UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance & Operations Committee
Wednesday, July 6
11:15 a.m. - 12:00 p.m.
600 McNamara Alumni Center, West Committee Room

Board Members
John Frobenius, Chair
Venora Hung, Vice Chair
Clyde Allen
Richard Beeson
Linda Cohen
Steve Sviggum

Student Representatives
James Rook
Chantal Wilson

AGENDA

1. Issues Related to: University Tax Compliance Activities & Programs - R. Pfutzenreuter/K. Farmer (p. 2)

2. Issues Related to: 2012 State Capital Budget Request - R. Pfutzenreuter (pp. 3-6)

3. 2011-12 Committee Workplan Preliminary Discussion - J. Frobenius/R. Pfutzenreuter (p. 7)

4. Consent Report - Review/Action - R. Pfutzenreuter (pp. 8-12)

5. Information Items - R. Pfutzenreuter (pp. 13-18)
Finance and Operations Committee  
July 6, 2011

Agenda Item: Issues Related to: University Tax Compliance Activities & Programs

☑ review  ☐ review/action  ☐ action  ☑ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter  
Kelly D. Farmer, Director, University Tax Management Office

Purpose:

☐ policy  ☑ background/context  ☑ oversight  ☐ strategic positioning

Provide an update of general tax issues faced by colleges and universities as evidenced by Internal Revenue Service compliance initiatives.

Outline of Key Points/Policy Issues:

Colleges and Universities have been the focus of some recent compliance initiatives by the Internal Revenue Service. These initiatives include a) audits of colleges and universities selected from respondents of the compliance questionnaire, b) tax-exempt bond compliance checks and c) a new initiative regarding 403(b) compliance.

The purpose of the discussion will be to apprise the Regents of the tax issues that these initiatives are intended to address and to provide a general update of specific examinations conducted at the University.

Background Information:
Agenda Item: Issues Related to: FY 2012 Preliminary State Capital Request

☑ review   ☐ review/action   ☐ action   ☑ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy   ☐ background/context   ☑ oversight   ☐ strategic positioning

Board of Regents Policy: Board Operation and Agenda Guidelines requires the Board to approve the University's legislative capital request before it is submitted for consideration by the Governor and the Legislature. This presentation for the Finance & Operations Committee is accompanied by the review of the capital request in the full Board of Regents meeting on July 6, 2011.

Outline of Key Points/Policy Issues:

The 2012 capital request is built around the University’s previously expressed priorities. The 2012 request includes funding for the Physics & Nanotechnology construction (Physics & Nanotechnology received design funding in the 2010 session) and projects vetoed at the end of the 2010 legislative session. The request also includes HEAPR as well as three new projects.

The 2011 capital request continues to conform to the principles used in the development of the most recent six-year capital plan.

- Align capital plan with the established academic strategic positioning goals:
  - Recruit and educate outstanding students,
  - Recruit and support innovative, energetic world-class faculty and staff,
  - Inspire innovation, exploration, and discovery.

- Maintain continuity of priorities from previous legislative requests, including the restoration of funding for vetoed projects included in the University’s long-term capital plan.

- Protect the University’s financial position by keeping capital expenditures within projected debt capacity limits and controlling operating costs.
  - Be responsible stewards of resources.

- Invest in facilities and infrastructure that:
  - Advance the University’s life safety, renewal, and preservation objectives and sustainability policies,
  - Create flexible space, promote collaborative interdisciplinary activities, optimize space utilization, and reduce operational costs.
The 2012 capital request is built upon a combination of funds appropriated by the State of Minnesota ($293.3 million) and resources committed by the University of Minnesota ($166.6 million). The total cost of the capital plan is $459.9 million.

**Background Information:**

In February 2011, the Board of Regents approved a Supplemental 2011 State Capital Request including the Physics & Nanotechnology project, American Indian Learning Resource Center, Itasca Facility Improvements, and HEAPR. The 2012 State Capital Request continues the priorities outlined in the previous request.

