



Finance Committee

October 2016

October 13, 2016

9:45 a.m. – 11:45 a.m.

West Committee Room, McNamara Alumni Center

FIN - OCT 2016

1. Financial Components of the President's Recommended FY 2018-19 Biennial Budget Request - Action

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2. Financial Components of the President's Recommended 2016 Six-Year Capital Plan, 2017 State Capital Request, and Debt Capacity Update - Action

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BOARD OF REGENTS DOCKET ITEM SUMMARY

October 14, 2016

Finance

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: 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 from what was reviewed 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 Finance Committee reviewed this request at its meeting on September 8, 2016.

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.

FY2018-19 Biennial Budget Request

Finance Committee | October 13, 2016

Interim Vice President Michael Volna
Associate Vice President Julie Tonneson



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 & water; energy & the environment; and forest products & 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

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)

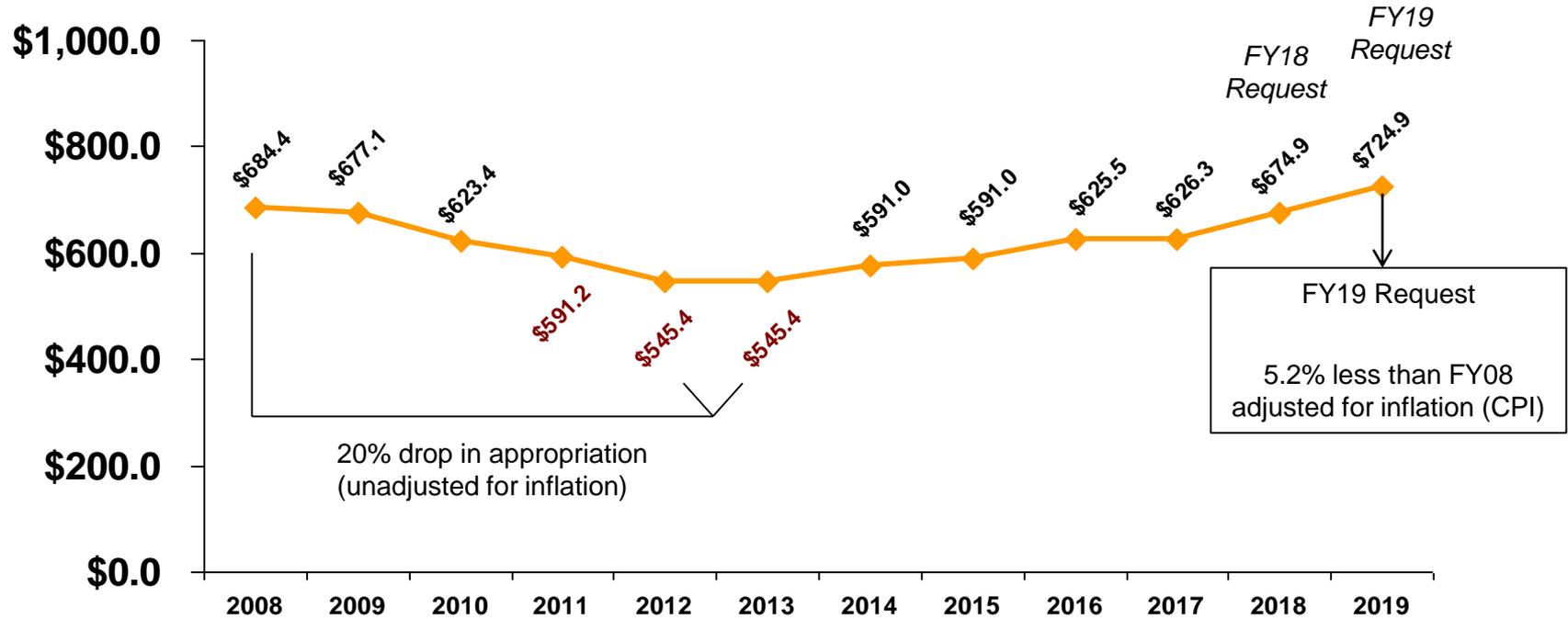


<i>Change to current base – biennial math</i>	Biennial
Beginning Base	\$1,252.6
Four New 2018-19 Initiatives	\$126.2
Subtotal Appropriation with New Initiatives	\$1,378.8
% change from base	10.1%
Four New 2018-19 Initiatives + Health Training & Bell Museum	\$147.2
Total Appropriation Requested with Health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



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 13, 2016

AGENDA ITEM: Financial Components of the President’s Recommended 2016 Six-Year Capital Plan, 2017 State Capital Request, and Debt Capacity Update

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

This is a report required by Board policy.

PRESENTERS: Michael Volna, Interim Vice President and CFO
Carole Fleck, Director, Debt Management

PURPOSE & KEY POINTS

The President’s recommended 2016 Six-Year Capital Plan (Capital Plan) includes major capital improvements planned for fiscal years 2017 through 2022. The Capital Plan contains 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, and fundraising. The Capital Plan totals \$1,608,100,000.

The committee will also review an updated debt capacity forecast that incorporates the proposed Capital Plan and other debt issuance projections.

Year 1 of the Capital 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 \$317,600,000 in project costs with the State of Minnesota contributing \$245,066,000 and the University responsible for \$72,534,000.

The Facilities, Planning & Operations Committee will take action on the Capital Plan principles and priorities. The complete Capital Plan documents are also included in the Board of Regents docket.

BACKGROUND INFORMATION

The Finance Committee reviewed the Capital Plan at its meeting on September 8, 2016.

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

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

PRESIDENT'S RECOMMENDATION

The President recommends approval of the University of Minnesota 2016 Six-Year Capital Plan and the 2017 State Capital Request.

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 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 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.

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
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

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.

Financial Components of the President's Recommended 2016 Six-Year Capital Plan, 2017 State Capital Request and Debt Capacity Update

Finance
October 13, 2016

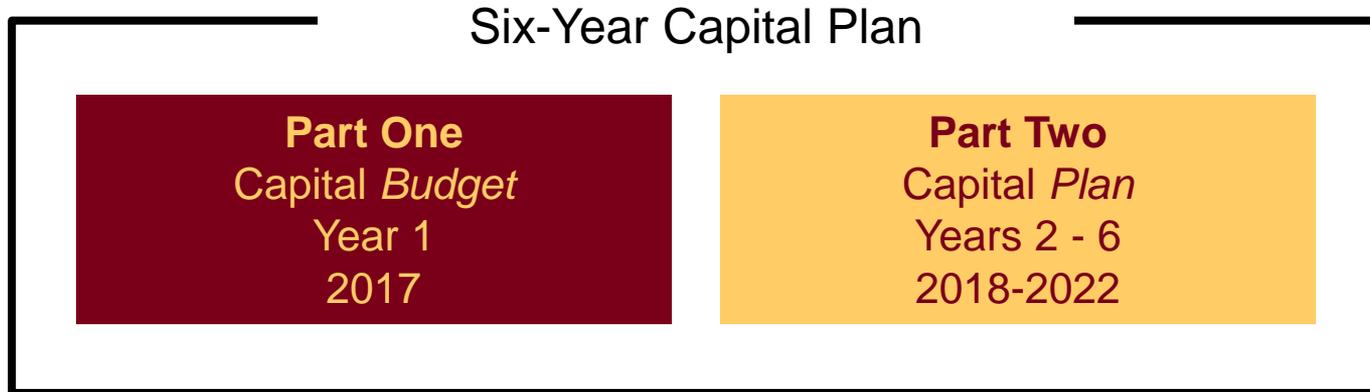


UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

What is the Six-Year Capital Plan?

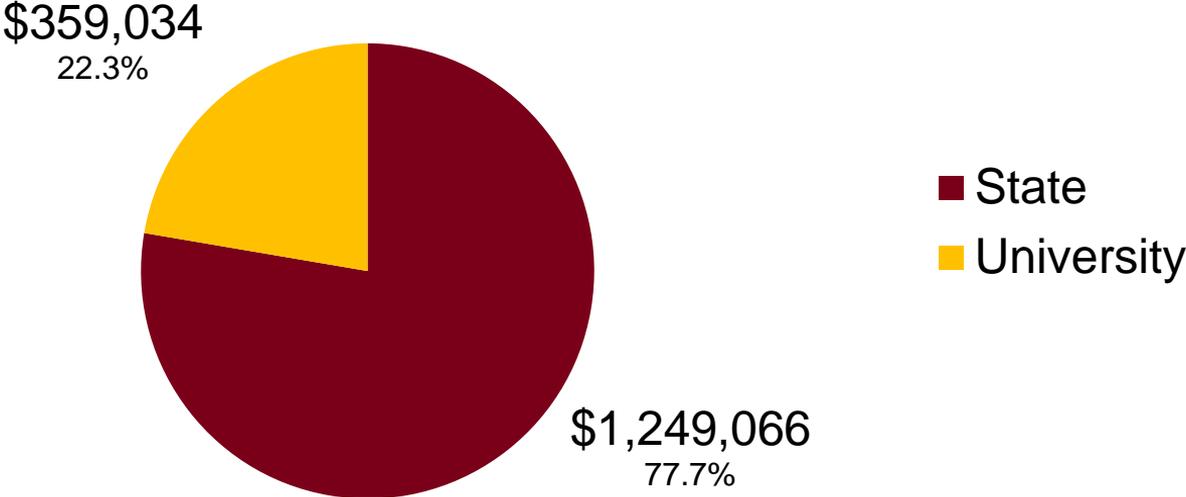
- Board of Regents Policy directs the administration to develop a capital budget with a “six-year time horizon, updated annually”



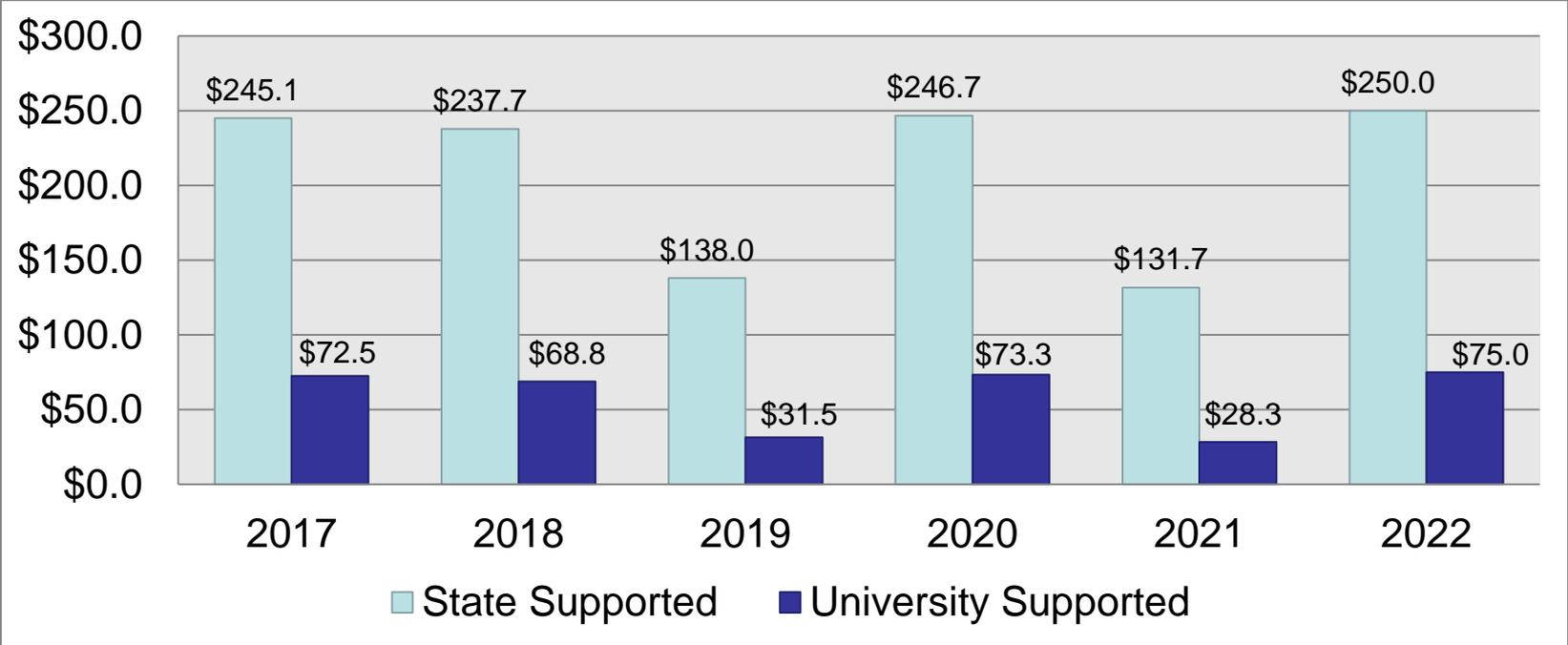
Recommended Six-Year Capital Improvement Plan

Grand Total = \$1,608,100 (000s omitted)

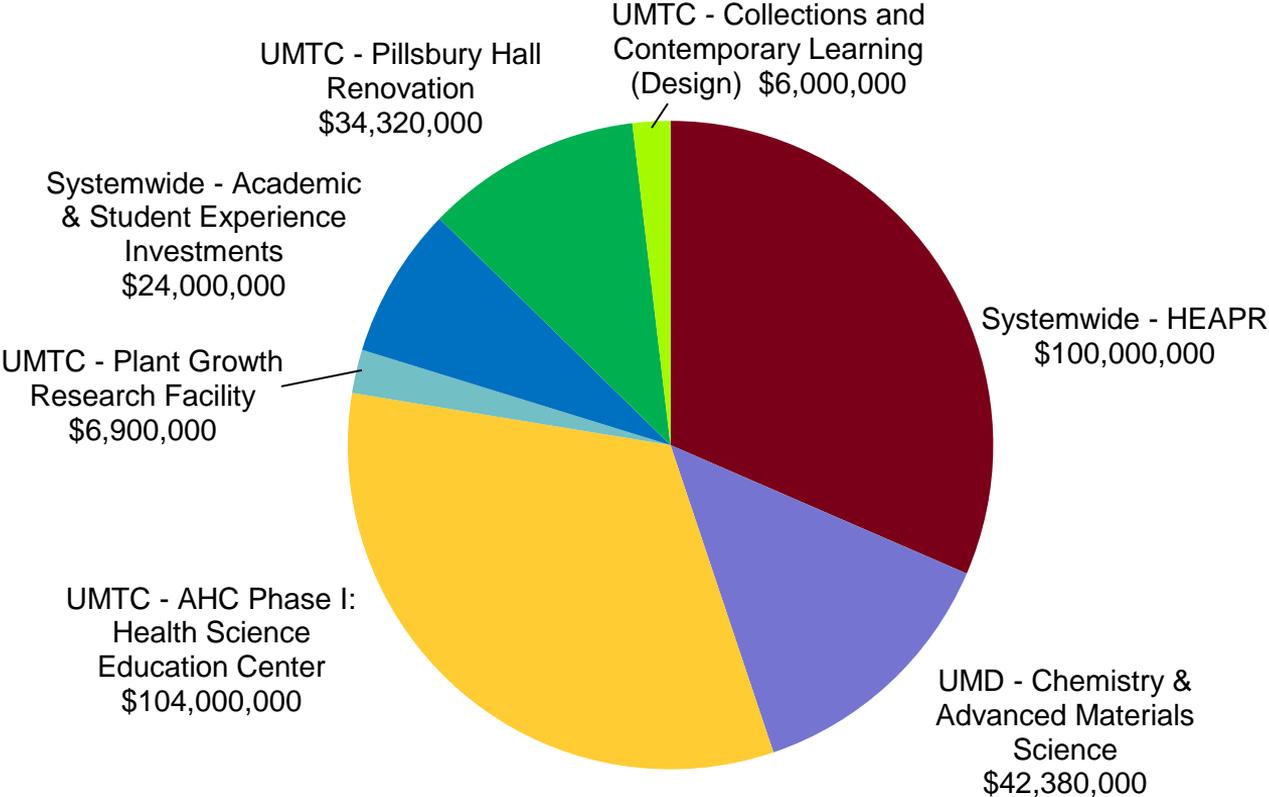
Funding Source



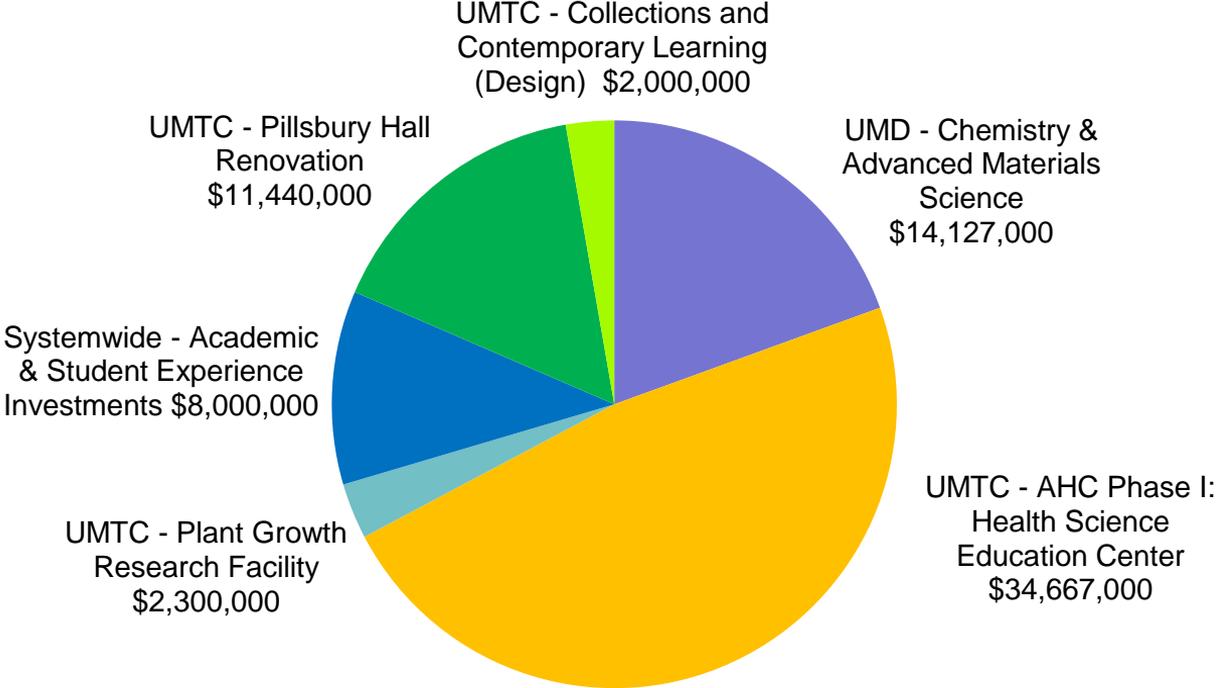
Six-Year Capital Plan *(in millions)*



2017 State Capital Request: \$317,600,000 Total

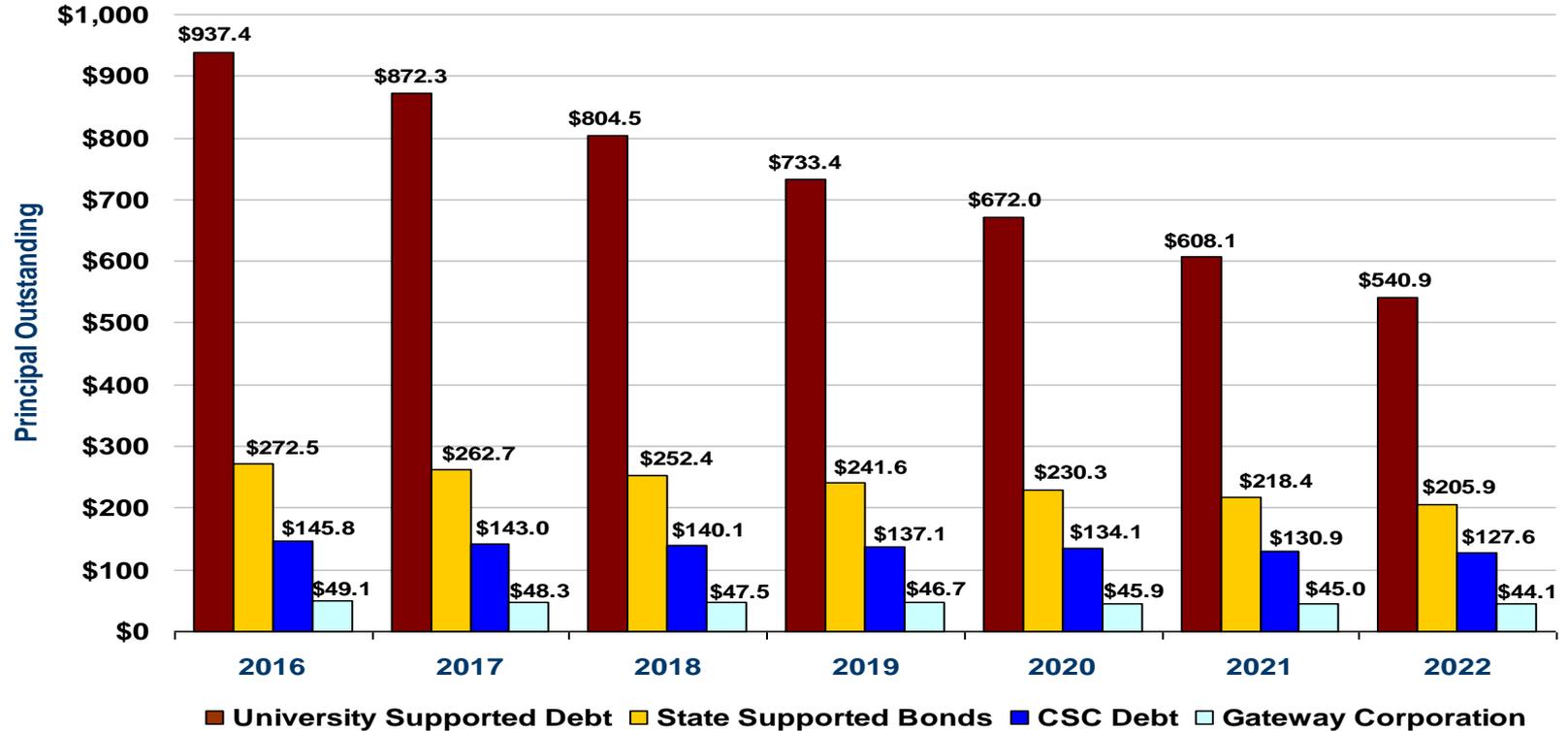


2017 State Capital Request: \$72,534,000 University Share



Current Amortization Structure *(in millions)*

6/30/16 Bonds and Commercial Paper Outstanding (at par)



CSC = University of Minnesota Health Clinics & Surgery Center

Projected Debt Issuances *(000s omitted)*

	Total	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Combined Heat & Power Plant	\$ 50,000	\$ 50,000					
2015 Bonding Bill	11,100	5,600	5,500				
2017 Annual Capital Budget	8,425	8,425					
Property Acquisitions	<u>36,110</u>	<u>6,910</u>	<u>22,200</u>	<u>7,000</u>			
Subtotal	105,635	70,935	27,700	7,000			
Pioneer Hall	104,500			52,250	52,250		
Athletes Village – long-term	86,840		86,840				
Athletes Village – short-term	35,976		35,976				
Track & Bubble Relocation	19,000		19,000				
Six-Year Capital Plan	349,534	0	14,507	53,660	62,292	49,200	53,875
Less future yrs issuance	<u>(116,000)</u>						
Total	\$ 585,485	\$ 70,935	\$ 184,023	\$ 112,910	\$ 114,542	\$ 49,200	\$ 53,875

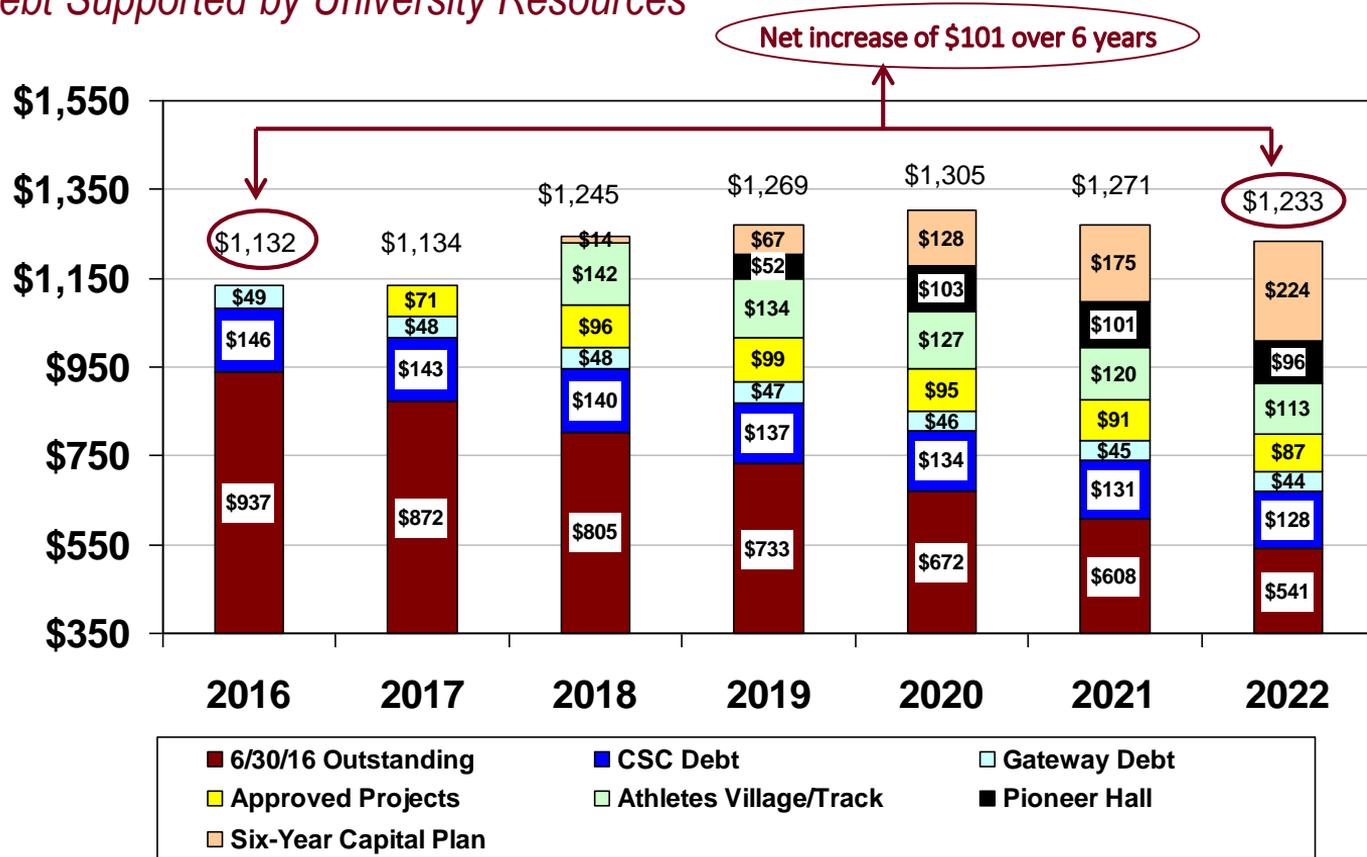
Assumptions:

University funding within 6-yr plan is 100% debt-funded

Issuance of six-year capital plan over 3 years – approximately 20% - 55% - 25%; \$116,000 to be issued in FY2023 & future years

Projected Outstanding Debt as of June 30 *(in millions)*

Debt Supported by University Resources



Key Financial Metrics

RATIO	KEY COMPONENT	DEFINITION
A - Total Cash and Investments to Total Debt	Total Cash & Investments	Total cash and cash equivalents plus short-term investments plus noncurrent investments of the University, UMF and UMP
B – Spendable Cash and Investments to Total Debt	Spendable Cash and Investments	Total cash and investments as computed above less restricted, nonexpendable net assets of the University, less the permanently restricted net assets of UMF and UMP
	Total Debt	The sum of the University's outstanding debt as shown on the financials, less net unamortized premium/discount on the bonds, plus UMF bonds payable.
	Total Debt as Modified for U of MN Ratios	Total Debt as computed above, less the University's special purpose debt (i.e., state-supported stadium debt and state-supported debt related to the biomedical science research facilities funding program) **.
C - Debt Service to Operations	Debt service	Sum of the principal and interest paid on capital debt by the University excluding principal and interest on the special purpose debt
	Operations	University operating expenses less scholarships & fellowships, plus interest on capital asset-related debt, excluding the interest on the special purpose debt

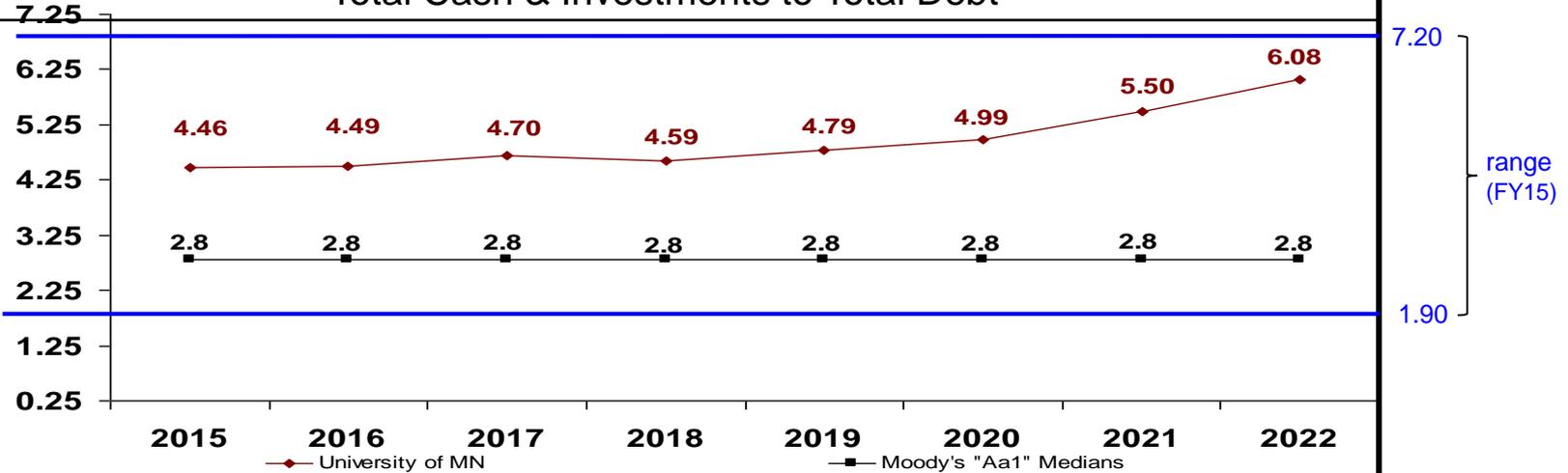
* UMF = University of Minnesota Foundation; UMP = University of Minnesota Physicians

** Stated another way: Total debt modified = outstanding University-supported debt at par plus capital leases plus UMF bonds payable at par

Analysis of Key Credit Ratios

Resources and Leverage

Total Cash & Investments to Total Debt



Desired Trend

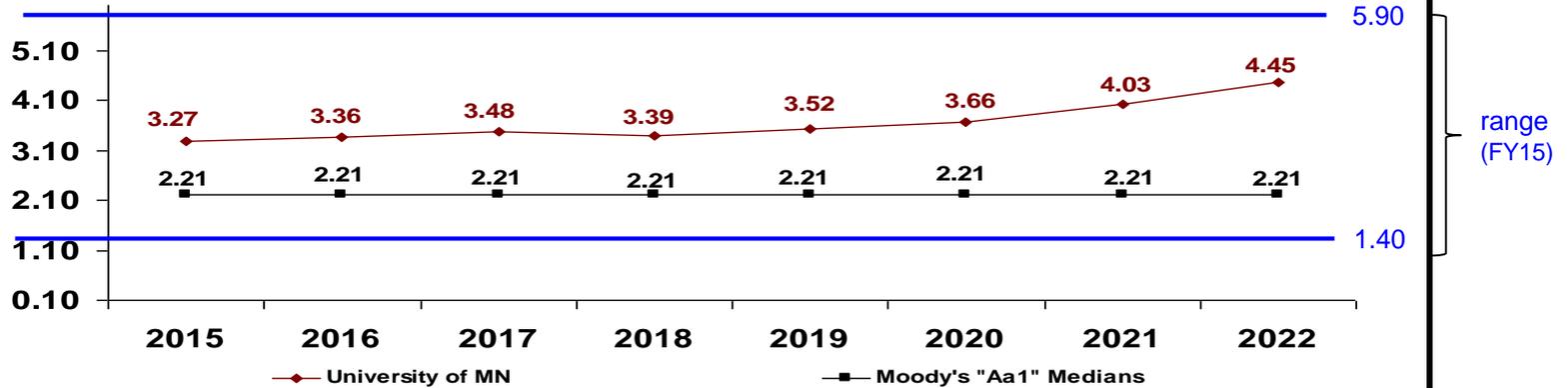


Cash & cash equivalents + Short-term Investments + Long-term Investments
divided by
Total Debt, as modified

Analysis of Key Credit Ratios

Resources and Leverage

Total Spendable Cash & Investments to Total Debt



Desired Trend

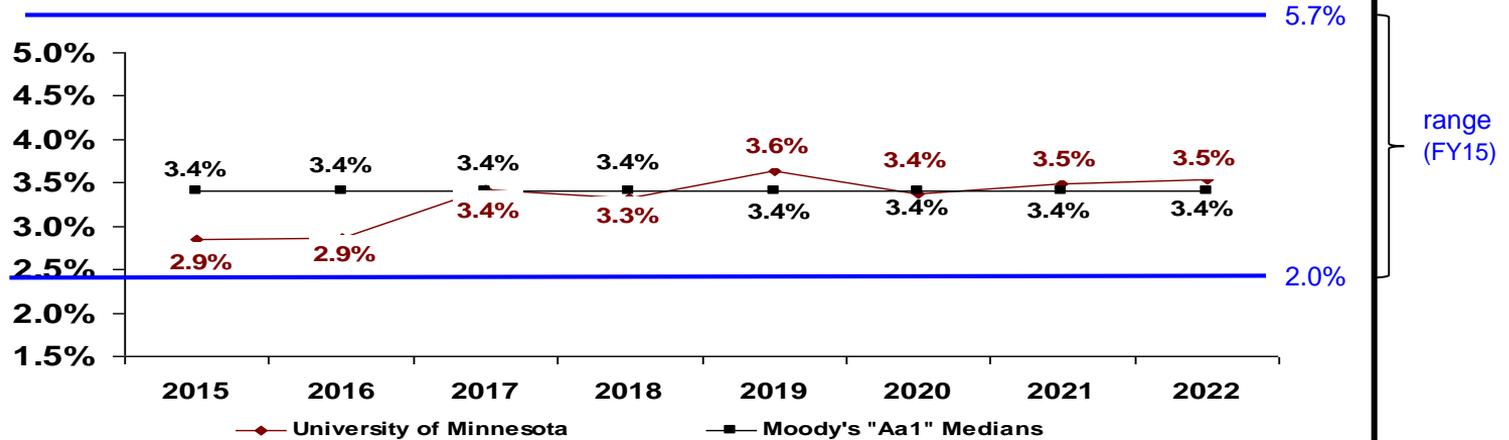


Total Cash & Investments less
 restricted, nonexpendable net assets of the University less permanently restricted net assets of UMF
 divided by
 Total Debt, as modified

Analysis of Key Credit Ratios

Resources and Leverage

Debt Service to Operations (%)



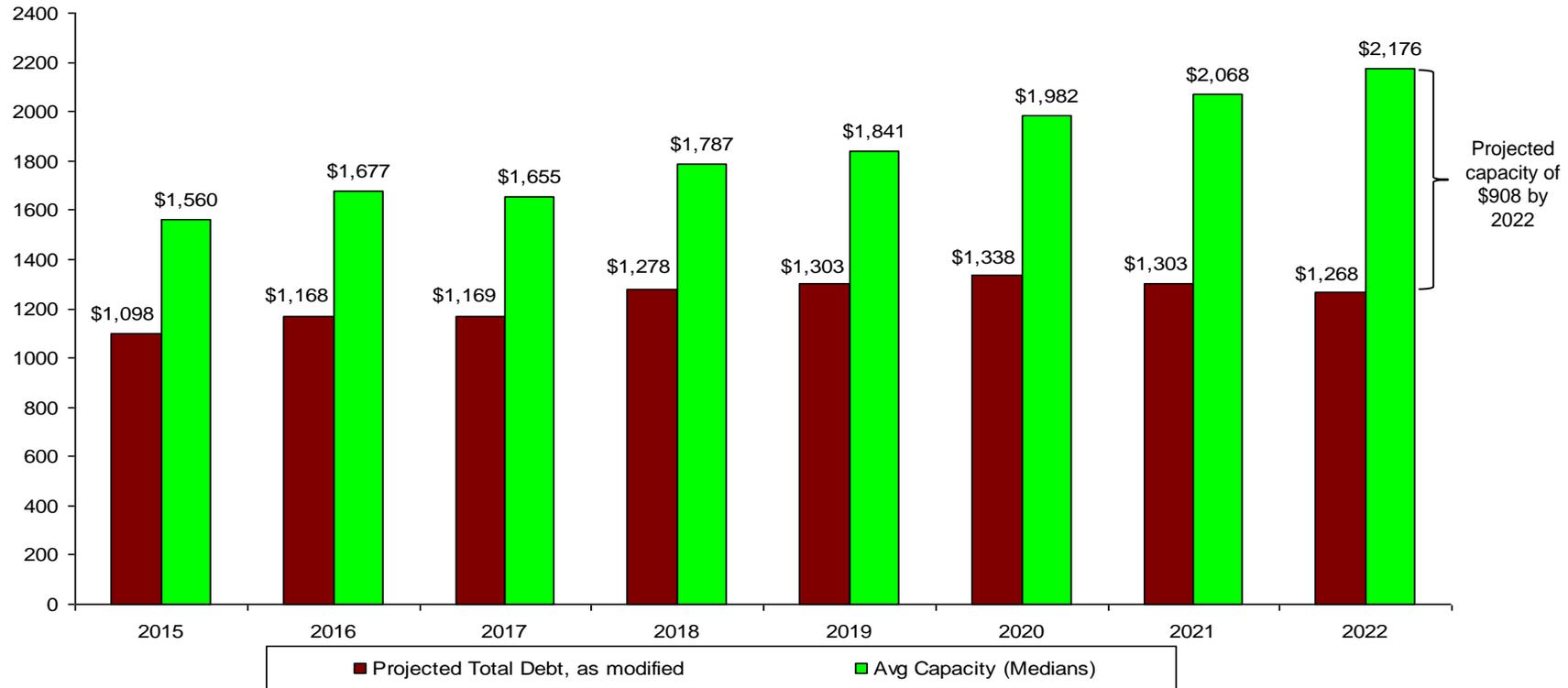
Desired Trend



Actual Annual Debt Service
divided by
Total Operating Expenses (as adjusted)

Theoretical Projected Debt Capacity—including UMF Resources

Based on Moodys “Aa1” Medians (*in millions*)



* Projected Total Debt, as modified for the U of MN, includes capital leases, but excludes net unamortized premium/discount on the bonds and the state supported special purpose revenue bonds, both of which are included in long-term debt for financial reporting purposes.



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 13, 2016

AGENDA ITEM: Long-Range Financial Planning & Biennial Request Planning:
Update 2017-2022

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

This is a report required by Board policy.

PRESENTERS: Michael Volna, Interim Vice President and CFO
Lincoln Kallsen, Director, Institutional Analysis

PURPOSE & KEY POINTS

In a rapidly changing world, long-range financial planning is an increasingly important element in guiding the University’s future. The purpose of this item is to highlight broad policy choices and options to guide long-range financial planning.

Long-term financial planning activities at the University include two major components. The first component is updated annually in conjunction with the President’s annual operating budget recommendation. The second component is updated biennially in conjunction with the President’s biennial budget request to the State of Minnesota. The University traditionally submits its biennial request to the Board of Regents for review and approval in the fall of the even-numbered years for consideration by the governor and the Minnesota Legislature in the upcoming odd-numbered year legislative session.

The long-range financial model informs both the biennial request and the six-year capital plan. In this update, both the proposed biennial request and the proposed six-year capital plan are added to the model to supplement the information provided in June 2016, which informed that annual operating budget. The model and assumptions provide context and information with regard to both operating surpluses or deficits, as well as allowing the administration to model key debt ratios used by rating agencies that influence the University’s debt rating and capacity.

Baseline Assumptions

The long-range financial model begins with the President’s fiscal year 2017 operating budget. The two tables outlined below highlight major revenue and expenditure assumptions for the next six fiscal years beginning with budgeted 2017 fiscal year. The model highlights incremental changes in revenue and expense for fiscal years 2018, 2019, 2020, 2021 and 2022, using the budgeted fiscal year 2017 as a base.

Table 1 below highlights the annual **expense** assumptions for the forecast period beginning with the base assumptions for fiscal year 2017. Included in the table are brief explanations of the basis for the projections.

Expenses and Investments	FY2017	FY2018-19	FY2020-22 annual change	FY2020-22 Projection Basis
Salaries	2.5%	Every 1% = \$16.6M all funds	2.6%	10 year HEPI weighted average of all employees
Fringe benefit costs	(2.0%)*	7%	3%	10 year HEPI average
Number of faculty & other academic positions	Minimal increase	Minimal increase	Modest increase predicated on biennial request	Impacted by biennial request and strategic planning
Number of staff	Mixed impacts	Mixed impacts	Stable	Could be impacted by internal reallocations below
Remainder of Education & General	1.9%	2.3%	2.3%	10 year HEPI average
Auxiliary enterprises	1.9%	3.0%	3.0%	
Academic initiatives	\$17.5M	+\$20M FY18 +\$25M FY19	Not determined	Biennial request becomes
Facilities and technology infrastructure	\$8.4M	New facility op costs and network upgrade	New facility op costs	New building expenses, software licenses, new tech expenses, etc.
Institutional Financial Aid	0%	0%	0%	Tied to modeled tuition increases
Internal reallocations & reductions	(\$27.5M)	~1% of O&M + tuition base = \$18M	~1% of O&M + tuition base = \$18M	President's \$90M commitment
Capital expenses	Current capital plans, including current 6 year capital plan and annual capital budget			

*Fringe benefit rates decreased in FY2017 on a one-time basis due to legal settlements related to the payment of pharmacy benefits. FY2018 and FY2019 extraordinary increases are due to increasing off of a lower base and federal fringe rate formulas.

Table 2 below highlights the annual **revenue** assumptions for the forecast period beginning with the base assumptions for fiscal year 2017. Included in the table are brief explanations of the basis for the projections.

Revenues	FY2017	FY2018-19	FY2020-22 annual change	FY2020-22 Projection Basis
Undergraduate rate changes	0% Resident on system campuses 2.5% Resident on TC campus 7.5% Non-Res TC campus	0% Resident 7.5% Non-Res	0% Resident 7.5% Non-Res	Continuation of current framework
Undergraduate enrollment changes	+494 system-wide Fall 2016	+400 TC campus	+~400 each year TC campus through Fall 2020	TC undergraduate enrollment management plan
Graduate and Professional rate changes	2.5% Resident 2.5% Non-Res	0% Resident 3.0% Non-Res	0% Resident 3.0% Non-Res	Continuation of current framework
Graduate and Professional enrollment changes	+109 Fall 2016	Stable	Stable	Fall 2016 first stable enrollment in 6 years
Federal Grants and Contracts	0%	0%	0%	OVPR Projections
Sales and Services	1.9%	1.9%	1.9%	10 year average CPI
Gifts	4%	4%	4%	Allows for campaign
Auxiliary Enterprises	3.2%	3.5%	3.5%	Includes rate projections for TC residence halls
State Appropriations	\$626.3M	\$674.9M (+\$48.6) \$724.9M FY19 (+\$50M)	No assumption beyond FY19	Biennial request

Perspectives and potential variances regarding several of these baseline assumptions will be discussed, including changes due to the implementation of the Twin Cities undergraduate enrollment plan, supporting directions included in the University Progress Card, and other investment and revenue strategies.

The resulting financial models will represent different scenarios that will require further refinement. For each of the years highlighted, the President's recommended annual operating budget presented to the Board each year will be balanced with available resources matching planned expenditures.

Update on Long Range Financial Planning

**Presentation to the Board of Regents
Finance Committee
October 13, 2016**

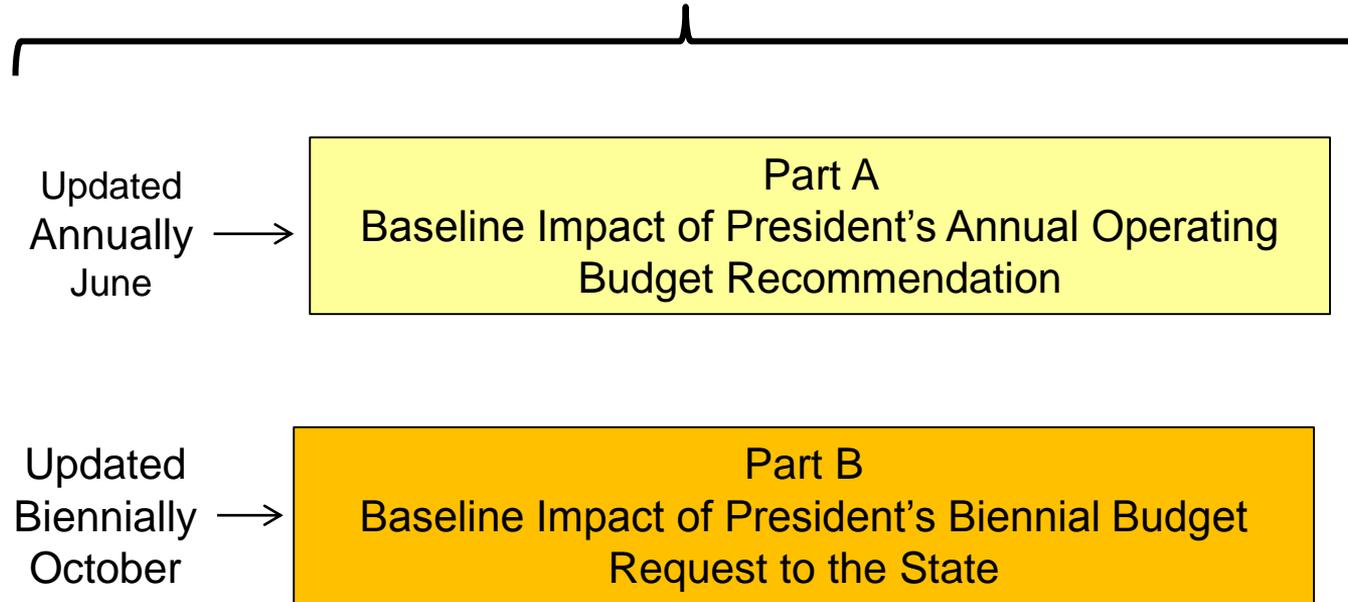


UNIVERSITY OF MINNESOTA

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Long Range Financial Planning Budget View Process & Timeline

6 Year Planning Horizon



Alternate Investment and Expense Assumptions – June 2016

Expenses	FY2017	FY2018-19 Annual Change	FY2020-22 Annual Change	Projection Basis
Salaries	2.5%	2.6%	2.6%	10 year HEPI weighted average of all employees
Fringe benefit cost	FY17 budget estimates	7%	3%	2018-19: Current U estimates 2020-22: 10 year HEPI average
Number of faculty/academic staff	Updated estimates	Stable	Stable	
Number of staff	Updated estimates	Stable	Stable	Could be impacted by internal reallocations below
Remainder of Education & General expenses	FY 17 budget estimates	2.3%	2.3%	10 year HEPI average
Auxiliary enterprises	FY 17 budget estimates	3.0%	3.0%	
Academic initiatives	+\$17.5M	Investing in student success, and supporting enrollment plans and academic priorities		
Facilities and technology infrastructure	+\$8.4M	New facility op costs	New facility op costs	Includes any other known unavoidable operational costs
Internal reallocations (reductions)	(\$27.5M)	(\$17.5M) FY18	TBD	President's \$90M commitment
Capital investments	Maintains full current 6-year capital plan and debt service plan, including 2016 request			
University repair and renovation funds	+\$2.25M	+\$2.25M	+\$2.25M	Necessary ongoing additions to R&R

Alternate Revenue Assumptions – June 2016

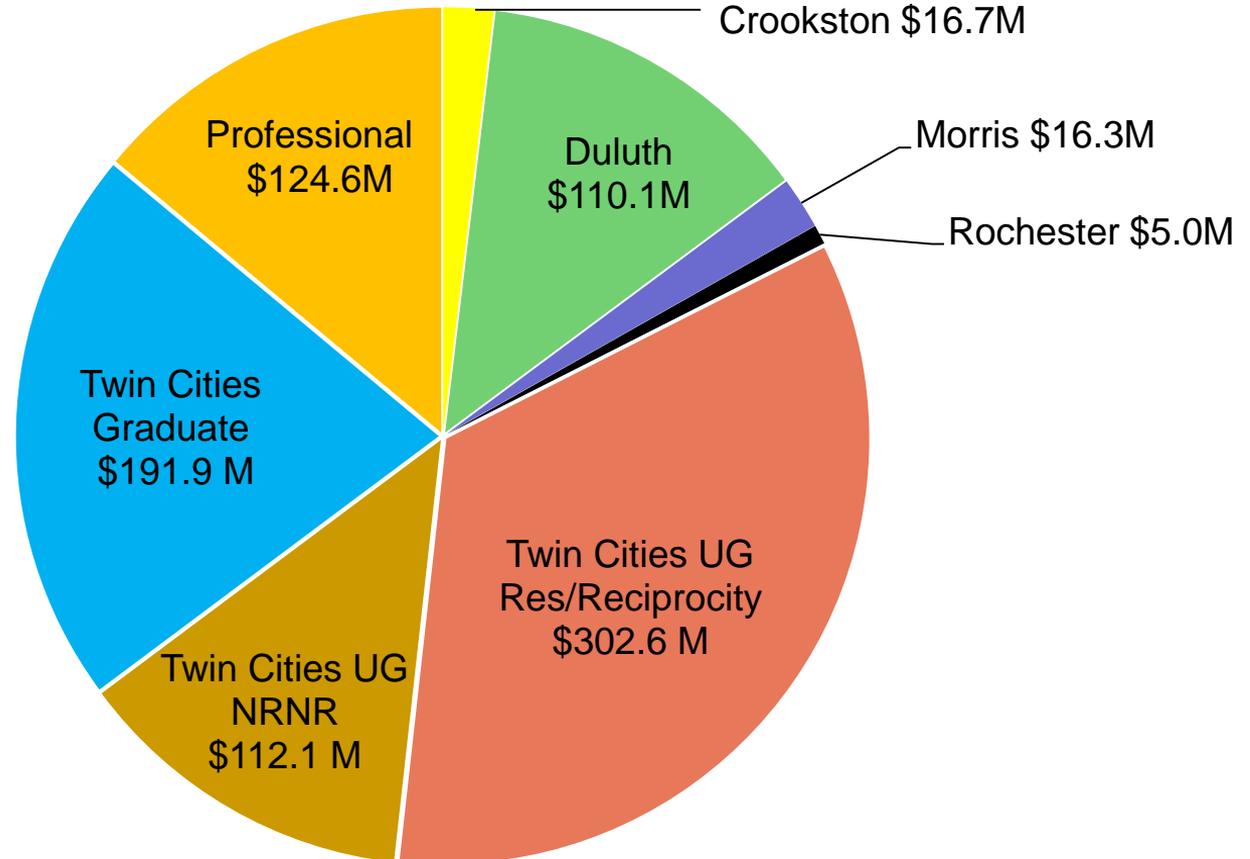
Revenues	FY2017	FY2018-19 Annual Change	FY2020-22 Annual Change	Projection Basis
State Appropriations	\$650M	State academic investment and core inflation support	0%	
Resident undergraduate rate increase	2.5% - Twin Cities 0% - System campuses		0%	
Non-resident undergraduate rate increase	+\$1550 (7.5%) - UMTC +\$2000 (16.8%) –UMM +396 (2.5%) -- UMD		0%	
Graduate and Professional rate changes	2.5%		0%	
Undergraduate enrollment change	Updated estimates	TC undergraduate enrollment growth		Move to 32,000 – 33,000 within five years
Graduate and Professional enrollment changes	Updated estimates	Flat	Flat	
Federal Grants and Contracts	OVPR Estimate	0%	0%	
Sales and Services	2.0%	2.0%	2.0%	Fed inflation target
Gifts	Foundation estimates	4%	4%	Allows for capital campaign
Auxiliary Enterprises	3.2%	3.5%	3.5%	Includes rate projections for TC residence halls

Flat enrollments in this decade

Fall semester system-wide enrollments

Academic Level	2011	2012	2013	2014	2015	2016
Undergraduate	44,071	43,802	43,646	43,413	43,457	43,951
Graduate	14,327	13,877	13,606	13,426	13,311	13,392
Professional	3,980	4,178	4,194	4,088	3,990	4,018
Non-degree	6,843	6,561	6,601	6,550	5,893	6,119
TOTAL	69,221	68,418	68,047	67,477	66,651	67,480

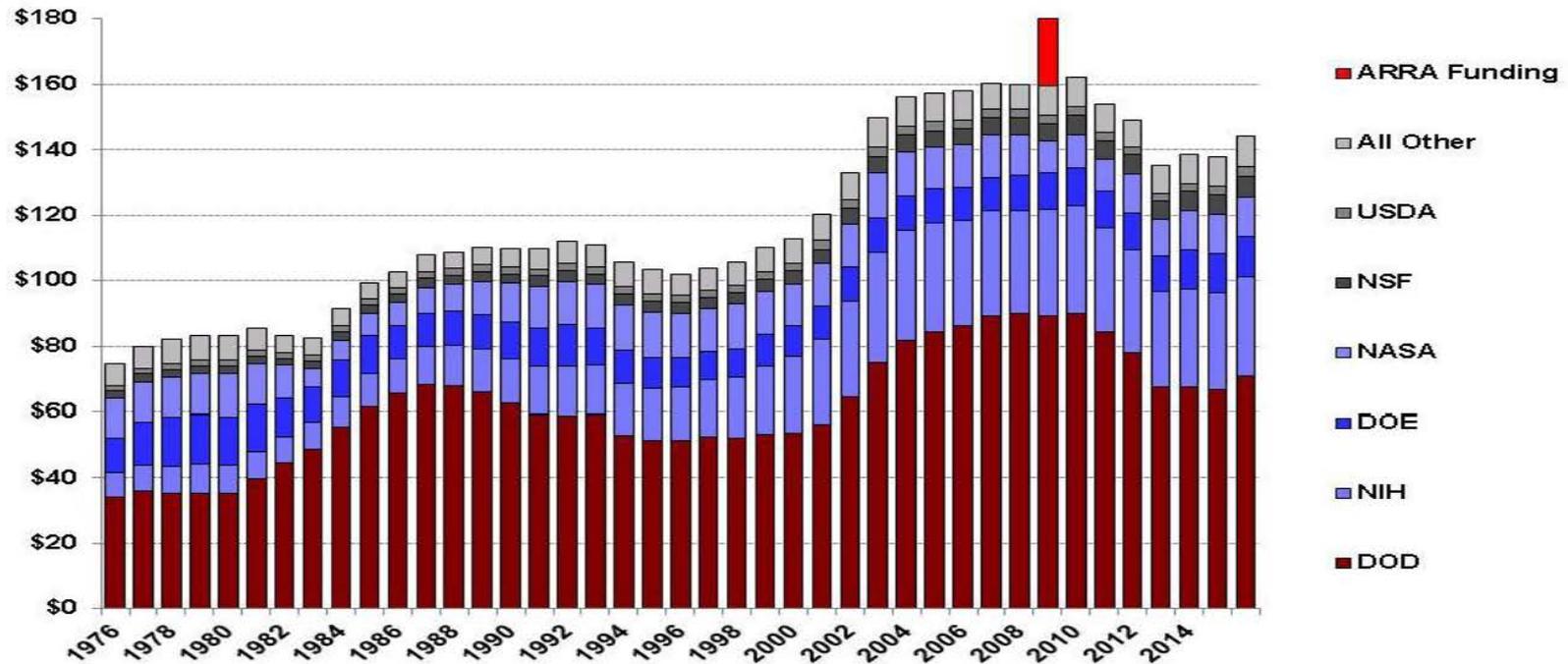
Budgeted FY 17 tuition revenue - \$879.3M



Federal research funding remains challenging

Trends in R&D by Agency

in billions of constant FY 2015 dollars



Source: AAAS Report: Research & Development series and analyses of FY 2016 budget request. 1976-1994 figures are NSF data on obligations in the Federal Funds survey. © 2015 AAAS

Changes & confirmations since June 2016

- Biennial request
- Updated six-year capital plan
- Network upgrade
- Twin Cities undergraduate enrollment management plan
- Fulfillment of the President's promise to reduce administrative costs by \$90M

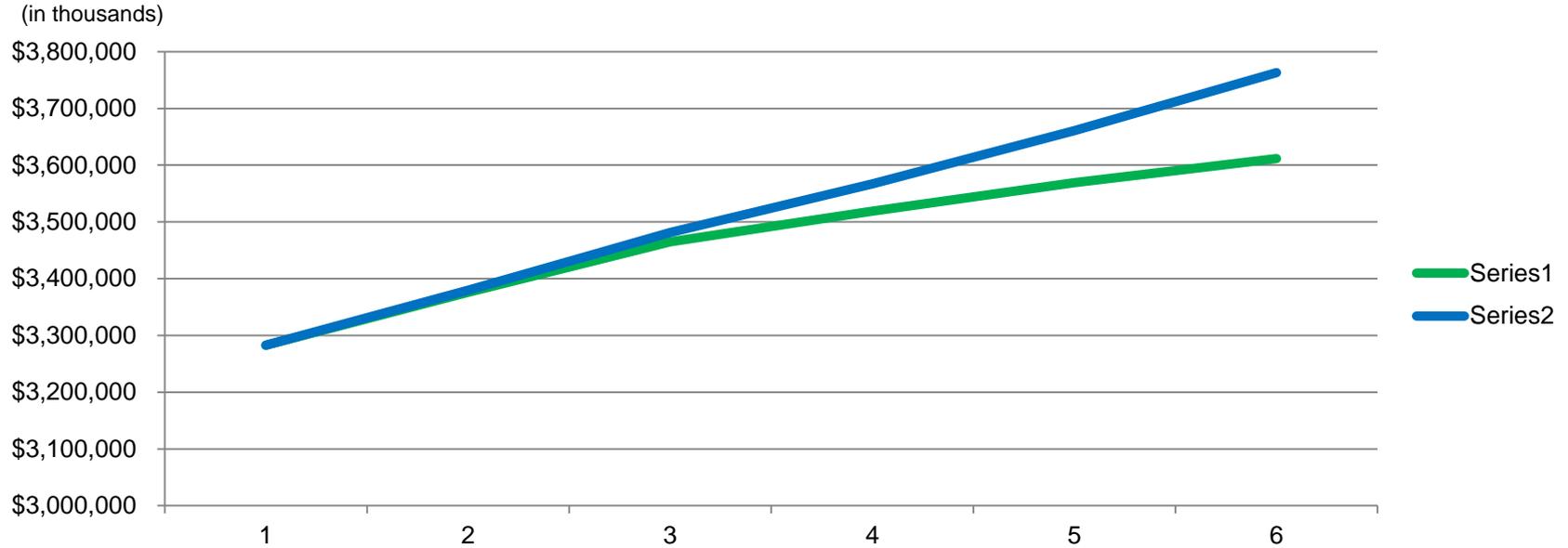
Revenue Assumptions – October 2016

Revenues	FY2017	FY2018-19 Annual Change	FY2020-22 Annual Change	Projection Basis
State Appropriations	\$650M	Biennial request +\$48.6M/+\$50M	0%	No assumption beyond FY19
Resident undergraduate rate increase	2.5% - Twin Cities 0% - System campuses	0%	0%	Based on biennial request
Non-resident undergraduate rate increase	+\$1550 (7.5%) - UMTC +\$2000 (16.8%) –UMM +396 (2.5%) -- UMD	7.5%	7.5%	Continuation of current framework
Graduate and Professional rate changes	2.5%	0% resident 3% non-resident	0% resident 3% non-resident	Historical starting point for
Undergraduate enrollment change	+494 system-wide Fall 2016	+400 TC campus	+400 TC campus	Based on Twin Cities enrollment mgmt. plan
Graduate and Professional enrollment changes	+109 Fall 2016	Stable	Stable	
Federal Grants and Contracts	OVPR Estimate	0%	0%	OVPR projections and federal research funding trend
Sales and Services	2.0%	2.0%	2.0%	Fed inflation target
Gifts	Foundation estimates	4%	4%	Allows for capital campaign
Auxiliary Enterprises	3.2%	3.5%	3.5%	Includes rate projections for TC residence halls

Investment and Expense Assumptions – October 2016

Expenses	FY2017	FY2018-19 Annual Change	FY2020-22 Annual Change	Projection Basis
Salaries	2.5%	Every 1% = \$16.6M all funds	2.6%	10 year HEPI weighted average of all employees
Fringe benefit cost	FY17 budget estimates	7%	3%	2018-19: Current U estimates 2020-22: University trend
Number of faculty/academic staff	Updated estimates	Minimal increase	Modest increase predicated on biennial request	Impacted by biennial request and strategic planning
Number of staff	Updated estimates	Mixed impacts	Stable	Could be impacted by internal reallocations below
Remainder of Education & General expenses	FY 17 budget estimates	2.3%	2.3%	10 year HEPI average
Auxiliary enterprises	FY 17 budget estimates	3.0%	3.0%	
Academic initiatives	+\$17.5M	+\$20M FY18 +\$25M FY19	Not determined	Assumes biennial request
Facilities and technology infrastructure	+\$8.4M	New facility operations cost and network upgrade	New facility op costs	New building expenses, software licenses, new tech expenses
Internal reallocations (reductions)	(\$27.5M)	~1% of O&M + tuition base = (\$18M)	~1% of O&M + tuition base = (\$18M)	Fulfills President's \$90M commitment
Capital investments	Maintains full current 6-year capital plan and debt service plan			

Forecast model - October 2016



	2017	2018	2019	2020	2021	2022
Total Revenues	\$ 3,282,857	\$3,375,978	\$ 3,465,004	\$ 3,518,924	\$ 3,569,023	\$ 3,611,506
Total Expenses	\$ 3,282,857	\$3,379,598	\$ 3,481,556	\$ 3,567,124	\$ 3,660,814	\$ 3,762,969
Net	\$ 0	\$ (3,620)	\$ (16,552)	\$ (48,200)	\$ (91,792)	\$ (151,463)

Budget levers

Revenues/resources

- State Appropriation
- Tuition rate increases
 - Resident
 - Non-resident
 - Graduate and professional
 - System campuses
- Enrollment increases
 - Twin Cities undergraduate
 - Graduate programs
 - Professional programs
 - System campuses
- Reallocation

Expenditures

- Compensation
 - Salary increases
 - Fringe benefit packages
- Strategic Choices
- Institutional financial aid
- Operations
 - Technology
 - Licensing
 - Compliance
- Facilities & Capital Expenses
- Debt

Further discussion Friday, October 14



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 13, 2016

AGENDA ITEM: Resolution Related to Refunding of Debt

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Michael Volna, Interim Vice President and CFO
Carole Fleck, Director, Debt Management

PURPOSE & KEY POINTS

The purpose of this item is to review and take action on the resolution authorizing the issuance and sale of debt to refund all, or a portion of, certain outstanding general obligation bonds and to pay costs of issuance.

Due to the low interest rate environment in the municipal bond markets, conditions may become optimal at some time during the next 12 months to realize significant savings through an advance refunding of one or more outstanding general obligation bonds. To afford flexibility in timing to match the occurrence of optimal conditions, the resolution is being presented as review and action and will remain in effect for 12 months.

The results of any refunding will be reported to the Finance Committee at the meeting following the completion of the transaction.

BACKGROUND INFORMATION

Refunding of bonds is the issuance of a new bond for the purpose of retiring an already outstanding bond issue. Outstanding debt may be refunded to achieve interest rate savings, restructure principal and/or interest payments, or eliminate burdensome covenants with bondholders. The refunding is considered an advance refunding when done prior to the optional redemption date (call date). Bonds can only be advance refunded once.

A legal defeasance occurs when the proceeds of new bonds that are sufficient to pay all principal and interest on the outstanding bonds up to and including the call date are deposited in escrow at a bank. The escrow is irrevocably pledged to the retirement of such debt and thus the escrow and the refunded debt do not appear on the University's balance sheet.

Board of Regents Policy: *Debt Transactions* requires approval of any refunding of debt.

The specific advance refunding opportunities that currently exist for consideration were discussed at the September 7, 2016 meeting of the Debt Management Advisory Committee.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to Refunding of Debt.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Refunding of Debt

WHEREAS, the University of Minnesota (University) has outstanding, among others, the following series of bonds the total outstanding principal amount of which is \$348,160,000 and each of which by its terms has the stated optional redemption date (the “Outstanding Bonds”):

<u>Series Name</u>	<u>Optional Redemption Date</u>
General Obligation Bonds, Series 2009A	4/1/2019
General Obligation Taxable Bonds, Series 2009B	4/1/2019
General Obligation Bonds, Series 2009C	6/1/2019
General Obligation Bonds, Series 2011A	12/1/2020
General Obligation Bonds, Series 2011D	12/1/2021

WHEREAS, Section V. Subd. 1(b) of Board of Regents Policy: *Debt Transactions* states that it shall be a goal to minimize University borrowing costs at acceptable levels of risk over the life of the debt; and

WHEREAS, current economic conditions, including those presently existing and those that may exist within a period of 12 months after the date of this Resolution (“Near-Term Conditions”), may present an opportunity to realize significant savings to the University through the refunding of some or all of the Outstanding Bonds prior to the optional redemption date of each issue (such refunding, an “Advance Refunding”); and

WHEREAS, it has been proposed that if it is determined by the President and the Treasurer, after consultation with the University’s debt advisor, that an Advance Refunding of one or more series of the Outstanding Bonds is in the best interests of the University (such series, the “Identified Series”), the University proceed with a plan of financing to refund the Identified Series by the issuance and sale of indebtedness in the form of one or more series of bonds (the “Debt”), the proceeds of which will be used to refund the Identified Series and to pay the costs of issuance of the Debt; and

WHEREAS, the Debt would be issued pursuant to one or more Indentures of Trust between the University and a bank or trust company acting as trustee or pursuant to one or more Orders of the University; and

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

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

1. To provide funds to refund the Identified Series of Outstanding Bonds, the Board hereby authorizes the sale and issuance of Debt in a total principal amount not to exceed the amount necessary to defease the Identified Series immediately prior to refunding and to pay costs of issuance thereof. The Debt may be issued in one or more series, each to mature not later than the current maturity date of the Identified Series being refunded, provided that if series are combined, the resulting series may bear the latest maturity date of the component series, subject to applicable tax law. The Treasurer is authorized to determine whether or not the Debt shall be restructured, and whether or not the Debt shall be tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended. This authorization shall remain in effect until the date that is 12 months from the date of this Resolution.

2. The Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

3. In connection with the issuance of any series of Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture(s) of Trust or Order(s) or any supplement or amendment thereto under which the Debt is to be issued in the form and containing such covenants, agreements, representations and warranties as are approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the documents evidencing the Debt in accordance with such Indenture(s) of Trust or Order(s) or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the documents evidencing the Debt may be by facsimile.

4. The President and Treasurer are authorized to execute and deliver one or more purchase agreements with the initial purchaser or purchasers of any series of Debt in the form and containing such covenants, agreements, representations and warranties of the University as are approved by the Treasurer and General Counsel.

5. The Treasurer is authorized to approve the Preliminary Official Statement(s), final Official Statement(s), Offering Memorandum or Memoranda, Offering Circular(s), or other offering material or any supplements or amendments thereto to be prepared and distributed to any purchaser or potential purchaser of a series of Debt, and the President is authorized to execute and deliver the final Official Statement(s) or any supplements or amendments thereto. In the case of the sale of any

series of Debt in a competitive process, the Treasurer is authorized to approve the Notice of Sale and any amendment thereto.

6. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Debt.

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

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

University of Minnesota - Summary of General Obligation Refunding Results
Assumes Full Refunding After 12/1/16 Principal Payments *
As of 9.16.16
000s omitted

	Series 2009A	Series 2009C	Series 2011A	Series 2011D	Aggregate (Tax-Exempt)	Series 2009B (Taxable)	Aggregate (All Series)
<u>Refunded Bonds</u>							
Outstanding par amount of bonds	\$ 33,730	\$ 23,895	\$228,990	\$ 48,745	\$335,360	\$ 12,800	\$348,160
Principal refunded (after 12/1 pymts)	\$ 33,730	\$ 20,380	\$204,020	\$ 47,400	\$305,530	\$ 12,800	\$318,330
Interest rates outstanding (coupons)	3.5% - 5.25%	5.0%	5.0% - 5.25%	5.0%		4.50% – 6.0%	
All-in TIC at issuance – (YTM)**	4.59%	3.18%	3.76%	3.78%		5.45%	
Call Date	4/1/2019	6/1/2019	12/1/2020	12/1/2021		4/1/2019	
Final Maturity	4/1/2034	12/1/2021	12/1/2036	12/1/2036		4/1/2029	
<u>Key Refunding Statistics</u>							
Net Present Value Savings (\$000)	\$ 4,815	\$ 499	\$ 14,041	\$ 3,250	\$ 22,605	\$ 1,677	\$ 24,282
Net Present Value Savings (%) ***	14.27%	2.44%	6.88%	6.85%		13.09%	
<u>Industry Standard:</u>							
Net Present Value Savings (%)	>3.0%	>3.0%	>3.0%	>3.0%		>3.0%	
Average Annual Debt Service Savings	\$ 283	\$ 100	\$ 702	\$ 162	\$ 1,247	\$ 140	\$1,387

*calculated amounts per PFM, as of 9.16.16

** TIC = true interest cost; YTM = Yield to maturity

***NPV Savings % = \$ savings as a percentage of refunded par



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 13, 2016

AGENDA ITEM: Network Upgrade Project: Financial Plan

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Michael Volna, Interim Vice President & CFO
Bernard Gulachek, Interim Vice President & CIO

PURPOSE & KEY POINTS

The purpose of this item is to discuss with the committee the financing plans for the system-wide Network Upgrade, the status of the competitive purchasing process, and project readiness.

Overview

The University's data network infrastructure is a mission-critical utility. Like electric, water, and heating/cooling utilities, it requires ongoing maintenance and reinvestment to ensure reliability and security. The present system-wide network was installed in 2004 (Wi-Fi technology installed in 2008) and designed for an expected 5- to 7-year life cycle. That network will reach the end of its useful and supported life in late 2017. While short-term strategies for managing or mitigating obsolescence circumstances exist, they are not sustainable. New wired and Wi-Fi networking technologies are required to support the University's mission. Specifically:

- Most hardware components are no longer available to purchase new.
- Software and application support has expired for two major components, firewalls and primary routing modules.
- Manufacturer support for the Wi-Fi network ends in November 2017.
- Manufacturer support for the rest of the wired network expires in January 2018.

The system-wide network is comprised of several components or major system layers that will be replaced or redesigned as part of this project. These components are:

- Network Core Routing.
- Network Distribution and Edge Switching.
- Data Center Network.
- Wi-Fi Network.
- Firewall and Security Infrastructure.

Understanding Demand

The research, educational, and outreach missions of the University provide unique network needs. Academically, the University's network must be able to support interactive and technology-rich classrooms and provide consistent student access. Research traffic must integrate with the Gopher Science Network to efficiently move large datasets and manage data-collection points. Demand is increasing more broadly for the management of simple devices, known as the "Internet Of Things," that are tools for the educational mission and system automation. The new network should anticipate future needs as much as possible – supporting emerging technologies such as IPv6, roaming IP, access strategies for end users such as 802.1X, as well as devices that cannot use 802.1X but need secure reliable network access.

Cybersecurity

Network security (protecting the confidentiality, integrity, and availability of information) and assurance (ensuring availability, integrity, authentication, and confidentiality) is core to managing a data network, and is an aspect of the network that has grown enormously during the lifetime of the existing network in importance and sophistication. Data at the University includes both highly sensitive research data as well as private, personal data. Examples of the type of data in the University's network include:

- Student and employee personal information such as social security numbers, addresses, and phone numbers;
- Private health records; and
- Extensive research data from a variety of disciplines.

The network upgrade will provide additional tools to analyze and identify data in order to mitigate evolving security threats and protect University intellectual and private data. The network must have the capability to adapt as these threats pose increasing challenges to the University. Investments in security management tools that match the level of threat sophistication are needed to ensure continuous operations and to comply with an increasingly growing list of regulatory requirements.

The cybersecurity components of this project can be categorized into three main technical areas of improvement: security firewalls; security intrusion, detection, denial of service, and threat monitoring/logging; and security management, monitoring, and operations.

Evolving Technology

A new data network is expected to provide a base service of 1 gigabit to all locations, with the ability to deliver 2.5, 5, 10, 40, and 100 gigabit connections where needed. It should support Power Over Ethernet and IP Quality of Service (QoS) to protect sensitive data such as video and voice. A new Wi-Fi system should be capable of supporting the latest technology, must be able to stay ahead of the forecasted 20% annual growth in devices and number of connections, and must perform as a viable replacement for general-capability wired connections including the capacity to support real-time voice and video applications. In University housing, the new system will transition to a "hospitality type" solution to improve service to students and better utilize existing infrastructure and optimize capacity.

Components Involved

- Network Core Routers (quantity: 28) *End of Support: 01/2018*
Core Routers are the heart of the campus network. These devices are interconnected with diverse 10-gigabit fiber paths. The core routers provide connectivity from building distribution centers to the other areas of the campus, Internet and research networks, and the Data Center Network.
- Network Distribution Switches (quantity: ~430) *End of Support: 01/2018*
These electronic devices generally reside in the basement Main Distribution Room (MDR) of each building. They typically connect to the closest Core Router by at least two non-diverse 1-gigabit fiber links. In turn, these provide connectivity via fiber to Edge Switches typically located on each floor of a building.
- Network Edge Switches (quantity: ~2,780) *End of Support: 01/2018*
These switches are in over 1,200 equipment closets alongside copper cabling infrastructure for that portion of the building and connected to station wire cabling that is used to connect an end-user's computer. The University's nearly 7,000 Wi-Fi access points (APs) are also connected through these cables and switch ports. An important goal of the RFP process is to expose new platforms that may be ready (or nearly ready) for production. Our current network has close to 100,000 available ports, but we are only using approximately 65,000 of these. This number has been fairly stable over the last several years, due to the increased usage of Wi-Fi. There is an option to reduce the number of switches based on the number of network ports in use which would save the project significant initial costs.
- Data Center Network (quantity: included above) *End of Support: 01/2018*
The Data Center network is built using the same technology as the core and edge. Special attention to redundancy and diversity for fault tolerance was included. Over time, minor augmentation and upgrades have been performed but the Data Center network is subject to the same end of support as the rest of the network. New Data Center technologies will drive a different architecture as the University's core enterprise systems and supporting technical infrastructure reside in this center, requiring greater speed and resilience and stronger security capabilities.
- Wi-Fi Network (quantity: ~7,000) *End of Support: 11/2017*
The University Wi-Fi network consists of nearly 7,000 access points (APs) and 40 controllers, and was built as an overlay on the wired network starting in 2008. Since then, Wi-Fi usage and coverage demand has dramatically increased. An upgrade will address the need for enhanced performance and gain the ability to more effectively manage and simplify the end user experience, allowing better support for a wider range of wireless devices. Wi-Fi usage continues to grow at a very high rate and should be considered a mission critical service for most University functions. New systems are capable of delivering better than gigabit performance to the user, and are expected to provide increased capacity.
- Firewall and Security Infrastructure (quantity: included above) *End of Support: 9/2015-1/2018*
Current firewalls that reside in the core routers have reached end-of-support and need to be replaced with the core network. Security sensing and detection capabilities must concomitantly advance as the network does. For example, if the selected network backbone speed is 100 gigabit, the Security infrastructure must be able to gather and analyze data at that rate. Security, threat mitigation, and compliance are increasingly important. An upgraded network must include the following capabilities: advanced sensors that will detect and mitigate service-disrupting traffic, Distributed Denial of Service or "DDoS" tools; advanced data center security

to enable the segmentation of mission-critical servers into areas of increased protection; and Intrusion Detection Systems (IDS) to enable increased visibility of server-to-server traffic within the network.

Decision-Making Process

A competitive purchasing process began in February, consisting of eight separate RFPs for each major component of the Network Upgrade. This process has provided the University with unique insight into the current market, surfacing solutions and commensurate costs for the University's next generation data network and associated information security technologies. This process also provided insight into emerging technologies and forecasted industry trends that have not yet reached market, but may emerge to extend the useful life of this next major investment.

An assessment was performed by an external consulting firm in early 2014 to survey manufacturers and vendors to calculate budgetary costs for a network replacement. Precompetitive estimates for replacing the University system's data network and associated security components were roughly \$78 million. Because teams are engaged with vendors in final negotiations, detailed updated estimates are not yet available. The forecast, based on information known at this time, has caused the University to reduce its estimate to \$70 million. The University's financing plan is based on this final estimate and will be adjusted when contracts are finalized.

