

Senate Committee on Finance and Planning (SCFP)
October 18, 2016
Minutes of the Meeting

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

[**In these minutes:** Six-Year Capital Plan; Effectiveness and Efficiency of the RFP Process; Working with Purchasing Services on Bids Over \$10,000; Updates on Graduate Education Funding]

PRESENT: Dan Feeney (chair), Catherine Fitch, Daniel Lockren, Tracy Peters, Michael Berthelsen, Lincoln Kallsen, Jill Merriam, Paul Olin, Michael Volna, Carl Rosen, Robert Goldstein, Jennifer Gunn, Michael Korth, Fred Morrison, Sandra Potthoff, Karen Seashore, Danny Bernick

REGRETS: Erik von Kuijk, David Fisher, Mark Kanake,

ABSENT: Laura Kalambokidis, Julie Tonneson, Karen Ho, Aravind Boddupalli, Varun Sood

GUESTS: Brian Swanson, chief financial officer, University Services; Michael Berthelsen, interim vice president, University Services; Michael Volna, interim vice president, chief financial officer and treasurer; Tim Bray, director, Purchasing Services; Scott Lanyon, vice provost and dean of graduate education, Graduate School

Chair Dan Feeney welcomed the committee and members introduced themselves.

1. Six-Year Capital Plan – Chair Feeney introduced Brian Swanson, chief financial officer, University Services, and Michael Berthelsen, interim vice president, University Services to discuss the six-year capital plan.

Berthelsen began by explaining the difference between the six-year capital plan (in which the University is requesting resources and additional planning is required) versus the annual capital budget (in which the University has the resources and the authorization to proceed with a completed predesign). The six-year capital plan is the University's capital investment planning tool, Berthelsen said, and includes all major programmatic projects and outlines current and future state capital requests. The six-year capital plan goes to the Board of Regents for review each September-October.

The portfolio planning process happens in four stages, Berthelsen said: identification of potential projects, preliminary review and program analysis, the six-year capital improvement plan, and approval and implementation. The primary drivers in the first stage are programmatic needs (proposed by chancellors, vice presidents, and deans), facility condition (based on the Facility Condition Assessment), and an assessment of available financial resources (including building operation costs, debt service payments, and debt capacity), Berthelsen said.

In the second phase, the Capital Strategy Group reviews, analyzes, and recommends projects based on six major criteria, Berthelsen said: strategic positioning, academic priorities, facility conditions, financial constraints, project logistics, and space and other issues. In stage three, Berthelsen said, the six-year capital improvement plan is approved and recommended to the Board of Regents by the president, and includes planning and feasibility, predesign, and resource acquisition. In the fourth and final stage, Berthelsen said, individual projects over \$500,000 are approved in the annual capital budget, the predesign is completed, the project is fully funded, and approved projects move into the design and construction process.

The 2016 six-year capital plan, Berthelsen said, assumes a continued emphasis on priorities from 2015, and maintains the existing state financial assumptions. There is a very limited opportunity to add new project, as the state request pipeline remains full, and the University's ability to pay new operating and debt costs is limited.

The identified priorities place strategic emphasis on five key areas, Berthelsen said: renovation or removal of FCA critical buildings, advancing the health sciences, modernizing St. Paul campus research laboratories, expanding capacity in STEM programs, and repositioning libraries for the 21st century.

The University can't be a first-rate University with third-rate facilities, Berthelsen said. A growing deferred renewal backlog has widespread impacts on academic programs, research initiatives, student experience, and general competitiveness. Berthelsen outlined some recent successes, including the renovation of Tate Laboratory.

Berthelsen said that there are currently 1.5 million square feet of poor and critical facilities that could be addressed if the Six-year plan is fully funded and acted upon, including the Mayo building, Plant Growth Facilities, the old Bell Museum, and the VFW Cancer Center, among others. The current plan has critical facility placeholders in each year, and these placeholders provide flexibility to accommodate projects that shift years when the state does not fully fund the University's request.

Regarding health sciences, Swanson said, there is a new Health Science Education Center planned for 2017, a new Clinical Research Facility planned for 2022, and a replacement for the Mayo building planned for 2022, in addition to a joint venture project and new medical discovery teams.

To improve the condition of research labs on the St. Paul campus, Swanson said, the Plant Growth Research Facility is slated to be replaced in 2017, along with renovations to the Biological Sciences building that same year. There will be two phases of investment in improving research labs from 2018-2020, as well as a planned Dairy Research Facility.

Swanson said that the student demand for STEM programs as well as state performance measures related to STEM degrees has increased the need for additional laboratory facilities. Chemistry labs, a core component of most STEM programs, are particularly lacking, Swanson said. There is a UMD Chemistry and Advanced Materials Sciences building slated for 2017,

Swanson said, as well as a Chemistry Teaching Laboratory Facility in 2018, and a Chemistry Research Laboratory Investment in 2021.

