

SENATE COMMITTEE ON FINANCE & PLANNING (SCFP)
MINUTES OF MEETING
MAY 13, 2014

[In these minutes: Construction Costs, Sustainability, Compact Process]

[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 represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

PRESENT: Russell Luepker (chair), Catherine Fitch, Kara Kersteter, Ann Sather, Lincoln Kallsen, Jill Merriam, Paul Olin, Arturo Schultz, Pamela Wheelock, Gary Cohen, Daniel Feeney, Jennifer Gunn, Karen Ho, Michael Korth, Fred Morrison, Terry Roe, Aks Zaheer, Samantha Jensen

REGRETS: Erik van Kuijk

ABSENT: David Fisher, Laura Kalambokidis, Richard Pfitzenreuter, Michael Volna

GUESTS: Mike Berthelsen, associate vice president, Facilities Management, Provost Karen Hanson and Amy Short, sustainability director, University Services

I). Professor Luepker called the meeting to order and welcomed those present. He reported that he recently presented to the Board of Regents (BOR) the major issues/topics that the committee addressed this past academic year, and highlighted the following:

- Rising graduate and professional student expenses and tuition.
- Impact of the 2014 benefit changes (higher copays and deductibles) on lower paid employees.
- Progress in reducing bloat.
- Sustainability of the University's budget model over time given the changes that are taking place in higher education.

He encouraged the committee to continue to discuss critical issues and acknowledged the important role that the committee plays in bringing issues to the attention of the administration.

II). Professor Luepker welcomed Mike Berthelsen, associate vice president, Facilities Management, who was invited to provide information about construction costs. To supplement his presentation, Mr. Berthelsen distributed three handouts and briefly walked members through them:

1. Age profile of Twin Cities campus facilities. (Deferred renewal is an important consideration when thinking about older buildings.)
2. University of Minnesota's building profile. (The University's building profile is older than national trends. Major lifecycles at the University are coming due years before other universities).

3. Facilities Condition Needs Index (FCNI) by building as of 2013 for the Twin Cities (Minneapolis and St. Paul), Crookston, Duluth and Morris campuses.

Some renovations are facility issues, and others are building code issues, e.g., accessibility, safety, fire code, noted Mr. Berthelsen. Facilities Management (FM) frequently gets asked about who is responsible for paying for what in terms of renovations, and he stated that FM tends to focus its resources on infrastructure first and operational second.

Mr. Berthelsen added that FM is also asked about why projects cost so much at the University, and he noted that building use and intensity play an important role in calculating the cost of projects. The University's buildings are highly used, and compared to its peer group, the University has a higher than average utilization density (number of people per square foot). Other cost factors include:

- The type of building and what it is used for, e.g., office space versus a biological research lab.
- The University is an institutional owner and does not build its buildings to turn around and sell them to someone else.
- Complicated projects, which frequently involve working around building occupants by working evenings and weekends.
- Public buildings, which require a high level of security.
- The design component of each building.

While there are a number of factors that contribute to the cost of construction projects, the University works hard to ensure that it is competitive. Upon conclusion of his remarks, Mr. Berthelsen solicited members' questions/comments:

- How does the University address pressure from the legislature or other groups about the cost of its projects? Vice President Wheelock stated that the University makes a concerted effort to build quality facilities that are flexible so that the space can be adapted as needs change.
- A number of years ago the University moved away from the design/bid/build practice and went to a design/build practice. Is the University still using the design/build practice, and, if so, how is it working? Mr. Berthelsen stated that the University uses different practices for different projects, e.g., design/build, design/bid/build, and construction manager at risk. Certain projects are better suited for a particular approach. With design/build, for example, the University hires the contractor and the design team reports to the contractor. Under this approach, the contractor has more control, which allows for more real time pricing as projects proceed. The design/build approach is good for projects that are defined (not a lot of change orders). Currently, the University uses the construction manager at risk approach for most of its larger projects. Under this approach, the contractor is brought in early on in the project and the University benefits from contractor pricing and getting the contractor involved in the design. The goal is to design a building that is actually buildable by having the contractor influence the design of the project. The University has an array of options/tools from which to choose and it uses all of them depending on the particular project.
- Referring to the building profile handout, what has caused the University's building profile to be older than the national trends? Is the University underinvesting in its

facilities and/or not receiving enough money from the legislature? Mr. Berthelsen stated that because a number of the University's buildings are older, it would take significantly more new construction to change its age profile. He added that the data indicates that the University is not reinvesting in existing buildings at the pace that the institution needs to in order to maintain the health of its facilities. Vice President Wheelock added that while it is true that three fourths of the University's major capital dollars come from the State of Minnesota, the University has other resources that it spends on capital improvements. Of the 29 million square feet of facilities the University currently owns, it is clear the University is not investing enough to maintain all the space in terms of functionality and integrity. The Sightlines analysis and other data suggest the institution is falling behind in terms of major renovations and improvements. While the University gets a majority of its capital dollars from the state, it is important to remember that there is a lot more competition today for state proceeds compared to 20 years ago. Additionally, unlike other institutions that rely on philanthropy, the University, being a public institution, has not been in the practice of having its donors donate money for large capital projects.

