Minutes[*]

Senate Committee on Finance and Planning
Tuesday, April 8, 2008
2:00 – 3:45
238A Morrill Hall

Present: Judith Martin (chair), Jon Binks, David Chapman, Steve Fitzgerald, Thomas Klein, Mikael Moseley, Kathleen O'Brien, Kathryn Olson, Warren Warwick, Aks Zaheer

Absent: Rose Blixt, V. V. Chari, Ruonan Ding, Adam Faitek, Lincoln Kallsen, Joseph Konstan, Russell Luepker, Richard Pfutzenreuter, Justin Revenaugh, Terry Roe, Michael Rollefson, Gwen Rudney, Thomas Stinson, Michael Volna, George Wilcox

Guests: Vice President Charles Muscoplat, Assistant Vice President Carla Carlson; Associate Vice President Laurie Scheich (University Services), Leslie Bowman (University Dining Services), Arnie Frishman (Office of the General Counsel)

[In these minutes: (1) UMore Park update; (2) food & beverage contract]

1. UMore Park Update

Professor Martin convened the meeting at 2:00 and welcomed Vice President Muscoplat and Assistant Vice President Carlson to provide an update on UMore Park.

Dr. Muscoplat recalled that the process started in January of 2005; in December of 2006 the Regents approved proceeding on development. This is a process; the University is part-way along it, and each step increases the value of the project. There will be progress reports over a number of years, Dr. Muscoplat told the Committee, and it could be many years before the project comes to fruition. He presented a series of slides to the Committee, the first of which explained them: "Emerging Scenarios for Development of UMore Park."

UMore Park is surrounded by Hastings, Rosemount, Apple Valley, Lakeville, and Empire and is comparable in size to many Minnesota cities. There are two parts to the property, one which will be UMore Park and one which will be Vermillion Highlands, a park left natural in perpetuity but on which the University has the right to conduct research. The University had three options: sell the land, do nothing with it, or develop it; on the basis of the report "Creating the Vision: The Future of UMore Park," the Regents decided the University should develop it.

The emerging scenarios will help ensure appropriate stewardship (best management of the property and its natural resources), the legacy (University research, education, and outreach that extend over generations), mission (a return on investments that will finance the mission in perpetuity), and economic development (creating jobs, workforce development, business development, and entrepreneurial opportunities and education). There are formal and non-formal relationships with other units of government and the private sector (the University is not likely to build at UMore Park but instead entice others to do so).

[*] 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.

There is a 2000-acre gravel deposit, which could be a 50-year project, Dr. Muscoplat said. There is a 5000-acre real-estate-development project, which could also last about 50 years. The result would be a 100+-year opportunity for all disciplines at the University, helping it stay among the top three institutions.

In February, 2006, the Regents adopted a set of principles governing development of UMore Park: Protect and enhance the value of UMore Park:
-- Advance the University’s mission with physical and financial resources
-- Improve the long-term financial health of the University
-- Retain oversight of UMore Park’s planning and development and remain accountable for the plan
-- Optimize the value with integrated short and long-term strategies
-- Utilize market value as benchmark
-- Ensure planning with highest integrity, fairness, and sound business practices
-- Respect needs of neighboring communities and local, regional, and state governments.

In December of 2006 the Regents adopted a resolution directing planning for the entire property to support the academic mission, preparation of a concept master plan, and making the property ready for development. The last involves planning for the gravel and concrete (of which there are hundreds of tons buried on the site) and Gopher Ordnance Works (a federal ammunition plant dating from WWII) site assessment.

Ms. Carlson led six task forces recently that involved over 100 faculty plus others. The task forces generated hundreds of recommendations from faculty on how to implement the academic recommendations; they are adopting most of them. The recommendations cover interdisciplinary opportunities, education, energy, environment, health, and transportation. In November, 2007, the University retained the developer-planner-consultant DesignWorkshop, who will develop the concept master plan and whose efforts will be informed by the recommendations of the task forces. Professor Martin commented that she has been involved in the project and in selection of the consultant and said this group is extremely good and has done projects across the country.

The management team directive includes several elements: integrate research, education, and engagement to add value to the community, assess the quantity and quality of gravel as a resource for revenue and extraction sites as amenities such as ponds and lakes, coordinate environmental site inspections of the ordnance land, collaborate with local jurisdictions, and jointly manage the 2,822 acres of Vermillion Highlands with the DNR.

