

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM
Capital Planning and Budget Committee Minutes
Thursday, February 10, 2022

The February 10, 2022, meeting of the Capital Planning and Budget Committee, which was held in Union South on the UW-Madison campus and via WebEx Videoconferencing, was called to order at 8:46 a.m. by Committee Vice Chair Regent Klein.

A. Calling of the Roll

Present: Regents Michael Grebe, Tracey Klein, Corey Saffold, and Jill Underly

Unable to Attend: Regents Ashok Rai and Scott Beightol

B. Declaration of Conflicts

Before considering any items on the agenda, Committee Vice Chair Regent Klein asked if any Board members wished to declare any conflicts of interest as per Regent Policy Document 2-4, "Ethics and Conflict of Interest Policy for the UW System Board of Regents." No conflicts of interests were declared.

C. Approval of the Minutes of the December 9, 2021, Meeting of the Capital Planning and Budget Committee

After receipt of a motion and second, the minutes of the December 9, 2021, meeting of the Capital Planning and Budget Committee were approved as presented.

D. UW-Madison: Authority to Sell a 2.94-Acre Parcel of Land

In preparation for the first two project agenda items UW- Madison's Rob Cramer, Vice Chancellor for Finance and Administration (interim) presented an update on the Real Estate Initiatives at UW-Madison.

VC Cramer discussed the 3 goals that support their mission (1) promote the strategic use of UW-Madison's real estate assets, (2) generate resources for investment and (3) physically develop campus parcels that advances their strategic priorities.

VC Cramer updated the committee on the innovation zones discussed in previous committee meetings. These zones or "districts" were identified on campus as spaces with the potential to be re-imagined for long term usage. Working with University Research Park (URP), UW-Madison has created a process to begin the planning of the Western district. This process includes requesting the qualifications of potential partners, selecting a partner, and engaging various stakeholders including campus and area communities, neighborhoods

and entities that have properties in these spaces. From there a district plan will be created and select parcels will be brought before the Board of Regents for consideration. VC Cramer emphasized that they are not developing parcels right now but applying the process to develop them.

Lastly, VC Cramer said the objectives of the Real Estate Initiative are creating a vision for these spaces and their possibilities as well as ensuring that these spaces align with the campus master plan.

Cindy Torstveit, Associate Vice Chancellor for Facilities Planning and Management at UW-Madison, presented the 1st parcel for consideration. The 2.94-acre parcel is the former site of the Veterinary Diagnostic Lab and is currently vacant as the building was demolished as part of the new Veterinary Sciences building currently under construction.

As defined in the MOU, this parcel is identified as a 'non-contiguous' parcel with the UW-Madison campus. As such, URP can sell or ground lease this parcel once it has been sold to URP. The price at which the parcel is sold is predetermined based on the formula historically used to transfer land parcels to URP in its development. Upon divestiture of the parcel either through a long-term ground lease, or sale, URP will invest the proceeds from the transaction, net of transaction costs, for the benefit of UW-Madison. If a ground lease is the method selected, at the end of the ground lease period, the university will have the right to repurchase the parcel at the original purchase price plus any transaction costs and demolition costs.

Regent Klein asked for clarification on historic price. AVC Torstveit stated these prices were established when the original agreement between URP and UW-Madison were created. Senior Associate Vice President Alex Roe concurred and included that these land prices are not reflective of full value since they are from the original agreement 20-30 years ago. By having lower land costs the return on investment increases due to reduced up front costs, VC Cramer added that URP can invest proceeds from their development work into an endowment fund which over time will create earnings and benefit UW-Madison. It is a long-term activity and will take time to build. SAVP Roe also noted that debt service will need to be paid back first to the State of Wisconsin to cover the cost of the demolition of the building.

Regent Klein asked if the revenue stream comes from the ground lease or from the proceeds of the business activity. VC Cramer answered that majority of these parcels will be a ground lease which will lead to annual payments or if sold, a lump sum.

Regent Klein inquired about how the parcel is developed and if it is open to any type of development. SAVP Roe stated that there is a Research Park Board. Any proposed development will go through their process and approval by their board. In addition, one Research Park Board seat is held by a UW System Regent. Currently, Regent Weatherly sits on the board.

Resolution D. was moved by Regent Grebe, seconded by Regent Saffold, and adopted unanimously on a voice vote.

E. UW-Madison: Authority to Sell a 5.76-Acre Parcel of Land

AVC Torstveit continued to the second parcel of land for consideration a 5.76-acre parcel located at the corner of Mineral Point and Rosa Roads at the north entrance to the research park. There are two buildings still located on the site, though they are only used for storage at this time. The buildings do not add value to the land.

As with the previous parcel, this one is identified as a 'non-contiguous' parcel with the UW-Madison campus. Upon divestiture of the parcel either through a long-term ground lease, or sale, URP will invest the proceeds from the transaction, net of transaction costs, for the benefit of UW-Madison. If a ground lease is the method selected, at the end of the ground lease period, the university will have the right to repurchase the parcel at the original purchase price plus any transaction costs and demolition costs.

Regent Grebe inquired if UW-Madison confirmed that there is not an expansion plan for the parcel that would be foreclosed by selling this land. AVC Torstveit confirmed there is none.

Regent Grebe inquired about the significance of the parcel location and any foreseeable plans for it. SAVP Roe informed the committee that URP has design guidelines and plot layout rules that the Board of Regents approved previously. Although UW-Madison is not aware of anything special occurring, URP is cognizant of how important that corner is to the long term development of the park.

Resolution E. was moved by Regent Grebe, seconded by Regent Underly, and adopted unanimously on a voice vote.

F. UW-Madison: Authority to Complete the Design and Construct the UW-Managed Biochemical Sciences Coon Lab Building Project

SAVP Roe explained this project renovates 4,520 gross square feet on the fourth floor of research laboratory space in the DeLuca Biochemical Sciences Building for an estimated total cost of \$2,500,000.

Dr. Joshua Coon, a professor of chemistry and biomolecular chemistry, is a renowned innovator of mass spectrometry technology with more than 100 research collaborations across UW-Madison and the world. To paraphrase his website: His goal is to "understand the disease mechanisms at a molecular level". His "technologies provide views of how molecules interact, when they are mis-regulated and where they are mutated during disease progression which leads to design of better drugs and better diagnoses." The new space will provide a flexible yet efficient research laboratory environment to support the existing Coon Laboratory equipment and operations, while enabling future growth and change.

Regent Klein noted from the meeting materials that Dr. Coon's research team currently consists of twelve Ph.D. students, two postdoctoral fellows, two undergraduate researchers, and six staff scientists. This is a phenomenal gift grant project.

Resolution F. was moved by Regent Underly, seconded by Regent Grebe, and adopted unanimously on a voice vote.

G. UW-Madison: Authority to Complete the Design and Construct the UW-Managed Rowe WHAM Plasma Physics Lab Electrical and Cooling Upgrade Project

SAVP Rowe introduced the second gift/ grant project at UW-Madison for consideration. It is to design and construct the Rowe WHAM Plasma Physics Lab Electrical and Cooling Upgrade for an estimated total cost of \$1,564,000.

The Wisconsin Plasma Physics Laboratory (WiPPL)'s mission is to push the frontier of experimental plasma physics research, backed by theory and computation, to improve our understanding of natural plasma phenomena. The work is funded by the Department of Energy's Office of Fusion Energy Sciences to operate several multi-investigator, intermediate-scale plasma physics devices, and represents the Plasma Physics efforts within the University of Wisconsin Physics Department.

This project upgrades the facility's electrical power and process cooling capacity to ensure the support of a fusion energy research project called the Wisconsin High-temperature-superconducting Axisymmetric Mirror (WHAM) by October 2022.

Resolution G. was moved by Regent Grebe, seconded by Regent Underly, and adopted unanimously on a voice vote.

H. UW-Madison Presentation: “Transforming the Built Environment: UW-Madison Future Facilities Planning Strategy”

Vice Chancellor of Finance and Administration (interim), Rob Cramer and Associate Vice Chancellor of Facilities Planning and Management, Cindy Torstveit presented on the future of facilities planning at UW-Madison.

VC Cramer highlighted that it is a remarkable time to be a Badger. UW-Madison’s entering freshman class is the largest in history and enrolls the most Wisconsin residents of any freshman class in the last 20 years. UW-Madison continues to perform at a high level with respect to their 4- & 6-year graduation rate with an average time to earn a degree at 3.89 years. A remarkable 50% of students graduate with no debt.

UW-Madison remains in the top 10, nationally, in research spending with \$1.3 billion annual research expenditures as well as averaging a patent or IP disclosure each day. These patent start-up jobs lead to about a \$30 billion economic impact to the state of Wisconsin.

The built environment is the foundation of UW-Madison’s mission. So much of what they do takes place in their facilities on campus with students, faculty, researchers, and employees. It supports their excellence in teaching and provides a vibrant campus community. It also continues to fulfill the Wisconsin Idea by being a resource to the community, the state and beyond.

AVC Torstveit continued the presentation by sharing the history of UW-Madison’s funding trends over the last 20 years. As for general fund supported borrowing (GFSB), the university’s capture rate compared to all the UW System’s campuses is 33% or 117 million per biennium.

AVC Torstveit stated they examined their portfolio to understand the age and risks of their buildings to define their problem. According to their findings, UW-Madison has 40% of their gross square footage (GSF) in the highest risk category which means they are over 50 years old and the life cycle of major building components are past due. 22% is in higher risk category or 25-50 years old and major envelope and mechanical life cycles are due. 30% are medium risk or 10-25 years old where interior space needs renewal. Lastly 8% of their GSF is in low risk or under 10 years old and need little work.

UW-Madison compared to peer institutions show they fall short of the average annual spendings over a 5-year recurring and capital reinvestment target. This poses an issue if they want to remain competitive.

If UW-Madison stays on their current course in managing the risks of their aging buildings, it will only get worse. AVC Torstveit states they want to change the trajectory and decrease their risks. UW-Madison has a new 4 step strategy to solve the challenge.

First is to understand their current portfolio. They will conduct facility condition assessments and document their current physical reality to include deferred maintenance. They will analyze space utilization to make certain they are effectively using the square footage they have to support the university's mission.

Second, UW-Madison plans to use common sense financial strategies to diversify their funding abilities. By incorporating more financial strategies like a P3 real estate structure, they can increase their funding abilities.

Next UW-Madison plans to leverage existing delivery options. If they use all the options available to them, they can ensure their projects don't get bottlenecked. This includes increasing their in-house programs, UW Managed projects, P3 relationships and growing their URP partnership.

Lastly, AVC Torstveit discussed pursuing targeted demolition. Some buildings are not in line with the university's mission nor are good quality. By removing facilities that no longer meet their needs, they gain space for modern, tech-friendly, sustainable facilities. This will also reduce recapitalization needs and deferred maintenance.

Regent Klein asked for clarification on including diverse voices in planning. AVC Torstveit mentioned they recently met with the campus planning committee. Their intention is to continue meeting groups, organizations, students and faculty to survey where and how they are using space. They will then map that information to the building's condition assessment and determine if they are no longer useful or is it best to recapitalize the space.

Regent Klein inquired about how UW-Madison is handling the partnerships with legislature if they are pursuing UW bonding. AVC Torstveit stated that UW-Madison's government relations team has been reaching out to legislators and hoping to gain ground in this strategy. SAVP Roe added that all the institutions are encouraged to invite legislators to their campuses; especially ones who sit on the SBC, JFC and other assembly leaders. Viewing projects in person can convey the challenges and needs better than words or a piece of paper. VC Cramer also added that on the list of common-sense financial strategies, bonding is the only one that would require statutory change. All the other options are available to the Board of Regents and UW-Madison.

Regent Grebe expressed his gratitude in UW-Madison's presentation as comprehensive, thoughtful, and strategic. He requested that when comparing to peer institutions to include the absolute dollars amounts along with the percentages because it may be more compelling and drive home the point.

Regent Grebe reviewed a slide that showed the difference of funds spent by UW-Madison versus all other UW institutions combined. He asked if the board should look through that lens in terms of accessing whether they are using the funds appropriately. AVC Torstveit responded that UW-Madison uses this historical spend data to help them plan what they

can expect when going to the legislature or submitting their capital budget. She also stated that they are not anticipating getting much more GFSB because everyone has a need, not just UW-Madison. It is important to compare and understand that UW-Madison has more options than other institutions. VC Cramer added that UW-Madison can not expect anything to change given the historical data. So it is better to be more thoughtful about the tools they have available. When looking at the anticipated data in 2030 and 75% of their built environment being 25 years or older, that is unacceptable. UW-Madison will not be able to continue to support their researchers, faculty, and students. They need to find a different path forward.

Regent Klein added that program revenue bonding needs to be pushed especially for UW-Madison and their research mission which drives the state's ability to succeed economically. Regent Klein asked that UW System and our government relations teams make a coordinated effort now to accomplish UW bonding. Regent Klein thanked VC Cramer and AVC Torstveit for a great presentation.

I. Report of the Senior Associate Vice President

1. Building Commission Actions

SAVP Roe reported that the Building Commission met yesterday and approved one project, Witte Hall.

2. Capital Budget Update

SAVP Roe briefly reviewed the capital budget process and informed the committee a more thorough process will be provided at the full board meeting.

The process takes just over 3 years. Institutions start preparing their capital budget the spring of odd years. In the case of the 2023-25 budget, institutions started preparing this past spring. Typically in early fall, the Capital Planning and Budget (CPB) office hosts a planning conference. However, this past fall, they did not host a conference due to Covid. All capital budget submissions are due to the CPB office by November.

From November to January, the CPB team individually reads and evaluates the submittals. Thereafter the team meets as a group to discuss their evaluations. During this meeting or Phase 1, the team decides if the prerequisites are met for each project. If they are met, the project can move forward for consideration. Those that did not meet the prerequisites were informed last week.

Phase 2, which will begin next week, is a series of presentations and meetings with each institution. During this phase, the institution has an opportunity to present their story as well as program trends, space needs data & summary, strategic goals

and planning issues & themes. The CPB team will ask a lot of questions and allow the institution to fill in the blanks. Phase 2 is also a chance to rectify the prerequisites if they were not met.

State statute mandates not only a biennium budget but a 6-year plan. This year they received a record 226 project requests for enumeration over the 6-year period. For context, CPB received 185 project requests last biennium. The 226 projects are proposing \$6.5 billion in funding. However, this dollar amount is raw data meaning it has not been adjusted to accommodate Department of Administration's scheduling nor inflation. Typically, they see a third to a half increase in the values of the project cost by the time they present the budget at the August Board of Regent meeting.

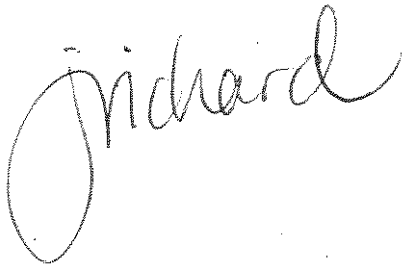
This was a large budget request and not unexpected given 60% of our building inventory was constructed between 1950 and 1974. Per usual, majority of the funds requested are general fund supported borrowing with a more moderate approach for program revenue supported borrowing. The projects include majors, minor facilities renewal and instructional space. All agency requests are not submitted until July.

SAVP Roe will update the committee in April and again in June.

P. Closed session for the purpose of considering personal histories, as permitted by s.19.85(1)(f), Wis. Stats., related to the naming of a facility at UW-LaCrosse

The meeting adjourned to closed session at 9:40 a.m., and the meeting of the committee ended at 10 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Janis Richard". The signature is written in dark ink and is positioned above the printed name and title.

Janis Richard
Committee Clerk