- Can the University sustain its capital projects from the money it gets from Higher Education Asset Preservation and Replacement (HEAPR)? If not, should the University consider proposing to the legislature that it not build new buildings in exchange for more HEAPR funding? The University cannot sustain its capital projects on its HEAPR funding, stated Vice President Wheelock. She added that even if the University were to improve its older buildings, those buildings (e.g., Eddy Hall) do not have the functionality needed today. University Services plans to develop a building-by-building investment plan so it can decide where it should build new and where it can renovate existing buildings. A challenge has to do with how the institution views its buildings given that the largest category of space is office space. As space is designed, thought needs to be given to designing the space as flexibly as possible. The current business model is challenged by the institution's ability to take care of the space it has now, and to meet its functional needs while keeping it affordable for students.
- When would be a good time for the committee to hear more about University Services strategic plan? Vice President Wheelock stated that the goal is for University Services to update its six-year capital plan and to present it to the Board of Regents in October. She suggested having this on the committee's agenda for late fall 2014.
- How does the University plan to respond to legislative discussions about reducing HEAPR funding and moving to a build new construction approach? HEAPR funding has been an incredibly important resource for the University to maintain its infrastructure, stated Vice President Wheelock. Strategically, the University will look at whether asset preservation is the most advantageous approach to use with the legislature. The University will also be educating the legislature about the value of HEAPR to the institution.

Hearing no further questions, Professor Luepker thanked Mr. Berthelsen for his presentation.

III). Professor Luepker welcomed Amy Short, sustainability director, University Services, who was invited to provide information about the University's sustainability efforts. Ms. Short noted

that while the University's sustainability efforts evolved out of its waste management policy, which had an environmental focus, there are actually three components to sustainability – social, economic and environmental. The 35 goals and 95 measures of the University's sustainability efforts have been framed by the 2004 Board of Regents policy:

http://regents.umn.edu/sites/default/files/policies/Sustain_Energy_Efficiency.pdf.

Many groups are trying to measure sustainability, which is an evolving field that is constantly changing. The Association for Advancement of Sustainability in Higher Education (AASHE) - <http://www.aashe.org/> - is one of the metrics the University uses. Key sustainability program areas for the University are energy, buildings, waste, transportation, food, living labs, research, education and engagement. For more information about these program areas visit

<http://www.uservices.umn.edu/sustainableU/>.

The American College & University Presidents Climate Commitment, which President Bruininks signed in 2008, is a strong cornerstone of the University's sustainability program, and is an institutional commitment to eliminate net greenhouse gas emissions from specified campus operations. This commitment encourages research and educational efforts regarding the earth's climate. From 2008 – 2012, the University system reduced its carbon footprint by 22%. Ms. Short then cited a couple of examples of carbon reduction efforts at the University, e.g., Energy Management's Re-commissioning Program, which returns buildings to "like new" designed performance specifications and identifies, designs and implements energy conservation opportunities, high efficiency lighting retrofits, reducing lab energy consumption. Sustainability efforts are transforming the campuses. To illustrate, 3 million square feet of Twin City buildings have been designated as meeting green building standards (LEED Certified, Energy Star, B3). The University's sustainability efforts have resulted in awards and recognition for the institution. Vice President Wheelock added that the University knows that there are a number of students who are interested in attending institutions that value sustainability. The University of Minnesota Morris has done a wonderful job in this regard and has built a brand around their holistic sustainability efforts.

Moving forward, the system-wide Sustainability Committee has identified four goals:

- 1) Integrating sustainability across the mission.
- 2) Building a system-wide culture of sustainability knowledge.
- 3) Measuring the full carbon footprint of the University.
- 4) Sharing best practices internally as well as externally.

Ms. Short concluded her presentation and solicited members' questions and comments, which included:

- Have there been any conversations about putting the University's endowment to work related to its sustainability efforts, e.g., Harvard divested its endowment from coal. Yes, this has been discussed, stated Ms. Short; however, unlike some universities that invest their endowments in individual investments, the University's endowment is invested in mutual funds, which makes divestment much harder. She added that the Sustainable Endowments Institute (<http://www.endowmentinstitute.org/>) is focusing its efforts on encouraging revolving funds and revolving green funds.

