

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

March 11, 2010

A meeting of the Board of Regents of the University of Minnesota was held on Thursday, March 11, 2010 at 1:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Clyde Allen, presiding; Anthony Baraga, Richard Beeson, Dallas Bohnsack, John Frobenius, Venora Hung, Steven Hunter, Dean Johnson, David Larson, and Patricia Simmons. Linda Cohen participated via phone.

Staff present: President Robert Bruininks; Chancellors Charles Casey and Stephen Lehmkuhle; Senior Vice President and Provost Thomas Sullivan; Senior Vice President Frank Cerra; Vice Presidents Richard Pfutzenreuter and Timothy Mulcahy; Executive Director Ann Cieslak; and Associate Vice President Gail Klatt.

**STRATEGIC PLAN FOR AND FINANCIAL IMPLICATION OF
BIOMEDICAL SCIENCE RESEARCH FACILITIES**

President Bruininks provided brief opening comments about the proposed biomedical science research facilities, stressing that this is one of the most important and transformative investments ever made by the State of Minnesota and the University. It is so significant that it has been branded as the Biomedical Discovery District in order to emphasize it as both an initiative and a place.

Senior Vice President Cerra explained that the proposed facilities are to be built using \$292 million in bonding authority approved by the State of Minnesota in 2008. The State will pay 75 percent of the capital costs and the University will pay the remaining 25 percent along with all operating expenses. Cerra outlined the three major goals of the initiative:

- 1) Advance Minnesota's leadership in biomedical science,
- 2) Enhance the Academic Health Center's (AHC) research capability and productivity, and
- 3) Expand competitive jobs for Minnesota's economy.

Cerra indicated that achievement of these objectives is not contingent on having more space or new space. Rather, it is contingent on having the right space.

Vice President Pfutzenreuter described the original concept and timing of the project, which had envisioned four phases creating four new research facilities. It is now planned to be a three phase project with the same overall capital investment, but lower ongoing operating costs. This can be accomplished because the cancer and cardiovascular buildings will be combined into one facility, which creates a variety of efficiencies. The revised project concept and timing is as follows:

Phase 1: Expansion of Center for Magnetic Resonance Research (CMRR), a highly advanced imaging facility that drives non-invasive treatments and research. This phase commenced in Fall 2009 with a capital budget allocation of \$53.2 million.

Phase 2: Cancer/Cardiovascular Research Commons and Infrastructure, a facility that will capitalize on synergies between these two research fields and offer an opportunity to create economies of scale. This phase is proposed to commence in Fall 2010 with a capital budget allocation of \$200.3 million.

Phase 3: Biomedical Research Facility Renovations, an effort to update research facilities and bring various disciplines together to create research synergies. It is also possible that some outdated research space will be decommissioned. This phase is proposed to commence in Fall 2013 with a capital budget allocation of \$38.5 million.

Vice President Cerra reported that the facilities would house 40 new faculty principal investigators (PIs) hired over 5 years as well as 40 current faculty members who would relocate from existing space. Vice President Pfutzenreuter detailed the one-time and ongoing operating costs associated with the facilities. Between FY2011 and FY2019, total operating costs are anticipated to be \$109 million. Of that amount, \$40 million is non-recurring and \$69 million is recurring. Assuming \$31 million of the recurring cost will be funded through grants, the remaining challenge is \$78 million (\$40 million non-recurring plus \$38 million recurring). Docket materials are on file in the Board Office.

In response to a question from Regent Frobenius, Pfutzenreuter explained that the costs outlined in the presentation included both capital and operating expenses prior to the deduction of any grants or gifts obtained by the University. Although those resources will help, the University will still need to cover approximately \$78 million from non-grant sources (\$40 million non-recurring plus \$38 million recurring).

In response to a question from Regent Cohen, Pfutzenreuter explained that the Medical Biosciences Building (MBB) that opened in December 2009 was actually the first phase of the current capital improvement effort. Now that it has been completed, the discussion has turned to the next three phases. Cerra added that MBB is currently operational and provides space for translational research to be conducted.

In response to a comment from Regent Hunter, Cerra agreed he too is concerned about finding resources to fund operating expenses. However, he also is confident that the University can make the project work, in part because it has been scaled back from 100 new faculty to 40 new faculty. The key will be to remain focused on this effort and not be distracted into other areas. Cerra recommended that the Biomedical Discovery District have close oversight by the Board of Regents over the next five years as the build-out is completed and space becomes operational.

In response to a question from Regent Beeson, Cerra stated that the University has a very good inventory of existing research facilities, which will be used when planning the renovations envisioned in Phase 3. The administration is also closely reviewing biomedical lab space that is currently being leased to determine whether it can return to campus.

In response to a question from Regent Larson, Cerra reported that a potential revenue stream from commercialization of research technology might be one way to help fund on-going operations. Since the average time between research discovery and commercial revenue is 10 to 12 years, this could be a long-term source of revenue, and not likely in the first decade.

In response to a question from Regent Simmons, Cerra explained that there is interest from the private sector in funding some of the non-recurring expenses, but those gifts are not yet ready to announce. State of Minnesota support has been invaluable in generating private sector interest in the project. Regent Baraga commented that financial returns are only part of the goal of the project. Improving the quality of life of Minnesota residents is another major driver.

President Bruininks concluded the discussion by stating that Minnesota has a legacy of biomedical innovation that will stay here only if there is continued investment. This will be challenging, but it is the kind of challenge Minnesota needs to step up to undertake.

The meeting adjourned at 2:37 p.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary