A. INTRODUCTION

Capital Planning and Project Management (CPPM) builds the University's future physical environment by planning for optimum use of University resources. CPPM is committed to the goals of the university whether working with an academic department to plan for increased laboratory space or exploring ways to preserve historic University buildings. CPPM is a new operating department established in March FY03 as a unit of University Services, which is under the leadership of Vice President Kathleen O’Brien. In FY04 Capital Projects Delivery responsibilities were transferred from FM to CPPM. Prior to that time the Capital Projects Delivery Unit within Facilities Management (FM) fulfilled what are now the responsibilities of CPPM. CPPM continues to partner with FM in the delivery of capital projects. CPPM also works closely with academic departments to plan the best use of current and future buildings for teaching and research.

CPPM’s role within the University is to plan and define capital development needs, design and specify project scope, estimate accurately capital funding and project costs, provide project management duties and ultimately assume responsibility for, and accountability of, fiscal management of all capital projects. The annual project volume ranges from 150-300 projects with a value of approximately $200M. CPPM’s annual administrative budget is approximately $2M. CPPM’s efficiency in fulfilling its responsibilities and its effectiveness in supervising projects significantly impact both the efficiency and effectiveness with which other elements of the University community operate and the economic use of University funds.

CPPM supports the University Services goals of service, accountability and stewardship through the long and short term objectives outlined in this compact.

B. UPDATE - MAJOR LONG-TERM GOALS/ FROM FY04 COMPACT

Not Applicable. CPPM operated within FM when the FY04 Compacts were written. The major long-term goals applicable to the functions of CPPM incorporated into FM’s compact are not necessarily the continuing long-term goals of CPPM as it is now structured.

C. NEW LONG TERM GOALS

CPPM was charged with the responsibility for the delivery of Capital Projects with the objectives of improving the management of capital projects, reducing the risks associated with construction activities and improving the processes used to deliver capital projects for the University. An Associate Vice President for CPPM was hired in the last half of FY03 to commence, develop, and complete process improvements of the organization, policies, procedures and processes. CPPM management conducted due diligence in the first half of FY04 and obtained input from staff, customers, University Administration, internal partners, vendors and service providers. More than 60 CPPM objectives for improvement were developed as a result of the due diligence. To implement these objectives, senior management of CPPM, in conjunction with other CPPM stakeholders, developed the following long-term goals for CPPM.

1. Reengineer Leadership and Realign Organization of CPPM Department Functions.

The CPPM Department would benefit from additional re-engineering and re-alignment of functional areas. This would improve use of internal and external resources and provide complete coverage of essential organization and operational core competencies. CPPM will re-align functions with new functional leadership to allow CPPM to operate more professionally and to more closely resemble a creditable business operation. This will
result in personnel resource reassignments, relocations, eliminations and additions to resolve critical skill weaknesses now challenging leadership and staff support functions of CPPM. CPPM will be re-aligned into the following five functional areas: Project Planning, Project Engineering, Project Delivery, Project Administration and Project Development:

- **Project Planning**: responsible and accountable for the initiation of the capital planning process, developing project concepts, designs, preliminary feasibility, programming and cost estimates. This functional area will draw resources primarily from the former Planning and Programming Unit.

- **Project Engineering**: responsible and accountable for the comprehensive supervision of architectural and engineering issues for capital projects continually through the planning and deliver phases. This functional area will draw resources from the Architecture and Engineering areas which now operate within U Services.

- **Project Delivery**: responsible and accountable for the development and management of capital project and business unit budgets. This area directs the development of capital project standards and is responsible for the enforcement of those standards, and oversees projects to ensure contractor and consultant compliance with project specifications, budgets and schedules. Project Delivery also directs activities for contract solicitation and awards, maintains effective communication with internal customers, project team and University administration, and ensures compliance with Regent’s policy, legislative statutes and targeted group business policy. This functional area consolidates and draws resources primarily from the former Construction and PDI/Owners Representative areas of Project Support.

- **Project Administration**: responsible and accountable for the financial planning and capital budgeting functions, processing of financial transactions, managing information flow, developing and maintaining financial and process audit protocols, managing the use of technological systems, supervising professional staff, and contract management. This functional area consolidates the administrative and financial functions of the former operating areas of CPPM to a central supporting administrative and resource function for the entire CPPM department.

- **Project Development**: responsible and accountable for the monitoring and administration of special projects with pre-planning and post-construction issues. This includes project tracking, multi-stakeholder long-term project concepts, business process improvement, financial issues, legal issues, marketing issues, legislative relations, special research, contract issues, strategic and development planning. This functional area also consolidates the supervisory and administrative activities now conducted by several operating areas within CPPM and outside of CPPM.

Project Development will accept responsibility for challenges, issues and special projects with a scope beyond single functional areas. Responsibilities include concept projects such as the Stadium and the Academic Health Center, which would represent major commitments of resources and coordination with the extended community. The University would benefit from representation by CPPM at the earliest opportunity to establish continuity should these projects, and others similarly contemplated, develop greater momentum into formal planning and design.

As a result of the implementation of a reengineered leadership and realigned organization, CPPM expects to realize improvements in the programmatic process of Capital Projects, implementing the additional goal set forth below to improve the project deliver system.