- Has the University decommissioned its use of coal? Vice President Wheelock stated that the Twin Cities campus uses very little coal, and for a number of years did not have to use any coal. This year, however, with the disruption in the natural gas supply, the University had to use some coal. The goal in building the Combined Heat and Power (CHP) plant is to move forward without relying on coal - http://www.facm.umn.edu/news/features/2013/USERVICES_CONTENT_432689.html. Vice President Wheelock suggested providing the committee with an update on the CHP plant next year.
- From a sustainability standpoint, the University should continue to partner with local and regional resources, e.g., Nice Ride Minnesota.
- The University has made great progress, but has it picked all the low hanging fruit when it comes to sustainability? Vice President Wheelock stated that given all the University has done around sustainability, it is surprising that the University's brand and reputation is not more dominant in this area. The University is doing a lot when it comes to sustainability, but it is not doing a good job at promoting what it has done very effectively. There will undoubtedly be big issues that will need to be addressed as time goes on. The next challenging step for the University will be to be specific and strategic about the efforts it plans to focus on and to have enough discipline and accountability to stay focused in order to advance this work.

Professor Luepker thanked Ms. Short for her presentation.

IV). Professor Luepker welcomed Provost Hanson and called for a round of introductions. Following introductions, Professor Luepker announced that Provost Hanson was invited to talk about changes to the compact process.

Provost Hanson began by distributing copies of an email she sent to the Twin Cities campus academic deans concerning the FY15 compact process and the instructions. She then gave a brief overview of how the process was changed. She noted that the compact process continues to be a work in progress. Last year, before the budget meetings with the deans, Provost Hanson stated that she worked with the deans to set an agenda for their compact discussions with her. For some schools, this change in the process had little impact, but for other schools this change significantly changed the flavor of the compact discussions. With nothing else to report, Provost Hanson solicited members' comments and questions, which included:

- Is the scorecard metric concept still being used in the compact process? Provost Hanson stated that she is unfamiliar with the use of scorecard metrics as part of the compact process. Mr. Kallsen added that scorecard metrics have been in use at the institution on and off since 1997 at the request of academic leadership. What was good about this past year from a data perspective was that if salient issues were identified during the compact process, administration had time to collect data, which could then be used for decision-making purposes. The scorecard metric concept is still being used but in a slightly different way than in the past.
- Please share your opinion about the effectiveness of the compact process. In Provost Hanson's opinion she has mixed feeling because there exists a lot of inertia behind the way things have been done over the years, and this is probably for good reason. The goal

is to have the units feel empowered to bring up their most important issues. This is why agenda setting is so important in order for there to be meaningful compact discussions.

- Acknowledging limited resources, what can be done to encourage departmental aspirations in order to achieve true national and international excellence? Provost Hanson stated that the questions in the compact instructions are purposefully designed to get unit leaders to think about the competitive environment, articulate their strengths, and, operationally, to talk about what is impeding their aspirations.
- If the Provost's Office really believes that faculty input is important to the compact process then one of the questions in the compact instructions should be to ask schools to articulate how they engaged their faculty in the process. Provost Hanson agreed that this is a good idea.
- The University is quick to take on new initiatives but not quick to make sure the core is still operating properly. Are these discussions happening with the deans? Yes, stated Provost Hanson, these discussions take place and she believes the deans wrestle with these issues everyday.
- There is never enough investment income to go around, and if the institution is always backfilling, the institution may never invest in the excellence it wants. Provost Hanson agreed that there will be some things the institution will not do if it chooses to do other things. There needs to be a collective discussion about what the University should disinvest in and where it should invest.
- To what extent is time being taken up for planning and budgeting at the expense of academic endeavors? Please comment on the compact methodology. In Provost Hanson's opinion, the process is not as consuming for the vast majority of faculty as it is for people who are charged to pay attention to it.
- The compact process was started to assure every unit had access to the decision-making process on a more or less equal basis. Before the compact process was established, there were a lot of informal conversations with the academic vice president versus a one-time, two-hour session in front of the Provost. The formality was introduced to ensure that all units were looked at equally. It was also noted that there should be more discussions about what the University should do less of and this should be part of the instructions. Provost Hanson assured the committee that units are involved at repeated touch-points throughout the process and not just for a one-time presentation with her for a few hours. Mr. Kallsen added that if a unit loses enrollment or major research grants rapidly, the University would not destroy a unit for this reason. Correcting such a situation is not a one-year plan but a multi-year effort.

In light of time, Professor Luepker thanked Provost Hanson for attending today's meeting. He then went on to make a couple announcements:

1. Congratulations to Dr. Gunn who was recently appointed by Provost Hanson to head up the Institute for Advanced Studies.
2. Thanks for those members who will be rotating off the committee - Terry Roe, Aks Zaheer, and Ann Sather.
3. Immediately following today's meeting, there is a BBQ in the adjacent meeting room.

Hearing no further business, Professor Luepker adjourned the meeting.

Renee Dempsey
University Senate