen Facility Investment

Vice President: Chancellor, Duluth

Campus: UMD

Facility: Glensheen

Total Cost: To be determined

Description: This project will reinvest in the University's historic 7.6 acre Glensheen estate. The estate is comprised of the following components: Manor House (42,100 gsf), Carriage House (11,900 gsf), Gardener's Cottage (2,400 gsf), Boat House (1,875 gsf), and Landscape & Site Structures (12.1 acres). Priority reinvestment projects have been organized into three tiers targeted at stabilizing the current structures and minimizing additional deterioration. Tier 1 addresses the Manor House east kitchen porch and exterior stair, the Boat House exterior envelope, floors, building systems and pier and stabilization of the terrace garden and walls. Tier 2 includes building system improvements in the Manor House, Carriage House exterior envelope, Gardener's Cottage exterior envelope and site improvements. Tier 3 includes further interior restoration of the Manor House, Carriage House and Gardener's Cottage.

RRC: Duluth Campus

Contact: Black, L.

Year: Under Consideration / Evaluation

Stage: Proposal

398 HEAPR

Vice President: Systemwide

Campus: Systemwide

Facility: Systemwide

Total Cost: \$100,000

Description: This request is for funds used system-wide to maximize and extend the life of the University's existing physical plant. Individual projects will fall into one of four broad categories – Health and Safety, Building Systems, Energy Efficiency, and Utility Infrastructure. Facilities Management on each campus, in consultation with University Health & Safety and the Disability Resource Center, make 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 state request.

RRC: Systemwide

Contact: Berthelson, M.

Year: 2017

Stage: Resource Acquisition

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

501 Joint Venture Development

Vice President: University Services

Campus: UMTC

Facility: TC Campus

Total Cost: To be determined

Description: This project will be developed by 2407 University Investment LLC, a public/private partnership between the University of Minnesota and United Properties. The University of Minnesota maintains 49% ownership in the partnership. Concepts for pedestrian oriented mixed use development including hotels, apartments, offices and retail/commercial space were presented to the Board of Regents in February 2016. Final definition of the project is anticipated in 2017. The project will provide new office space to support decommissioning of critical AHC facilities and may accommodate programming for the School of Public Health.

RRC: University Services

Contact: Berthelson, M.

Year: Under Consideration / Evaluation

Stage: Proposal

526 Medical Discovery Team - Duluth

Vice President: Health Sciences

Campus: UMD

Facility: UMD Campus

Total Cost: To be determined

Description: This project will provide appropriate space to support an additional Medical Discovery Team based on the Duluth Campus. Medical Discovery Teams are an initiative funded by the State of Minnesota with the goal to increase the prominence of the U of M Medical School. This project will include research and education spaces to enhance current program offerings on the Duluth campus. A feasibility study will be completed to determine project requirements, scope, approximate cost and schedule. Renovation of existing space and lease options will be considered equally.

RRC: Medical School

Contact: Jackson, B.

Year: Under Consideration / Evaluation

Stage: Proposal

524 Medical Discovery Team - Minneapolis

Vice President: Health Sciences

Campus: UMTC

Facility: TC Campus

Total Cost: To be determined

Description: This project will provide space needed to support up to 4-6 new Medical Discovery Teams on the Twin Cities campus. Medical Discovery Teams are an initiative funded by the State of Minnesota with the goal to increase the prominence of the U of M Medical School. Research areas chosen for investment include addiction, the biology of aging, optical imaging and brain science and rural/American Indian health disparities. A feasibility study will be completed to determine project requirements, scope, approximate cost and schedule.

RRC: Medical School

Contact: Jackson, B.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

529 MN Landscape Arboretum Conservatory

Vice President: Academic Affairs

Campus: ROCs & Stations

Facility: New Facility

Total Cost: To be determined

Description: The project will construct a new plant conservatory and office and event center to support increased attendance and sustained revenue generation. The proposed source of funding for construction, operations and on-going facility renewal is fundraising.