Several questions will need to be posed and answered: "How will we know when the principles have been successfully achieved? What would implementation cost? What financial benefits might it provide? What are the institutional barriers to implementation?" They will develop metrics and cost-benefit analyses and examine institutional barriers. The task force recommendations will infuse whatever is done.

"The development will be nationally recognized as an exemplary project that performs well in terms of smart growth, new urbanism, sustainability, and green buildings." It will be a LEED neighborhood (Leadership in Energy and Environmental Design).

In terms of gravel extraction, drilling is going on but they believe the gravel to be a substantial asset. Obtaining the benefits of it, however, will be a long-term, arduous, difficult, and time-consuming process. The next steps include an RFP for ground-water monitoring, an RFP for an environmental impact statement on gravel extraction, and a conceptual grading plan to determine lakes and land forms. The University will also do an RFP for the cost of cleaning up the ordnance site. There are areas of concern and they are awaiting a report from the U.S. Army Corps of Engineers.

In the meantime, the Regents have asked for the development of a concept master plan and that the University confer with local and regional governments. The objectives of the master plan are to include a growing endowment that supports the mission in perpetuity, a unique and lasting legacy of education and research, a vital regional economy, and an attractive place to live and work for 25,000-35,000 people. They have considered a set of 30 scenarios for land use and have narrowed them to six, and have tested the financial prospects for each of the six. There will be additional tests of the alternatives, both with the University and with third-party evaluations and ultimately a strategy for implementation.

"There are three critical “shapers” of the master plan. All rest in the University’s stewardship commitment to add value to the property, achieving a site that is environmentally and aesthetically better than when it was deeded to the U: academic creativity, gravel assessment, and [ordnance plant] site evaluation." There are also a number of factors that will shape the academic mission: public transit, density and population possibilities, Vermillion Highlands, public infrastructure, public facility needs, amenities, and the jobs-housing balance. The next steps include coordination with neighbors and jurisdictions, structure and financing, and validation by outside experts

A number of actions will come in the next few months: US Army Corps of Engineers site assessment report, March-April; gravel assessment report, April-May; Board of Regents action as Responsible Governmental Unit for Environmental Impact Statement (EIS), April; gravel EIS contract and groundwater modeling/brownfield clean-up estimate contract to the Regents this spring; and full Board of Regents presentation in June.

Future issues to resolve include an organizational structure to manage the project for the next 2-3 decades, business partnerships and collaborations, and generating revenue for the University's endowment. This is, Dr. Muscoplat concluded, one of the largest real-estate-development projects in the country and a once-ever opportunity for the University.

Mr. Binks asked if there were comparisons being made with similar kinds of projects in The Netherlands and Scandinavia. Dr. Muscoplat said more comparable projects are in Hong Kong and Chinese cities, but there are few projects like this one that are starting from scratch and that need to unearth concrete and gravel. Professor Martin commented that the real-estate world in the U.S. is very different from the rest of the world; with strong central governments there is a lot of central planning. The more appropriate comparison is with other U.S. projects and their costs and benefits, such as Stapleton in Denver. That project, Dr. Muscoplat said, involves center-city housing and it is not affiliated with a university; while it has educational connections, it is not infused with an academic mission like UMore Park.

Professor Zaheer asked how academics would be infused with the project. There will be tradeoffs, he said, and the University will need commercial ventures for payoffs and for academic payoffs. Over the long term there will be funds from the proceeds, Dr. Muscoplat said, and they can be used for grants for work in green communities, transportation, waste, early childhood education, and so on. They can do a lot of small projects and are working with the Provost to set up a small amount of funding for projects. Professor Zaheer spoke about the importance of networks and the social elements of the project. Dr. Muscoplat noted that there are 35 faculty doing research on UMore Park; there should be 350, he said. He agreed there are questions—who will live there first? Will they attract a big company?

They are also talking about using it as a curriculum involving people and geography. They have learned that education is important, Ms. Carlson said, because it brings in a social fabric and the developers are sensitive to that fact. People want to live near good schools, art, music, and so on, Dr. Muscoplat said, and they do not intend to leave out scholarship—the arts and humanities could be as important as the biological sciences in the project.

Professor Warwick suggested that someone write a history of the land; such books could help raise money. Dr. Muscoplat said there is a history on the web and it is fun to read. He cautioned again that there will not be a windfall soon; they are not close to generating income.

Professor Martin thanked Dr. Muscoplat for the report and noted that the Committee will continue to receive reports for many years.