In December 2009, the Board of Regents last updated the University's Six-Year Capital Improvements Plan for 2010 - 2015. The Preliminary 2012 State Capital Request has been modified from the adopted six-year plan to reflect current priorities.
Preliminary 2012 Capital Request

Request Summary:

<table>
<thead>
<tr>
<th>Location</th>
<th>Project</th>
<th>Total</th>
<th>State</th>
<th>U of MN</th>
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<tbody>
<tr>
<td>SYSTEM</td>
<td>HEAPR</td>
<td>$ 60,000</td>
<td>$ 60,000</td>
<td>-</td>
</tr>
<tr>
<td>UMTC</td>
<td>Ambulatory Care Clinic</td>
<td>$ 200,000</td>
<td>$ 100,000</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>UMD</td>
<td>American Indian Learning Resource Center</td>
<td>$ 11,025</td>
<td>$ 7,350</td>
<td>$ 3,675</td>
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<tr>
<td>UMTC</td>
<td>Eddy Hall &amp; Space Optimization</td>
<td>$ 21,000</td>
<td>$ 14,000</td>
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<tr>
<td>UMTC</td>
<td>Old Main Utility Building Renovation</td>
<td>$ 81,000</td>
<td>$ 54,000</td>
<td>$ 27,000</td>
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<tr>
<td>UMTC</td>
<td>Physics and Nanotechnology</td>
<td>$ 80,850</td>
<td>$ 53,900</td>
<td>$ 26,950</td>
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<td>STATE</td>
<td>ROC: Itasca Facilities Improvements</td>
<td>$ 6,090</td>
<td>$ 4,060</td>
<td>$ 2,030</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$ 459,965</strong></td>
<td><strong>$ 293,310</strong></td>
<td><strong>$ 166,655</strong></td>
</tr>
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</table>

dollars in thousands

Project Summaries:

2012 State Capital Request (unprioritized)

- Higher Education Asset Preservation and Replacement (HEAPR) - This request is for funds used system-wide to maximize and extend the life of the University’s existing physical plant. Individual projects will fall into one of four broad categories - Health & Safety, Building Systems, Energy Efficiency and Utility Infrastructure. The system-wide HEAPR advisory committee makes recommendations on individual projects to the Vice President for University Services using data from the Facility Condition Assessment and Building Code Deficiency Report. HEAPR funds do not require a 1/3rd University funding match.

- UMTC: Ambulatory Care Clinic – This request is for funds to construct a new academic ambulatory center, to be owned by the University of Minnesota and jointly occupied by the University of Minnesota Physicians and Fairview Health Services. The new facility would replace and expand existing obsolete, undersized and geographically separated clinics primarily located in the Phillips-Wangensteen Building. The current clinics were designed in the 1960s for a patient capacity of 150,000 annual visits. Today, these same facilities handle 750,000 annual visits – five times the volume they were designed to accommodate – with no room to expand. Accessing the current clinic locations is difficult for patients. Outdated clinic configurations do not efficiently or cost-effectively accommodate today’s requirements for patient privacy, technology, and integrated care delivery. The development of a new ambulatory care center on campus is critical to the accomplishment of the Academic Health Center mission of role modeling outstanding care to its students, providing educational opportunities, and encouraging research/inquiry. The Ambulatory Care Center will be designed to train the next generation of care providers, to discover and deliver new medical treatments, to enhance the connectivity between education and care delivery, to increase revenue available to the Medical School, and to achieve our continuing goal of being “a
talent magnet for faculty, staff and students that is distinguished both for its educational programs and as a destination of choice for clinical service”.

- **UMD: American Indian Learning Resource Center (AILRC)** – This request is for funds to construct an American Indian Learning Resource Center at the University of Minnesota, Duluth. Seventeen programs, scattered throughout campus, will be co-located in this new facility. American Indians comprise the largest minority population at UMD and UMD’s program is one of the largest American Indian programs in the country. The campus’s strong support system has resulted in graduation rates significantly higher than national norms. This new center will house academic and student service programs, classrooms, a computer lab, conference rooms, a great room for large gatherings, and support offices for both faculty and students. The project budget has been adjusted for inflation using Minnesota Management and Budget guidelines.