RRC: College of Food, Agriculture and Natural Resource Science

Contact: Buhr, B.

Year: Under Consideration / Evaluation

Stage: Proposal

411 Pillsbury Hall Renovation

Vice President: Academic Affairs

Campus: UMTC

Facility: Pillsbury Hall

Total Cost: \$34,320

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

RRC: College of Liberal Arts

Contact: Hanson, K.

Year: 2017

Stage: Resource Acquisition

This project was included in the University's 2016 State bonding request.

447 Plant Growth Research Facility

Vice President: Academic Affairs

Campus: UMTC

Facility: Plant Growth Facilities-West

Total Cost: \$6,900

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

RRC: Academic Affairs

Contact: Hanson, K.

Year: 2017

Stage: Resource Acquisition

This project was included in the University's 2016 State bonding request.

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

482 Public Safety Facility

Vice President: University Services

Campus: UMTC

Facility: Transportation And Safety Building

Total Cost: \$9,500

Description: The project will renovate an existing building to support public safety needs on the Twin Cities campus. Workforce changes, improved operational efficiencies and changes to policing activity drive the project. Relocation of existing tenants will be included in the project scope.

RRC: Public Safety

Contact: Berthelson, M.

Year: 2018

Stage: Planning & Feasibility

452 Research and Field Station Investments

Vice President: Systemwide

Campus: ROCs & Stations

Facility: Systemwide

Total Cost: \$6,000

Description: This project will invest in the CFANS Forestry Research Sites at Cloquet Forestry Center (CFC) and Hubachek Wilderness Research Center (HWRC). Planned facilities will enhance field instruction and research capacity on both sites. Projected needs at Cloquet include a new dormitory building with kitchen, laundry, and commons area and research laboratory spaces to accommodate wet and dry lab-based work. Supporting facilities such as kitchen and dining hall, extension building and water/ sewer system connections are included in the scope of the project. At Hubachek, the project will construct a new four-season dormitory building, kitchen and bathroom facilities, a new research laboratory building and supportive services, such as internet/ data access.

RRC: Systemwide

Contact: Buhr, B.

Year: 2018

Stage: Planning & Feasibility

403 St. Paul Lab Investment Phase I

Vice President: Academic Affairs

Campus: UMTC

Facility: New Facility

Total Cost: \$55,000

Description: This project will replace or upgrade laboratories for the College of Biological Sciences (CBS), the College of Food, Agricultural, and Natural Resource Sciences (CFANS), and / or the College of Veterinary Medicine (CVM). Modern laboratory facilities will support research 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 State bonding request.

This project will seek \$5.5 million in funding for design in 2018 and \$49.5 million for construction in 2019. Total project value is \$55 million.

RRC: Academic Affairs

Contact: Hanson, K.

Year: 2019

Stage: Planning & Feasibility

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

409 St. Paul Lab Investment Phase II

Vice President: Academic Affairs

Campus: UMTC

Facility: TC Campus

Total Cost: \$60,000

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

Contact: Hanson, K.

Year: 2020

Stage: Proposal

519 UMM Briggs Library 21st Century Learning Commons

Vice President: Chancellor, Morris

Campus: UMM

Facility: Briggs Library

Total Cost: \$24,000

Description: This project will renovate the existing Briggs Library to support student learning in the 21st Century. The current facility, constructed in two phases in 1968 and completed in 1973, has significant infrastructure issues: health and safety; temperature inconsistency; lighting; wiring; inadequate restrooms; and access. Structure design is entirely inadequate for 21st century learning which requires collaborative spaces and technological sophistication. Consolidation of existing collections will allow the Library to provide new learning and collaboration space that is in high demand for our students and faculty. A significant portion of the investment will be to improve the infrastructure of the building, including building envelope, vertical transportation and improved connections to adjacent buildings for better pedestrian traffic flow. The Library learning spaces are the center of the campus academic mission, developing this space into a highly effective facility will enhance teaching, learning and research on the Morris Campus.