2. Food & Beverage Contract

Professor Martin welcomed now Ms. Bowman and Ms. Scheich who, with Vice President O'Brien, joined the meeting to provide an update on the food and beverage contract. Ms. O'Brien reviewed briefly the history behind the current contract proposal and the process that led up to it, which included a great deal of consultation with the University community (including the involvement of over 120 faculty, staff, and students). The proposal will be going to the Regents this week.

Ms. Bowman outlined the guiding principles, the scope of the RFP, and the timeline. She reported that in response to the RFP, the University received three bids for dining (Aramark, Mintahoe, and Sodexo), three for beverages (Coke, Pepsi, and Red Bull), and four non-beverage vending responses (Aramark, Sodexo, Canteen, and Taher). The responses were evaluated using four weighted criteria: service and operational needs (350 points), financial offer (400 points), references (150 points), and participation in and support of BCED (Business Community and Economic Development; 100 points). The key non-financial contract provisions were these: the term, corporate responsibility commitment, commitment to excellence (in the contract, the vendor must list the University of Minnesota as one of its top three references so when others call, the University can inform other institutions about its experience with the vendor), performance standards and accountability (sanitation and safety, customer satisfaction, employee satisfaction, financial performance, etc.), sustainability and use of local products, healthy food offerings/nutrition/wellness, targeted group business, and contract termination.

The Food & Beverage RFP Executive Steering Committee is recommending to the Board of Regents a 10-year exclusive contract with Coke for beverages. Important elements of the contract are Coke's commitment to offering healthy beverage options, reliable customer service, and corporate responsibility. The contract will provide $38 million to the University (compared to about $15 million with the last contract), increased recycling, and a commitment to corporate responsibility.

The recommended dining contract will be 12 years with Aramark for dining on the Twin Cities campus and 10 years with Sodexo for dining on the Crookston and Morris campuses. The Duluth campus withdrew from the process and decided to continue to provide its own dining services. Sodexo has a strong record of providing service to small campuses. The two contracts together will provide about $170 million to the University over 16 years (if the contracts are extended, an option in each contract). Morris will receive about $6 million (over 10 years) and Crookston about $600,000 (over 10 years).

The non-beverage vending contract is with Taher, a Minnesota-based company, for non-beverage vending on the Twin Cities, Morris, and Rochester campuses; it is valued at about $2.7 million over 10 years.

Mr. Frishman noted that corporate responsibility was a concern about Coke because of alleged misbehavior around the world in terms of human rights, labor, and environmental issues, and the University wanted to be sure Coke was responsive to its concerns. The contract provides that Coke is committed to remaining a signatory to the U.N. Global Compact (which contains a number of provisions the University believes important) for as long as it has a contract with the University and that Coke will meet with the University, at the University's request, to discuss issues that arise with respect to the Global Compact. The contract also provides that if a United Nations agency determines that Coke has violated the principles of the Compact, the University will give Coke 180 days to fix the problem, after which time it could suspend the exclusivity of the contract. Within 30 days after that, Coke could decide to terminate the contract and would settle up with the University. It took a long time to negotiate those provisions, Mr. Frishman said, but he believes they are good provisions and the University is among the first, if not the first, to negotiate such clauses in the contract. The contract will be public, Ms. Bowman added, so other institutions will see the clauses and may wish to copy them, so the University and Coca-Cola wanted to get it right.

Ms. Bowman then explained that there is value to having Aramark as the vendor for the Twin Cities campus; it has significant experience with large institutions and is accustomed to working with staff who are employees of the institution (not Aramark) and who are unionized.

The non-beverage vending contract (candy, coffee, frozen food, etc.) is with Taher, Ms. Bowman reported, which has state-of-the-art energy-efficient vending machines, the strongest commitment to targeted-group-business practices, and will support the new Gopher Gold program so people can use their U Card to make vending machine purchases. Taher will provide healthy foods in vending machines (25% of the products will be healthful by the University's definition). They will also offer a new level of freshly-prepared foods in the fresh-food machines, which is a noticeably higher level of vending food, Ms. Scheich reported. Taher operates its own commissary and is continuously developing new products to sell in the vending machines. Taher has seven chefs, Ms. Bowman said, and it owns three restaurants in the Twin Cities; they test their products in the restaurants. They also provide food to some K-12 schools, do Meals on Wheels, provide vending for Xcel Energy across the nation, etc. The University, however, will be the largest vending account Taher has. This was an opportunity to grow a Minnesota business, Vice President O'Brien commented.