Growth in library facilities that have statewide and even national significance must be managed differently than the practice of the last 20 years, Swanson said. Currently, library spaces are in high demand for use by the campus community, to support collaboration, learning, and other scholarly interaction. Berthelsen added that it has been almost 20 years since the University made a major investment in the libraries, and this round of investments sets up the libraries on a course for the next 20 years. Planned for 2018 are collections and contemporary learning, utilizing Murphy Warehouse and Wilson Library, and improvements to Briggs Library.

The University is requesting \$1,249,066,000 (77.7% of total needed) from the state, with the University covering \$359,034,000 (22.3%) of the total investment, Swanson said.

Swanson then moved to the 2017 State Capital Request. The 2017 request is a resubmittal of the 2016 request, Swanson said, and project costs have been adjusted for construction inflation where necessary to maintain the original scope. The addition to this request, Swanson said, is a request for Collections and Contemporary Learning design funds. The University is requesting \$245.1 million in funds from the state, with the University covering \$72.5 million.

Karen Seashore asked what the plans were for taking some of these critical buildings offline (for example, the Bell Museum). Berthelsen responded that there is currently not a plan to fill the Bell Museum with anything once the new facility is in operation in St. Paul. These types of buildings will remain offline until there are plans to renovate and use, or to remove the buildings. Swanson added that buildings that are taken offline have low occupancy and low use, but may stay in place for “iconic recognition,” or to keep parts of the building open.

Fred Morrison asked why buildings were not simply demolished and then not replaced. Berthelsen responded that the University would likely need to renovate other buildings in that case to absorb staff, faculty, and student space needs. Berthelsen added that there are strategies to increase utilization, including open floor plans with cubicles, which save more space than offices. Swanson added that there have been several buildings removed and not replaced.

Karen Seashore asked if there were any models that the University could use to determine what should be used as office space versus other space (for example, labs versus offices). Berthelsen responded that while this depends on the field, approximately 25% of assignable space on campus is currently office space. The University uses the Minnesota Facility Model as a guide for planning building renovations, but they are revisiting space assumptions in that model to account for cultural shift.

Seashore asked what peer institutions were doing to reconfigure work spaces. Berthelsen said that peer institutions have similar space issues and tend to lack innovation. The greatest innovation is in the private sector, in consulting firms, for example. Swanson said that the University works with units planning renovations, rather than mandating what’s done with their space. Mike Volna said that one constraint for innovative space solutions is that the University owns its buildings and builds for a projected 100-year life, whereas private businesses generally

do not. If the University operated on a lease model, it would be trading capital for operating costs. Berthelsen added that the University also sells the “specialness of place” of the University, and that the institution would have difficulty moving to a lease model.

Danny Bernick asked how students could give input on the design of the libraries. Swanson said to contact Wendy Lougee, university librarian. Swanson noted that currently, the University is seeking money for the design phase of the project.

2. RFP Process; Requesting bids for projects over \$10,000 – Chair Feeney introduced Michael Volna, interim vice president, chief financial officer and treasurer, and Tim Bray, director, Purchasing Services.

Bray provided the committee with an overview of purchasing thresholds and how these compare to peer institutions, noting that purchases over \$10,000 are rare and only made up 1% of transactions in FY2015. Bray added that other peer institutions, such as Indiana University, the University of Chicago, the University of Iowa, Northwestern, Ohio State University, and the University of Wisconsin require informal bids on purchases over \$5,000, while the University of Minnesota requires informal bids starting at \$10,000. The rationale for this number, Bray said, is that this amount likely matches the new Uniform Guidance Rules, and was a significant enough amount to warrant informal bidding in its own right. The Department of Internal Audits also determined this to be the appropriate threshold, Bray said, and the required supplier justification is in place to meet federal guidelines. The length of time it takes to complete an RFP, Bray said, depends on three factors: the complexity of what is being purchased, the groups involved in making or authorizing the purchase, and the cost involved.

Paul Olin outlined an issue with the RFP process that the School of Dentistry had experienced, where there were significant delays and difficulties in purchasing shared lab services. Bray said that since this was a more complex request, it would have been important to get an agent from Purchasing Services involved immediately to help navigate through the process, as regulations could be complicated.

Feeney asked Bray if deans and department heads were involving purchasing agents in the RFP process early on to mitigate issues. Bray responded that Purchasing Services has made some progress in this area, and that as category managers get to know their customers, they can better anticipate their needs.

Tracy Peters brought up an issue her department had with the grading of RFP’s, specifically that their supplier was told they needed to make a donation for their RFP to go through. Peters said that there was significant additional cost to using a different supplier. Bray responded that there are several ways to meet this requirement, and noted that the donation is only 10% of the total score. Additionally, Bray said, it is very important to make sure that the evaluation being used for the RFP is very transparent to bidders. In this example, it would have been possible to rate cost as a high percentage of the RFP evaluation.

Volna added that using the evaluation criteria to effectively rank bids is preferable to other mandates, and that the setting of criteria and how it is scored is the key to success with this

process. It is also important, Volna said, to get multiple bids in order to ensure a fair and transparent scoring system; having a diverse vendor/supplier base is a best practice.

Feeney asked Volna to speak on construction services versus design and architectural services, since there is a difference in thresholds. Volna responded that buildings being funded by state money have a different timeline and different requirements than those funded by private donations. Goods and services are highly regulated. For example, Volna said, purchasing furniture and fixtures for a new building would have different requirements than an individual unit purchasing items for an office.

Olin provided some additional information about the issues the School of Dentistry had with the RFP process for purchasing shared lab services. Specifically, Olin said, the school purchases their regular supplies from three specific vendors. If a patient comes in with work done outside of the school, Olin said, the school may need to order items from other suppliers, and in this case they would need to fill out an exception report for this order since the collective bid is over \$50,000. Volna responded that in cases like this, it is important to work with Purchasing Services and your purchasing agent to avoid administrative burden and to ensure that you are following the correct procedures.

3. Updates on graduate education funding – Chair Feeney introduced Scott Lanyon, vice provost and dean for graduate education, to discuss the current and future state of graduate education funding.

Lanyon began with an overview of the mission of the Graduate School, which is “to ensure quality in graduate and postdoctoral education, advocate for the academic and professional development of graduate students and postdocs, advance intellectual communication and scholarship across disciplines, and promote cultural diversity, scholarly integrity and inclusivity.”¹ Lanyon clarified that the responsibility of running day-to-day operations for graduate programs is the responsibility of colleges, not the Graduate School.

Lanyon outlined current priorities for the graduate school, including funding creation of a central graduate school database, and providing funding for additional professional development options for graduate students and postdocs. Lanyon said that in his role he works directly with deans to increase funding to graduate programs, and works with deans to include graduate education in their capital funding requests.

Jennifer Gunn said that there was a report published in 2013 which made concrete recommendations to the Graduate School, including recommendations to increase summer stipends, assist with cost of living needs, and mitigate the competition between postdocs and graduate students. Lanyon replied that there has been no progress on addressing the cost of graduate education, though he is looking to open up conversations surrounding why it is beneficial to have both graduate students and postdocs. It is important, Lanyon said, to not lose sight of the graduate education mission of the University. Catherine Fitch asked if the new FLSA changes to postdoc pay rates will have any balancing effect on this. Lanyon responded that this

¹ As of 10/18/2016, the Graduate School listed on its website: <https://www.grad.umn.edu/about/vmv>

may force some change, but that ultimately faculty may be inclined to think about the productivity of a postdoc versus a graduate student, regardless of the new postdoc pay rates.

Seashore voiced concern that costs for those seeking to work in education through land grant function programs were enormous, and that her program was being priced out of the market. Lanyon responded that professional programs are able to set their own cost, but suggested that Seashore should reach out to his office to discuss her program's specific situation. Lanyon added that graduate education will change significantly in coming years, and that the most dramatic job expansion will be seen for those with graduate and professional degrees.

Linc Kallsen said that in the restructuring of the Graduate School, the school was given oversight of research-based degrees, while other program oversight went to the colleges. Kallsen said there has been work with colleges on tuition flexibility. Lanyon added that the Graduate School handles admission for research graduate programs, and that professional programs can utilize their services for admission only if they wish.

Jennifer Gunn asked Lanyon to speak about how models for graduate education may need to change, for example with teaching assistants. Lanyon responded that colleges have oversight of this, and that he works in an advisory role to deans. Lanyon said that there are some interesting national models, one being that when a graduate student is admitted, they are given a TA position but not required to TA for their primary advisor. There are also issues of faculty culture, Lanyon said; not all graduate students will be working in higher education as faculty members, and programs and advisors need to be aware of alignment with the job market.

Feeney asked Lanyon to explain in what areas the Graduate School is spending their funds. Lanyon replied that they are currently focusing funds on diversity, holistic graduate education, enhancing competitiveness for external fellowship dollars, and the training of faculty advisors.

Robert Goldstein asked who the appropriate person was to explain employment outlook to students. Lanyon responded that the planned database will be available to students, and it will include employment data by program. Additionally, Lanyon said, colleges should be sizing their graduate programs based on what's best for student careers, and not based on their need for graduate students as employees.

Seashore said that the Graduate School external review process had been helpful in the past. Lanyon added that the provost's approach to these reviews had changed; there will now be a regular review schedule for each undergraduate and graduate major in a department, reviewed at the same time.

Sandra Pothoff asked if there was nationally available data to show where students in certain fields were currently employed. Lanyon said that this data is available, but it is not extremely useful since it is not specific to our institution. Lanyon added that Robert McMaster, vice provost and dean for undergraduate education, gives a report to colleges annually on undergraduate education; Lanyon said he will implement this with graduate education next year, with an emphasis on diversity and career paths.

Pothoff asked what the effect of technology and distance education could have on programs. Lanyon replied that this is not much of an issue for graduate education, but there are some affects to professional programs.

Lanyon concluded by advising the committee that the Senate Committee on Educational Policy (SCEP) is currently discussing the creation of a graduate education subcommittee to better address graduate and professional student issues, including postdoc issues.

Hearing no further business, the meeting was adjourned.

Barbara Irish
University Senate Office