BACKGROUND INFORMATION

The Board of Regents have received the following briefings related to information technology planning and investment:

- September 2016, *Board of Regents Policy: Investment of Reserves*, Finance Committee
- February 2016, *Optimizing Physical Assets: Network Infrastructure Refresh and Issues Related to Cybersecurity*, Facilities, Planning, & Operations Committee
- December 2015, *2016 State Supplemental Request*, Board of Regents
- June 2015, *IT Capital Planning*, Facilities, Planning, & Operations Committee

Network Upgrade Project Financing Plan

Board of Regents Finance Committee
October 13, 2016



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM



History & Context

- Current Network
- Product lifecycle
- Wired to wireless trend
- System-wide view
- Pre-RFP assumptions





Why Upgrade Now? Security



Ensure security with advanced infrastructure

- **Denial of Service (DoS) Protection.** Malicious attackers are increasingly trying to “take-down” networks via Denial of Service attacks. The new network will contain advanced sensors that will detect and mitigate service disrupting traffic reducing the risk of such attacks.
- **Advanced Data Center Security.** Attackers frequently pivot from devices on the broad network to gain remote access to servers running in the data centers. The new network will enable the segmentation of mission critical servers into areas of increased protection.
- **Intrusion Detection Systems (IDS).** The new network will have increased visibility of server to server traffic within the network. By deploying a larger array of optical taps, we will be able to deploy equipment, ad-hoc, to investigate specific security incidents.





Why Upgrade Now? Stability



Aging Equipment

Components on our network are

- End of supported life in January 2018
- At maximum capacity
- Approaching maximum performance
- WiFi network out of date and out of support in November 2017



Networking equipment with all expansion capability currently in use



Why Upgrade Now? To Meet Needs



	September 2011	September 2016	% Increase
Daily Unique Users	29,000	59,500	105%
Monthly Unique Users	57,000	104,000	82%
Daily Devices	46,000	82,500	79%
Daily Sessions	230,000	1,030,000	348%





Network Comparison



	2006	2016	2026
Number of Devices on Network	50,000	150,000	450,000
Speed to the Desktop	Max 1GB	Max 1GB	Max 100GB
Bandwidth to the Internet	3GB	20GB	>200 GB
WiFi Coverage	1,000	7,000	11,000
Modem Lines	2,000	0	0
Data Center Speed	1GB	10GB	100GB
Wireless Speed	10MB	600MB	1.3GB



Network Comparison



CURRENT NETWORK

- Limited security controls
- Non-redundant core routers for system campuses - Morris, RCH
- 10 gigabit interconnect
- 10 gigabit data center
- 100,000 total network ports
- 18 TC core routers
- 6,800 WiFi AP's

NEXT GENERATION NETWORK

- Improved security infrastructure
- Redundant core routers for system campuses
- 100 gigabit interconnect
- 100 gigabit data center
- 70,000 active and in-use only network ports
- 12 TC core routers
- 7,000 WiFi AP's



Network Cost Components



	Original Estimate	Current Estimate
Core Routers - 100 Gig interconnect	\$23,040,000	↓
Distribution / Edge	\$21,080,000	↓
Security Firewalls, Intrusion Detection, Denial of Service, Treat Monitoring / Logging systems & tools	\$17,275,000	↑
WiFi - TC	\$5,685,000	↓
System Campus / Distribution Edge / WiFi	\$5,385,000	↓
Data Center Network 100 Gig - Core, Spine, Leaf	\$3,700,000	↓
Security Management, Monitoring, Operations	\$1,800,000	↔
Total	\$77,965,000	~ \$70,000,000



Financing Plan – Network Upgrade

	Original	Oct. 2016
<hr/> Estimated Cost of the Network Upgrade Project	\$78M	\$70M
One-Time Funds Reserved for this Project	\$20M	\$23M
State Request	\$19M	\$0M
Earnings – New TIP Investment FY17	<u>\$0M</u>	<u>\$3M</u>
Subtotal Year 1	<hr/> \$39M	<hr/> \$26M
Earnings – New TIP Investment FY18-FY27 (\$4m/yr for 10 yrs)	\$0M	\$40M
Balance - Annual Budget (~ \$400k/yr for 10 yrs)*	<u>\$39M</u>	<u>\$4M</u>
Total Resources	\$78M	\$70M

* This amount would be divided by 10 and included as an investment in the annual operating budget beginning in FY18. It will be adjusted as necessary to accommodate a variance in the final project cost, a change in the estimated investment earnings, and/or availability of additional one-time resources.



UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 13, 2016

AGENDA ITEM: Consent Report

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Michael Volna, Interim Vice President and CFO

PURPOSE & KEY POINTS

General Contingency

The purpose of this item is to seek approval for allocations from General Contingency greater than \$250,000. There are no items requiring approval this period.

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

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

- To Cardinal Health for an estimated \$5,000,000 for the purchase of pharmaceuticals and related supplies for the period of November 1, 2016, through October 31, 2017, for Boynton Health Center. This purchase will be paid for from the sale of prescriptions and other items to patients and from payments by U of M departments for pharmaceuticals. Vendor was selected through a competitive process.
- To Definitive Logic for \$1,700,000 for a professional service for the Integrated Workplace Management System (IWMS) technology solution and implementation and integration services as part of the Enterprise Asset Management (EAM) program as needed for the period of November 1, 2017, through October 31, 2019, for University Services. The purchase of this service will be "self-funded" from University Services balances that have been reserved over several years in anticipation of replacing its current facilities management maintenance system, which will no longer be supported by the vendor after 2017. Vendor was selected through a competitive process.
- To eCIFM Solutions Inc., for \$6,205,200 for a new Integrated Workplace Management System (IWMS) technology solution and implementation and integration services as part of the Enterprise Asset Management (EAM) program, including post implementation annual operating cost for 10 years, as needed for the period of January 1, 2017, thru June 30, 2029,

for University Services, in support of the University of Minnesota system. The purchase of this service will be self-funded from University Services balances that have been reserved over several years in anticipation of replacing its current facilities management maintenance system, which will no longer be supported by the vendor after 2017. Vendor was selected through a competitive process.

- To Elsevier, Inc. for an estimated \$2,687,457 for subscription to Elsevier ScienceDirect as needed for the period of January 1, 2107, through December 31, 2017, for the University Libraries. This is the last year of a three-year license with Elsevier. In year 1 (2015) and 2 (2016) the total amount paid was \$2,531,808 and \$2,615,403, respectively, totaling the three-year contract at \$7,834,668. The remaining \$2,687,457 allotted as payment to Elsevier over the next year is included in the University Libraries FY 2017 budget, as well as the FY 2017 budgets for Duluth, Morris and Crookston Libraries. Vendor was selected through a competitive process.
- To Geronimo Energy, LLC for an estimated \$10,611,335 in community solar garden subscription fees for Facilities Management for the period of October 17, 2016, through December 31, 2042. These services will be purchased with funds from the Electric Utility ISO. Vendor was selected through a competitive process.
- To John Wiley & Sons, Inc. (Wiley) for an estimated \$2,793,583 for journal subscriptions available via Wiley Online Library as needed for the period of January 1, 2017, through December 31, 2018, for the University Libraries. In year 1 the total amount paid was \$1,363,568, totaling the three-year contract at \$4,157,151. The remaining \$2,793,583 allotted as payment for Wiley over the next two years is included in the University Libraries FY 2017 and FY 2018 budget, as well as the FY 2017 and FY 2018 budgets for the Law Library, Duluth and Morris Libraries. Vendor was selected through a competitive process.

Update to Central Reserves Budget

The purpose of this item is to review the current status of the University's Central Reserves budget and update the budget to reflect recent Board action. Under Board of Regents Policy: *Central Reserves* Section II, Subd. 3 any modifications to the Central Reserves budget requires Board approval.

The central reserves fund refers to resources that are recorded in a central account in the University's general ledger, which are then allocated out in small, targeted amounts to specific units as part of the annual budget; transferred to O&M to support the O&M allocations in the annual budget; or held as a reserve. The primary revenue sources for the central reserves fund include investment earnings, realized gains or losses in market value from the Temporary Investment Pool (TIP), realized gains in market value related to TIP funds invested in the Consolidated Endowment Fund, legal settlements, and other miscellaneous revenues.

The aim of the central reserves fund is to insulate the University from potential major financial risks, including unanticipated or uninsured catastrophic events, temporary institutional revenue declines or expenditure gaps, unforeseen legal obligations and costs, failures in central infrastructure, or failures of major business systems. Under normal circumstances, Board of Regents policy holds that the central reserves fund should not fall below 4% of state appropriations, or \$25,000,000, whichever is greater.

The approved budget plan for FY 2017, included a planned beginning balance of \$21,861,616; net revenues totaling \$12,843,750; a transfer to O&M of \$5,732,000, and transfers/payments out of \$10,859,480, resulting in an ending balance of \$18,113,886. At this point in the year, those estimates have been updated as follows:

- The beginning balance remains unchanged and will remain so until the FY16 financial statements are finalized.
- Net revenues for the year are currently projected to be \$25,230,910, which is \$12,387,160 more than the approved budget due to:
 - A \$2,817,000 increase in estimated investment income resulting from implementation of the change to the *Investment of Reserves* policy approved by the Board of Regents in September, adding "private and/or illiquid securities" as an allowable investment type for external managers.
 - An increase of \$9,570,160 from the final stock sale associated with the MD Anderson legal settlement.
- The expected transfers out/payments have increased \$12,898,874 which represents:
 - \$2,817,000 - the allocation of the increased investment income (mentioned above) to support the costs of the network upgrade project.
 - \$511,714 – a payment to the state of Minnesota – in the past, the University earned interest on Environment and Natural Resources Trust Fund (ENRTF) appropriations based on when the University received the funds from the state and the duration of the ENRTF grants. To date, the University has worked with the Legislative-Citizen Commission on Minnesota Resources, the Legislature, and MN Management and Budget to resolve this issue by supporting a modification of State Statute and agreeing to reimburse the state for interest earned from February 11, 2016 through the end date on past appropriations (reimbursement in the FY17 approved budget prior to this update). This one-time payment relates to interest the University earned in the Temporary Investment Pool (TIP) prior to the release of the Legislative Auditor's report.
 - \$9,570,160 as final income from the MD Anderson legal settlement stock sale that will be dispersed to the recipients during FY17 as follows (per the policy that directs the distribution of royalty revenues):

\$239,254.00	to the Beckman Foundation
\$681,873.91	to the Office of Technology Commercialization
\$2,883,587.33	to the Inventors
\$2,882,722.42	to the College of Biological Sciences (college & department)
\$2,882,722.42	to the Office of the VP for Research

The amount distributed reflects the final income from the sale of stock associated with this legal settlement.

The combined impact of these updated estimates reduces the projected balance in the central reserves fund for June 30, 2017 by \$511,714 to \$17,602,172. In table form the approved FY17 budget for Central Reserves and the updated estimates for FY17, with the calculated variances, are displayed below.

	Approved FY17 Budget	Updated FY17 Estimates	Updated Estimates vs. Approved Budget
Carryforward	\$21,861,616	\$21,861,616	\$0
Net Investment Earnings	\$12,843,750	\$15,660,750	\$2,817,000
Legal Settlements	\$0	\$9,570,160	\$9,570,160
Transfers to O&M	(\$5,732,000)	(\$5,732,000)	\$0
Total Net Revenues	\$28,973,366	\$41,360,526	\$12,387,160
Operating Allocations	\$10,859,480	\$14,188,194	\$3,328,714
Legal Settlement Transfers	\$0	\$9,570,160	\$9,570,160
Total Allocations/Transfers	\$10,859,480	\$23,758,354	\$12,898,874
Ending Balance	\$18,113,886	\$17,602,172	(\$511,714)

BACKGROUND INFORMATION

Approvals are sought in compliance with Board policy as follows:

- General Contingency: *Reservation and Delegation of Authority*, Section VII, Subd. 1.
- Purchase of Goods and Services \$1,000,000 and Over: *Reservation and Delegation of Authority*, Section VII, Subd. 6.
- Central Reserves Budget: *Central Reserves*, Section II, Subd. 3.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Consent Report.

General Contingency

Fiscal Year 2016-17

Recipient	Amount	Balance	Purpose
1 FY2017 General Contingency		\$1,000,000	
2 Carryforward from FY16 to FY17	22,500	1,022,500	
3 Facilities Management	88,000	934,500	Eastcliff small capital & large maintenance projects in FY16
5 U Services	(5,515)	940,015	Return of unused funds from reconstruction of Eastcliff Event Lawn Space
4 New items this reporting period:			
None			
6 FY 2016-2017 Ending Balance		940,015	

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

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

To Cardinal Health for an estimated \$5,000,000 for the purchase of pharmaceuticals and related supplies for the period of November 1, 2016 through October 31, 2017 for Boynton Health Pharmacy.

The pharmaceuticals purchased by the Boynton Health Pharmacy are used to fill prescriptions for U of M students, staff, dependents and retirees; to stock various clinics at Boynton Health Service; or wholesaled to other U of M departments.

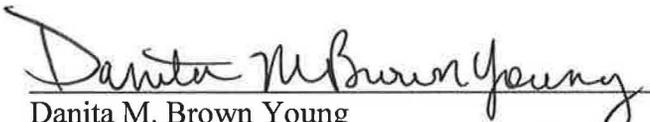
Cardinal Health was selected through a competitive process led by the State of Minnesota, Department of Administration, Materials Management Division, on behalf of the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). Total MMCAP purchases are over 1 billion dollars annually.