RRC: Morris Campus

Contact: Johnson, J.

Year: 2018

Stage: Planning & Feasibility

531 UMM Eco Center

Vice President: Chancellor, Morris

Campus: UMM

Facility: New Facility

Total Cost: To be determined

Description: This project will construct a four-season EcoCenter Facility on 140 acres of land gifted to UMM near Ashby, Minnesota. The EcoCenter Facility will connect students to nature, support environmental learning and complement the classroom experience. The project will include an open classroom, small kitchen, data room, bio sample room, and weather station. It is envisioned to be 100% energy efficient (Net Zero) and carbon neutral, with energy consumption data being recorded and available for study. This proposed facility will enable research, education, and outreach by utilizing this unique site's combined attributes of water, native prairie, and continuously cultivated soil. Source of funds is planned to be fundraising.

RRC: Morris Campus

Contact: Johnson, J.

Year: Under Consideration / Evaluation

Stage: Proposal

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Description Report

414 UMR Academic Priority

Vice President: Chancellor, Rochester

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: Rochester Campus

Contact: Lehmkuhle, S.

Year: 2022

Stage: Proposal

528 VFW / Masonic Relocations

Vice President: Health Sciences

Campus: UMTC

Facility: Multiple

Total Cost: To be determined

Description: This project will renovate existing space in multiple buildings on the Minneapolis campus to accommodate occupants in VFW and Masonic that will allow for decommissioning of these facilities. These facilities are integral to advancing the Health Sciences Education and Learning Center.

RRC: Medical School

Contact: Jackson, B.

Year: Under Consideration / Evaluation

Stage: Proposal

2016 Six Year Capital Plan
Project Funding Report

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Funding Report

Definitions

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

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

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

Project Costs

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

Projects under consideration are shown with zero dollar cost estimates. Feasibility studies will be completed to determine approximate cost, scope, funding and schedule.

Project Priority

Projects are shown in order of priority for the state capital budget request in year 2017. Projects in future years of the plan and projects under consideration are not prioritized.

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Funding Report

2017

Stage: Resource Acquisition

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
398	HEAPR	Systemwide	\$100,000	\$100,000	\$0
410	Chemistry and Advanced Materials Science	UMD	\$42,380	\$28,253	\$14,127
408	AHC Phase I: Health Science Education Center	UMTC	\$104,000	\$69,333	\$34,667
447	Plant Growth Research Facility	UMTC	\$6,900	\$4,600	\$2,300
466	Academic and Student Experience Investments	Systemwide	\$24,000	\$16,000	\$8,000
411	Pillsbury Hall Renovation	UMTC	\$34,320	\$22,880	\$11,440
415	Collections and Contemporary Learning (Design)	UMTC	\$6,000	\$4,000	\$2,000
			\$317,600	\$245,066	\$72,534
FY Total:			\$317,600	\$245,066	\$72,534
Running Total:			\$317,600	\$245,066	\$72,534

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Funding Report

2018

Stage: Planning & Feasibility

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
399	HEAPR	Systemwide	\$100,000	\$100,000	\$0
518	Critical Facilities Renewal - 2018	UMTC	\$36,000	\$24,000	\$12,000
451	Chemistry Teaching Laboratory Facility	UMTC	\$60,000	\$40,000	\$20,000
455	Child Development Replacement	UMTC	\$21,000	\$14,000	\$7,000
517	Collections and Contemporary Learning	UMTC	\$54,000	\$36,000	\$18,000
452	Research and Field Station Investments	ROCs & Stations	\$6,000	\$4,000	\$2,000
521	St. Paul Lab Investment Phase I (Design)	UMTC	\$5,500	\$3,667	\$1,833
519	UMM Briggs Library 21st Century Learning Commons	UMM	\$24,000	\$16,000	\$8,000
			\$306,500	\$237,667	\$68,833

University Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
482	Public Safety Facility	UMTC	\$9,500	\$0	\$9,500
			\$9,500	\$0	\$9,500
FY Total:			\$316,000	\$237,667	\$78,333
Running Total:			\$633,600	\$482,733	\$150,867

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Funding Report

2019

Stage: Planning & Feasibility

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
402	HEAPR	Systemwide	\$75,000	\$75,000	\$0
468	Critical Facilities Renewal - 2019	UMTC	\$45,000	\$30,000	\$15,000
403	St. Paul Lab Investment Phase I	UMTC	\$49,500	\$33,000	\$16,500
			\$169,500	\$138,000	\$31,500
		FY Total:	\$169,500	\$138,000	\$31,500
		Running Total:	\$803,100	\$620,733	\$182,367

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Funding Report

2020

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
446	HEAPR	Systemwide	\$100,000	\$100,000	\$0
457	Critical Facilities Renewal - 2020	UMTC	\$45,000	\$30,000	\$15,000
441	AHC Phase II: Clinical Research Facility	UMTC	\$80,000	\$53,333	\$26,667
488	Armory Renovation	UMTC	\$35,000	\$23,333	\$11,667
409	St. Paul Lab Investment Phase II	UMTC	\$60,000	\$40,000	\$20,000
			\$320,000	\$246,666	\$73,334
		FY Total:	\$320,000	\$246,666	\$73,334
		Running Total:	\$1,123,100	\$867,399	\$255,701

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Funding Report

2021

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
467	HEAPR	Systemwide	\$75,000	\$75,000	\$0
470	Critical Facilities Renewal - 2021	UMTC	\$45,000	\$30,000	\$15,000
456	Chemistry Research Laboratory Investment	UMTC	\$40,000	\$26,667	\$13,333
			\$160,000	\$131,667	\$28,333
		FY Total:	\$160,000	\$131,667	\$28,333
		Running Total:	\$1,283,100	\$999,066	\$284,034

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Funding Report

2022

Stage: Proposal

State Funded Projects

File	Project Title	Campus	Total	State Funds	University Funds
486	HEAPR	Systemwide	\$100,000	\$100,000	\$0
520	Critical Facilities Renewal - 2022 Project A	UMTC	\$45,000	\$30,000	\$15,000
534	Critical Facilities Renewal - 2022 Project B	Systemwide	\$45,000	\$30,000	\$15,000
454	AHC Phase III: Mayo Replacement	UMTC	\$90,000	\$60,000	\$30,000
414	UMR Academic Priority	UMR	\$45,000	\$30,000	\$15,000
			\$325,000	\$250,000	\$75,000
		FY Total:	\$325,000	\$250,000	\$75,000
		Running Total:	\$1,608,100	\$1,249,066	\$359,034

UNIVERSITY OF MINNESOTA

2016 Six Year Capital Plan - Project Funding Report

Under Consideration / Evaluation

Stage: Proposal

Funding To Be Determined

File	Project Title	Campus	Total	State Funds	University Funds
527	Athletic Facilities Targeted Improvement Projects	Systemwide	\$0	\$0	\$0
419	Bolstad Golf Course Renovation	UMTC	\$0	\$0	\$0
421	Boynton Health Services Remodel / Relocation	UMTC	\$0	\$0	\$0
535	Center for Student Success	UMTC	\$0	\$0	\$0
532	Center for Transportation Studies Relocation	UMTC	\$0	\$0	\$0
523	Dairy Research Facilities	UMTC, WCROC	\$0	\$0	\$0
533	Glensheen Facility Investment	UMD	\$0	\$0	\$0
501	Joint Venture Development	UMTC	\$0	\$0	\$0
526	Medical Discovery Team - Duluth	UMD	\$0	\$0	\$0
524	Medical Discovery Team - Minneapolis	UMTC	\$0	\$0	\$0
529	MN Landscape Arboretum Conservatory	ROCs & Stations	\$0	\$0	\$0
531	UMM Eco Center	UMM	\$0	\$0	\$0
528	VFW / Masonic Relocations	UMTC	\$0	\$0	\$0
			\$0	\$0	\$0
		FY Total:	\$0	\$0	\$0
		Running Total:	\$1,608,100	\$1,249,066	\$359,034