### 2. Improve Project Delivery System

Over the 4-year period, July 1999 through June 2003, University capital construction spending totaled over $1.36 billion, on a total of 734 projects, 15% of which were budgeted at $1 million and over. More than 25% of the total construction spending ($344.5 million) was the result of 4,105 change orders. In addition to the financial and resource budgetary impacts of change orders, the occurrence of change orders has resulted in numerous issues continuing into the post-construction period, well after projects have been closed out and transferred to the owner/user of the facilities.
CPPM seeks to change the project delivery system to improve both planning and oversight in order to reduce the number of change orders to project budgets. CPPM is developing protocols for a Project Delivery System, based on industry standards, the professional experience of the leadership and staff of CPPM, and the collective wisdom of a panel of industry experts. The Project Delivery System will serve as a working tool that aids in the planning, designing and construction of major University projects as well as capital improvements to existing University facilities. A CPPM process review conducted on FY03 identified opportunities for process improvements. With the transfer of responsibility from FM to CPPM, the following opportunities have become CPPM objectives:

- **Establish a University of Minnesota System for Project Delivery:** A standard system for project delivery will establish a protocol for defining the appropriate delivery method for capital projects. The system will:
  - Document the process of selecting a project delivery method.
  - Improve the selection process for consultants and general contractors.
  - Improve the budget development and estimation processes.
  - Develop project evaluation tools.

- **Improve Project Tracking and Accounting Systems:** Improved project tracking and accounting systems will allow CPPM to improve accountability for all participants in the project delivery process. Improved systems will use realistic project standards developed in cooperation with a panel of volunteers from the community with expertise in facilities development, construction management and emerging issues to build consistency in processes. Improved systems will allow the establishment of a database of contractor-generated project development costing data and performance benchmarks to help improve the contractor and vendor selection process.

- **Invest Additional Resources in Project Planning to Develop Greater Depth to the Project Process:** CPPM leadership understands that change orders can be reduced by a greater investment in project planning. In connection with project planning, CPPM seeks to improve contract documents with terms consistent with the competitive market and legal environment. To better anticipate the myriad issues which develop during any significant capital project, CPPM resources should be invested in each capital project at the earliest phase of the project process. Effective CPPM participation will assist in the development of project scope and feasibility, which will help to achieve the intended outcome for all stakeholders.

- **Explore Flexible Project Delivery Tools:** Currently capital improvements to existing University facilities are delivered by trade labor contracted for directly by the University and supervised by project managers from CPPM. Independent contractors may provide the University with more construction options than are currently available with the existing delivery systems. In FY05, CPPM will develop systematic tools to evaluate outcomes when using project managers on a test basis to oversee and supervise independent contractors rather than supervise University trade labor. This continuous improvement initiative will help CPPM determine an improved protocol for Project Delivery which will result in CPPM services being delivered professionally, efficiently and economically.

Progress toward the goal will be measured by documented improvements to the efficiency and effectiveness of the delivery and management of Capital Projects over the next 3 to 5 fiscal years. Realization of the goal will result in a significant reduction in change orders to Capital Projects, measurable improvements to accountability for all participants in the project delivery process, significant reduction in issues and challenges which drain resources from Capital Projects, and improved customer satisfaction with the efficiency, effectiveness and economy of capital improvements to existing University facilities.

### 3. Funding Request and Financial Summary

As with Capital Projects, CPPM will benefit from investment in the project process. To accomplish these long-term goals, CPPM will realize several recurring and non-recurring costs associated with the re-engineering and re-alignment of the organization of CPPM. To the extent existing personnel resources with established competencies can be retained and fully utilized, those resources will represent the foundation upon which the “new” CPPM can be
established. However, not all or the existing resources provide the core competencies required, nor can all of the existing resources be fully used under the re-engineered CPPM. CPPM is requesting an additional allocation of $550K for FY05 to accomplish its objectives and realize its long-term goals. This funding request will be utilized as follows:

- Costs associated with termination, transfer and severance, $275K
- Costs associated with enhancing the resource competency of core management, $175K
- Costs associated with development of protocols for delivery, tracking systems and contract standardization, $100K

CPPM expects the University to recover this allocation over a 3 to 5 year period through improvements in the efficiencies and economies brought to the delivery of services to all capital projects.

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*Does not reflect costs associated with the inclusion of Project Engineering into the CPPM RRC for either FY04 or FY05.

No additional funding was provided as part of the compact process for CPPM reorganization expenses.

$50,000 was provided to fund 50% of the $100,000 Northrop Auditorium Forensic Investigation.

D. DIVERSITY ASSESSMENT AND PLANNING

Diversity in CPPM’s workforce is consistent overall with what is available in the construction market. However, CPPM recognizes the benefits of diversity and will seek diverse candidates for open positions.

Staff Diversity (Non-student Full-time Equivalent) as on 12/29/03

E. OUTREACH AND CIVIL ENGAGEMENT

CPPM is engaged in the University and its surrounding community to create a campus environment that is accessible and pleasant while maintaining the University's rich architectural history and at the same time respecting the impact on the greater civic environment.

F. ENROLLMENT MANAGEMENT – N/A

G. FACILITIES ISSUES
None of the CPPM initiatives impact the use of facilities by CPPM. Space use by CPPM may be impacted by staff reductions, should CPPM find the delivery of project services could be accomplished with improved efficiency, economy and effect through the utilization of external delivery sources supervised by CPPM. While CPPM is significantly involved in all University facilities issues and major capital investments, CPPM expects to reduce its facilities requirements as its long-term goals are achieved.

H. OTHER FINANCIAL ISSUES

Not used

I. COMPACT DEVELOPMENT

The Compact was developed using the AVP’s presentation to the Regent’s in February 2004, which outlined CPPM’s 5 year work plan. Those materials were based on a consulting report prepared by Michael Perkins in January 2003, personal interviews of CPPM staff in the summer of 2003 and cross-functional planning sessions with internal customers, external vendors, CPPM staff and other staff supporting CPPM in August 2003.

J. DATA PROFILE

K. REPORT SUMMARY AND ALLOCATION SUMMARY – N/A