MMCAP has been in existence for over 30 years. Over 5,000 facilities from 47 states participate in this buying group. Because of the large purchasing volume, members are able to get the most advantageous pricing available and next-day delivery for most items, thus enabling prompt service to Boynton's patients and other University departments.

This purchase will be paid for from the sale of prescriptions and other items to patients and from payments by U of M departments for pharmaceuticals.

Submitted by: Pepper N. Meyer, PharmD
Pharmacy Supervisor
Boynton Health Pharmacy
Phone: (612) 624-2193

Approval of the item requested by:


Danita M. Brown Young
Vice Provost for Student Affairs & Dean of Students

9-12-2016
Date

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

To Definitive Logic for \$1,700,000 for a professional service for the Integrated Workplace Management System (IWMS) technology solution and implementation and integration services as part of the Enterprise Asset Management (EAM) program as needed for the period of November 1, 2017 thru October 31, 2019, for University Services.

As part of the Integrated Workplace Management System (IWMS) technology solution, implementation, and integration services contract, we require a consultant to help guide, advise and assist to ensure the University's best interests are upheld.

Hiring an PMO consultant that has experience implementing IWMS systems will reduce the risk to the project's scope, schedule, and ultimately budget. This role would provide business-specific knowledge, oversee the IWMS installation, and assist the University's project staff in a variety of critical tasks.

Through a competitive bidding process Definitive Logic was identified as the best overall solution based on experience, understanding of the University's needs, and overall value.

The purchase of this service will be "self-funded" from University Services balances that have been reserved over several years in anticipation of replacing its current facilities management maintenance system, which will no longer be supported by the vendor after 2017.

Submitted by: Michael Berthelsen, Interim Vice President for University Services
Room 317 – Morrill Hall
Minneapolis Campus
Phone: 612.624.3557
Fax: 612.626.2278

Approved for this item requested by:

Michael Berthelsen
VP or Exec VP Signature

9-27-16
Date

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

To eCIFM Solutions Inc., for \$6,205,200 for a new Integrated Workplace Management System (IWMS) technology solution, implementation, and integration services as part of the Enterprise Asset Management (EAM) program, including post-implementation annual operating costs for 10 years, as needed for the period of January 1, 2017 thru June 30, 2029, for the University Services, in support of the University of Minnesota system.

To meet the continuing challenge of tighter budgets, caring for more complex facilities, and integrating information for use by the University system-wide, the University launched the EAM program. EAM will allow the University to have standardized processes, a shared technology platform, and integrated data for all components of University physical assets: capital planning and project management, space management, maintenance, real estate and leases, and portfolio planning.

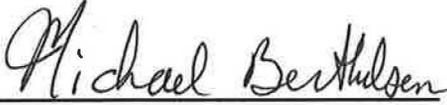
By aligning these processes, technology, and data, the University will make better decisions to help prolong facilities and buildings, effectively use resources, and reduce costs. With this in mind, the University has identified a new technology platform to support this effort.

Through a competitive bidding process, eCIFM Solutions provided the best overall solution by providing the most robust product, demonstrating the optimum understanding of our needs at the best value.

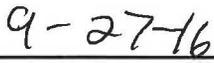
The purchase of this service will be "self-funded" from University Services balances that have been reserved over several years in anticipation of replacing its current facilities management maintenance system, which will no longer be supported by the vendor after 2017.

Submitted by: Michael Berthelsen, Interim Vice President for University Services
Room 317 – Morrill Hall
Minneapolis Campus
Phone: 612.624.3557
Fax: 612.626.2278

Approved for this item requested by:



VP or Exec VP Signature



Date

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

To Elsevier, Inc. for an estimated \$2,687,457 for subscription to Elsevier ScienceDirect as needed for the period of January 1, 2017, through December 31, 2017, for the University Libraries.

Elsevier ScienceDirect is a library database that provides online access to unique digital journal content, of which the University Libraries subscribes to approximately 1,000 journals.

While the primary subject areas covered by Elsevier ScienceDirect are science, technology, and medicine, the resource also provides access to social science and humanities journals published by Elsevier.

Elsevier, Inc. is the only publisher to offer this unique journal content.

This resource will be purchased by the University Libraries on behalf of the Libraries of the University of Minnesota (and accessible to all campuses). The University Libraries will pay \$2,597,457; Duluth, Morris and Crookston Libraries will pay \$75,000, \$10,000, and \$5,000, respectively.

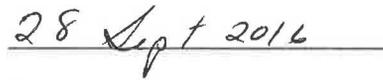
This is the last year of a three-year license with Elsevier. In year 1 (2015) and 2 (2016) the total amount paid was \$2,531,808 and \$2,615,403, respectively, totaling the three-year contract at \$7,834,668. The remaining \$2,687,457 allotted as payment to Elsevier over the next year is included in the University Libraries 2017 budget, as well as the 2017 budgets for Duluth, Morris and Crookston Libraries.

Submitted by: Wendy Lougee, University Librarian
499 Wilson
Phone: (612) 624-1807
Fax: (612) 626-9353

Approval for this item requested by:



VP or Exec VP Signature



Date

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

To Geronimo Energy, LLC for an estimated \$10,611,335 in community solar garden subscription fees for Facilities Management for the period of October 17, 2016 through December 31, 2042.

*In 2013, Minnesota State legislation directed Minneapolis-based utility, Xcel Energy, to create a program for community solar gardens (Minnesota Statute 216b.1641). Xcel named the program the Xcel Energy Solar*Rewards Program. The community solar gardens are financed, built, operated, and maintained by third-party developers. A community solar garden is a centralized, shared solar project connected to the energy grid that has multiple subscribers. Each subscriber receives a credit on their Xcel Energy electric bill based upon the production of the solar facility and their subscription share of that facility. Subscribers pay the developer for the subscription and the developer provides the electricity generated to Xcel. The difference in payments to the developer and the bill credit received from Xcel results in savings or costs to the subscriber.*

The University issued a request for proposal in March 2016 for community solar garden subscription services. The University received three responses to the RFP. Geronimo Energy, LLC provided competitive pricing, and was identified as the best qualified vendor due to their experience in the Minnesota renewable energy sector, the strength of their team, and the viability of their proposed solar garden.

The purchase is a 25-year contract, which is standard for the community solar garden industry in Minnesota. The University's subscription is equal to two megawatts, subject to successful completion of the proposed community solar gardens. Year 1 subscription fees are expected to be \$360,649.20 and yield savings to the University of \$33,580.00. The total estimated purchase is \$10,611,335 for community solar garden subscription fees and total savings of \$791,008 over 25 years. Actual payments will be based on the terms of the contract and changes to Xcel's Applicable Retail Rate.

These services will be purchased with funds from the Electric Utility ISO.

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Approval for this item requested by:



Interim Vice President, University Services



Date

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

To John Wiley & Sons, Inc. (Wiley) for an estimated \$2,793,583 for journal subscriptions available via Wiley Online Library as needed for the period of January 1, 2017, through December 31, 2018, for the University Libraries.

Wiley journal content, hosted via Wiley Online Library, provides online access to unique digital journal content totaling approximately 2300 journals. Wiley journal content covers major academic, scientific and professional subject areas. Wiley is the only publisher to offer this unique journal content.

The Wiley purchase is a consortia purchase through the Big Ten Academic Alliance (BTAA; previously CIC). We are currently in year 2 of a three-year contract. In year 2 (2017) and 3(2018) the total payment due will be \$2,793,583. The following entities have access to and contribute towards the payment for the Wiley content:

- *University Libraries: \$2,439,545*
- *University of Minnesota Law Library: \$27,610*
- *UMD Library: \$281,681*
- *UMM Library: \$44,747*

In year 1 the total amount paid was \$1,363,568, totaling the three-year contract at \$4,157,151. The remaining \$2,793,583 allotted as payment for Wiley over the next two years is included in the University Libraries 2017 & 2018 budget, as well as the 2017 & 2018 budgets for the Law Library, Duluth and Morris Libraries.

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Approval for this item requested by:



VP or Exec VP Signature



Date



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

October 13, 2016

AGENDA ITEM: Information Items

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Michael Volna, Interim Vice President and CFO

PURPOSE & KEY POINTS

Update on Enterprise Asset Management (EAM) System

For the past two years, the administration has been examining all of its current processes and systems related to the management of the University’s physical assets: capital projects, real estate, space management, portfolio planning, operations and maintenance, sustainability, and energy. It is estimated that 144 different systems manage these functions, some nearing 20 years of age. The result of this work has been a recommendation to implement what is referred to as an Enterprise Asset Management system in order to align and integrate information from these functions into a single software solution. Following an RFP process, contracts for professional services are recommended for approval in the Finance Committee this month.

A summary of the project is included, providing additional background and outlining the efficiencies and improvements this system is expected to deliver.

Greek Housing Loan Program

At the June 12, 2015 Board of Regents meeting, the Board approved a resolution establishing the Safe Housing for Greek Chapter Students Improvement Fund within UMF Real Estate Advisors, and authorized the University to transfer \$1,500,000 to the new fund, a 50 percent stake in it. At the time of that resolution, the loan program documents delineated ten “qualifying uses” for loan funds.

Based on inquiries and feedback from Greek chapters about the needs and uses for loan proceeds, an eleventh item has been added to the list of qualifying uses:

Down payment assistance to purchase real estate for the development of new or replacement of chapter houses on or around the University’s Twin Cities campus.

This qualifying use has been added to the loan program because it will provide additional flexibility and options to Greek Chapters in addressing facilities condition issues and meeting their members’

housing needs. Chapters may need the option of acquiring adjacent or replacement property, but the current loan program's list of qualifying uses does not permit this option.

This addition to the program has been reviewed and approved by UMF Real Estate Advisors, the President's Office, and the University's Interim CFO. All other aspects of the program including loan amounts, loan qualification criteria, the amounts provided by the University and UMF, and loan administration, remain unchanged.

ENTERPRISE ASSET MANAGEMENT (EAM)

Update for Board of Regents Finance Committee

EXECUTIVE SUMMARY

Maintaining and supporting our physical assets is the University's second largest cost (after compensation). Good information and workflow management are keys to managing these assets well in all aspects of this work including the management of: space allocation and utilization, capital planning and project management, leases and real estate, maintenance, and custodial work.

In the early 1990s, the University began creating and purchasing software systems to support this work. Now in 2016, there are nearly 144 unique systems used across the University systems, organizations, and business and college units to manage these work efforts and University physical assets. In addition, the core systems for maintenance and space are 16 years old and will cease to be supported next year.

A market analysis and review of best practices led to a search through RFP for an Integrated Workplace Management System (IWMS – software solution) that can support all these business needs across the lifecycle of our facilities for the University system and replace many of the stand-alone systems currently used.

Two RFPs are presented this month in the Finance Committee's consent agenda that would purchase an IWMS software solution, configure/install this solution, and manage the project to accomplish the installation, training, and change management efforts for this program.

DRIVERS

The University currently faces challenges with inconsistent asset management processes, aging and redundant technologies, and disjointed and incomplete data that impede the ability to make meaningful decisions about the lifecycle of our physical assets (land, space, facilities, and equipment). These challenges were reiterated in the 2012 Legislative Audit which recommended proceeding to replace the current software system for maintenance and space.

The current system that manages space and maintenance operations including equipment inventory (FAMIS) is 16 years old and will no longer be support by the vendor after 2017. As a result, the University needed to look for alternatives. FAMIS is the core technology used by Facilities Management for work orders to manage the physical assets (buildings, space, etc.) on Twin Cities campus today. Duluth currently has their own instance of FAMIS, and the systems do not share data.

The software market for managing assets has evolved, from a point solution to integrated platforms, allowing for a one-stop shop to manage facilities, land, space, and equipment. This will allow the University to replace not only FAMIS, but to reduce the number of tools currently managing physical assets, estimated at 144 systems. The core systems in scope for replacement include all six FAMIS instances currently owned by the University, as well as the Real Estate land/lease application, CPPM capital projects planning and financial tracker application (Unifier), and the time and labor system used in University Services (Kronos). By implementing an Integrated Workplace Management System (IWMS), shared data across the business units that manage physical assets will support better and active decision-making. This effort will greatly improve the current work processes that will increase the speed to delivery (aided by new mobile solutions to utilize this software) and overall lower costs for the University.

RECOMMENDATION

The University is proposing the following two contracts as part of the Board of Regents Finance Committee's consent agenda. These recommendations are the result of competitive RFP processes.

- System Integrator (SI) and Software: eCIFM Solutions (SI) and IBM Tririga (software) - \$6,205,200 for a new Integrated Workplace Management System (IWMS) technology solution, implementation, and integration services as part of the Enterprise Asset Management (EAM) program, including post-implementation annual operating costs for 10 years.
- PMO Consultant: Definitive Logic - \$1,700,000 for professional services to advise and assist the University's project management staff to ensure the University's best interests are served during implementation. Hiring a PMO consultant that has experience implementing IWMS systems will reduce the risk to the project's scope, schedule, and ultimately budget.

These contracts will be self-funded from University Services balances that have been reserved over several years in anticipation of replacing FAMIS as discussed above. Other project support costs also will be funded by University Services within this established set of balances.