2016 Six-Year Capital Plan

Board of Regents
October 14, 2016



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM



Six-Year Capital Plan

- Board of Regents Policy directs the administration to develop a capital budget with a “six-year time horizon, updated annually”
- U’s primary capital investment **planning** tool
- Board review and action each September / October
- Includes all major programmatic projects
- Outlines current and future State Capital Requests
- Detail, cost estimates, and general level of knowledge is refined as projects progress through the plan
- When funding is available and predesign is complete projects move to the **Annual Capital Budget**



2016 Six-Year Capital Plan

- Assumes continued emphasis on 2015 priorities
- Maintains existing State financial assumptions
- Very limited opportunity to add new projects
 - State request pipeline remains “full”
 - University ability to pay new operating and debt costs limited
 - Current debt forecast includes limited opportunities to add new projects





Strategic Emphasis

- Renovate or Remove FCA Critical buildings
- Advance the Health Sciences
- Modernize Saint Paul campus research laboratories
- Expand capacity in STEM programs
- Reposition Libraries for the 21st Century





Projects Under Consideration

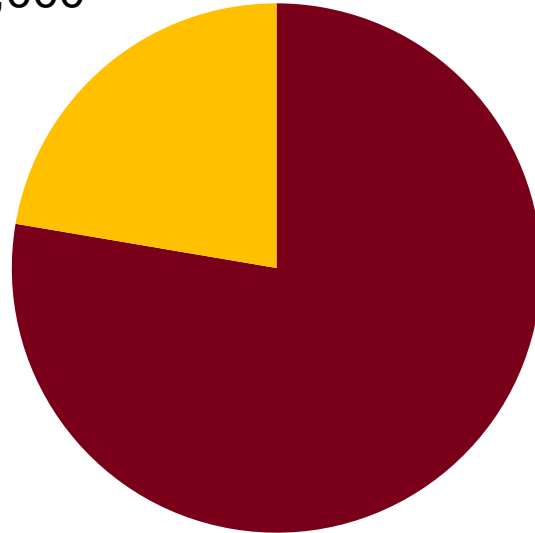
- The project proposals on this list:
 - represent valid programmatic or facility condition needs
 - are insufficiently developed in terms of their programmatic and financial needs at this time
 - need further definition and/or development before they advance
- This list of investments can be considered the potential next tier of capital projects



Recommended Six-Year Capital Improvement Plan

\$1,608,100,000

\$359,034,000
22.3%



Funding Source

- State
- University

\$1,249,066,000
77.7%



Financial Summary by Year

Year	Total	State	U of MN
2017	317.6	245.1	72.5
2018	316.0	237.7	78.3
2019	169.5	138.0	31.5
2020	320.0	246.7	73.3
2021	160.0	131.7	28.3
2022	325.0	250.0	75.0
Total	1,608.1	1,249.1	359.0

(dollars in millions)



UNIVERSITY OF MINNESOTA
Driven to DiscoverSM



UniversityofMinn



UMNews



UofMN



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: President's Recommended 2017 State Capital Request

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Michael Berthelsen, Interim Vice President
Michael Volna, Interim Vice President and CFO

PURPOSE & KEY POINTS

The purpose of this item is to take action on the 2017 State Capital Request. The Legislature did not pass a bonding bill during the 2016 session, so the request is largely a resubmittal of the 2016 request. The proposed request adjusts for one year of estimated construction inflation. Projects include:

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

The University is also including a request for design funding for the Collections and Contemporary Learning project. This project was included in the University's 2015 Six-Year Capital Plan for the 2017 State Capital Request.