Professor Warwick asked if the University has gone ahead of other universities in the agreements it has reached. Ms. Bowman said that social issues are new to RFPs (social responsibility, recycling, sustainability, and so on), and while the University is not the only institution to have such clauses, it is out in front on them. The more the University is able to define what it wants as a community, the more it could include in the RFP and the contract so that it can measure performance, Ms. O'Brien said. Institutions have gotten better at negotiating these points, and the University has included similar clauses in its contract with Foster-Wheeler, which operates the steam plant. Clearer contract clauses also lead to better performance.

Professor Warwick asked if there is any way to take advantage of the University's leadership in terms of letting the state and community know what it has done. It might also help with the legislature, he said. The President has picked up on the contract provisions, Ms. O'Brien said, and the contract does set the sort of operating standards the University wants to see.

Professor Zaheer agreed with Professor Warwick and extended his congratulations on the contract. Insisting on the University as a reference was "brilliant," he said. He asked if there would be an easier and more consistent way to provide feedback about the machines. Perhaps on the web, which could provide real-time feedback? Ms. Bowman said there are already four websites that receive a lot of information, and she reviews all of them. She agreed that the websites could be advertised more widely.

Professor Martin asked if independent food providers would no longer be available as a result of the contract (e.g., D'Amico, Jamba Juice). Ms. Bowman said the McNamara center is not part of the contract, so D'Amico is not affected, and Jamba Juice is a part of University Dining Services so is also not affected.

Professor Martin also asked if they had any confidence whether Aramark would be more responsive than it has been in the past; there were a lot of years when people were unhappy, she said. Ms. Bowman said the contract has ways to measure responsiveness and accountability, and they have seen Aramark do a better job in recent years. They have also provided more information to Aramark, which helps them do a better job. Mr. Moseley suggested linking the ID number of vending users to a survey so that Aramark could go directly to the customers.

Professor Olin asked what the effect of the new contract will be on the price to customers; the funding being provided to the University has to come from somewhere, he observed. Will Aramark and others raise prices? They will not arbitrarily raise prices, Ms. Bowman said. One of the vendors offered the University a higher commission, but with higher prices, and the University declined the offer in favor of retaining 2008 prices. The companies must come to the University with price-increase requests and they discuss them. She noted, however, that everyone is seeing historic increases in food prices. The University negotiates the labor agreements so the company must pay what the labor contract provides. They understand that the Teamsters (as the bargaining unit for the food-service employees) and the University's living-wage policy contribute to the cost of food and they try to manage within those constraints.

Mr. Fitzgerald also agreed with Professor Warwick that this is a good contract and suggested that the University look for incentives to provide food and beverages in student study/learning spaces. That would have a big impact on students.

There was a controversy 12 years ago about funds to participating units versus funds to a central pool, Ms. O'Brien recalled. The funds from these contracts go into a central pool and become part of the University's budget process. What about the funding to athletics, Professor Martin asked? That is accounted for in sponsorships, which is a different part of the agreement, Ms. O'Brien said.

Mr. Klein inquired if there will be any metrics for recycling. Some of the money from the contract will be used for recycling, Ms. Bowman said, and Coke is implementing programs to offer the University. They are also discussing organic foods waste recycling and organic composting, all of which will increase. They are also looking at compostable packaging and single-serve packaging. There is also a provision, Mr. Frishman said, that the vendors must comply with University recycling initiatives.

In general they tried to build more flexibility in the contracts, Ms. Bowman said, in order to address changing times (e.g., in terms of the environment, sustainability, social issues). Mr. Klein agreed with Vice President O’Brien’s observation that when the University knows what it wants and can tell companies, that clarity can produce better cooperation. To obtain metrics in recycling, for example, the University would need to define goals (e.g., percentage of material recycled). If the University does not frame the objective correctly, all the companies can say they are complying in spirit. Ms. O'Brien reported that she and Professor Swackhamer chair a group charged with developing sustainability goals and metrics for the University and they will report to this Committee.

Mr. Klein said he would like the minutes of the meeting to record that when the food and beverage issues first arose, the Committee believed it received "fuzzy" responses to its questions about quality and healthy foods. As the conversations progressed, however, the administration revisited the framework of the RFP, added healthy foods expertise to the steering group, and developed contract elements that reflected the Committee's concerns—and went well beyond what even the Committee had thought possible. He said the Committee should publicize the thoughtful representation of University interests that took place during the planning and contract negotiations. Professor Martin agreed that the administration responded and went beyond expectations.

Professor Martin thanked the guests and adjourned the meeting at 3:45.

-- Gary Engstrand

University of Minnesota