BACKGROUND INFORMATION

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

The Board reviewed the 2017 State Capital Request at its September 2016 meeting.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to the 2017 State Capital Request.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The 2017 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 2017 State Capital Request to the Minnesota Legislature in the amount of \$317,600,000 consisting of \$245,066,000 from the State of Minnesota and \$72,534,000 from the University of Minnesota.

2017 State Capital Request

University of Minnesota

Request Summary (Prioritized):

Project Title	Campus	Total	State Funds	University Funds
HEAPR	Systemwide	\$ 100,000,000	\$ 100,000,000	\$ -
Chemistry and Advanced Materials Science	UMD	\$ 42,380,000	\$ 28,253,000	\$ 14,127,000
AHC Phase I: Health Sciences Education Center	UMTC	\$ 104,000,000	\$ 69,333,000	\$ 34,667,000
Plant Growth Research Facility	UMTC	\$ 6,900,000	\$ 4,600,000	\$ 2,300,000
Academic and Student Experience Investments	Systemwide	\$ 24,000,000	\$ 16,000,000	\$ 8,000,000
Pillsbury Hall Renovation	UMTC	\$ 34,320,000	\$ 22,880,000	\$ 11,440,000
Collections and Contemporary Learning (Design)	UMTC	\$ 6,000,000	\$ 4,000,000	\$ 2,000,000
		\$ 317,600,000	\$ 245,066,000	\$ 72,534,000

Project descriptions are included in the 2016 Six-Year Capital Plan materials.

2017 State Capital Request

Board of Regents
October 14, 2016



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM



2017 State Capital Request

- Request is a resubmittal of the 2016 State Capital Request
- Projects costs have been adjusted for construction inflation where necessary to maintain original scope
- Request for Collections and Contemporary Learning design funds have been added to 2017 request





2017 State Capital Request

Request
(dollars in millions)

Location	Project	Total	State	U of MN
SYSTEM	HEAPR	\$100.0	\$100.0	\$0.0
UMD	Chemistry and Advanced Materials Science	\$42.4	\$28.3	\$14.1
UMTC	AHC Phase I: Health Science Education Facility	\$104.0	\$69.3	\$34.7
UMTC	Plant Growth Research Facility	\$6.9	\$4.6	\$2.3
SYSTEM	Academic and Student Experience Investments	\$24.0	\$16.0	\$8.0
UMTC	Pillsbury Hall Renovation	\$34.3	\$22.9	\$11.4
UMTC	Collections and Contemporary Learning (Design)	\$6.0	\$4.0	\$2.0
Total:		\$317.6	\$245.1	\$72.5



UNIVERSITY OF MINNESOTA
Driven to DiscoverSM



UniversityofMinn



UMNews



UofMN



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

October 14, 2016

AGENDA ITEM: Report of the Committees

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

This is a report required by Board policy.

PRESENTERS: Regent Dean E. Johnson

PURPOSE & KEY POINTS

Pursuant to Board of Regents Policy: *Board Operations and Agenda Guidelines*, "The Board conducts business through meetings of the Board and its committees.... [and] Committees provide recommendations for action by the Board. Typically, standing committees have the following responsibilities:

- Recommend action on matters where the Board has reserved authority to itself as outlined in Board of Regents Policy: *Reservation and Delegation of Authority* and other Board policies;
- Provide governance oversight on topics within the committee's purview;
- Review and make recommendations on relevant new and existing Board policies;
- Receive reports on policy-related issues affecting University departments and units;
- Receive information items (e.g., status reports on current issues of concern and administrative searches); and
- Review other items placed on the agenda by the Board chair in consultation with the president and Board vice chair."

The Board chair will call on the chair of each committee to present recommended actions and provide a brief report.

BACKGROUND

Current committee chairs:

- Academic & Student Affairs Committee – L. Cohen
- Audit & Compliance Committee – L. Brod
- Facilities, Planning & Operations Committee – D. McMillan
- Faculty & Staff Affairs Committee – P. Simmons
- Finance Committee – R. Beeson
- Governance & Policy Committee – L. Cohen
- Litigation Review Committee – T. Devine