- **UMTC: Eddy Hall and Space Optimization** – This request is for funds to consolidate multiple units into less space, allowing 2 campus buildings to be decommissioned. The project will completely rehabilitate Eddy Hall for the undergraduate admissions program. Eddy Hall is the oldest building on the Twin Cities. Units will move from the Donhowe Building to the West Bank Office Building and from both Fraser Hall and Williamson Hall into the Donhowe Building. Fraser and Williamson will be decommissioned. The project will reduce the University’s overall space inventory, facility operating costs, and 10-year FCA deferred renewal estimate.

- **UMTC: Old Main Utility Building Renovation** - This request is for funds to renovate the Old Main Steam Plant facility, which is currently decommissioned, to be a multi-utility plant serving the Minneapolis campus. This phase will stabilize and update the building infrastructure and install 2 - 7KW natural gas fired combustion turbines installed as a Combined Heat and Power system as well as the necessary systems to also support future installation of an additional 250,000 lb. natural gas boiler and a district chilled water plant to serve the East Bank of Minneapolis. The benefits to the campus include: meeting peak steam capacity requirements; significantly increasing steam production reliability by providing a second site which is both closer to campus and far above the Mississippi River; creating an alternative internal source for electricity that does not rely on Xcel Energy; establishing a quality facility for the additional utility services; and significantly reducing the campus’s carbon footprint.

- **UMTC: Physics & Nanotechnology Building** – This request is for funds to construct a new building to house the research branch of the Physics Department and the Center for Nanostructure Applications. Design was funded by the legislature in 2010. The funding provided by this request would complete the project. The project budget has been adjusted for inflation using Minnesota Management and Budget guidelines.

- **ROCs: Itasca** – This request is for funds to construct a new technology-rich biological lab/classroom facility to replace obsolete laboratories that can no longer support current research and teaching activities. The Itasca Biological Station is dedicated to studying ecosystems, appreciating their value, and preserving them for future generations. Located in Itasca State Park, the University of Minnesota has conducted instruction, research, and outreach activities at the Itasca Station since 1909. To reflect the values of the Biological Station, the design of the facilities will incorporate strategies to minimize energy usage. The project budget has been adjusted for inflation using Minnesota Management and Budget guidelines.
Finance and Operations Committee

July 6, 2010

**Agenda Item:** 2011-12 Committee Work Plan Preliminary Discussion

☐ review  ☐ review/action  ☐ action  ☒ discussion

**Presenters:** Regent John Frobenius
Vice President/CFO Richard Pfunzenreuter

**Purpose:**

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

To discuss issues and priorities for inclusion in the 2011-12 Finance and Operations Committee Work Plan.

**Outline of Key Points/Policy Issues:**

The 2011-12 Finance and Operations Committee Work Plan is a summary of agenda items scheduled to be presented to the Finance and Operations Committee in September. The purpose of the discussion at the July 2011 Finance and Operations Committee meeting is to obtain topics of interest from committee members so that these interests and priorities can be appropriately scheduled into committee meetings for the period of September 2011 through July 2012.

**Background Information:**

The annual Finance and Operations Committee Work Plan is discussed annually in July and September.
Finance and Operations Committee  

Agenda Item: Consent Report

☐ review  ☒ review/action  ☐ action  ☐ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

General Contingency
To seek approval for allocations from General Contingency greater than $250,000.

Purchase of Goods and Services $1,000,000 and Over
To seek approval for purchases of goods and services of $1,000,000 and over.

Outline of Key Points/Policy Issues:

General Contingency
There are no items in the General Contingency report requiring Board approval.

Purchase of Goods and Services $1,000,000 and Over

• To ADP, Inc. for an estimated $1,364,700 for an employee and non-credit Learning Management System (LMS) solution for a three-year contract including implementation costs for the period of August 1, 2011, through July 31, 2014, for the Office of Human Resources and University collegiate/administrative units offering non-credit courses. The Learning Management System will be purchased with O&M funds from the Office of Human Resources to cover the employee licenses, and a per registration payment plan for the non-credit activities from the College of Continuing Education, Academic Support Resources, Academic Affairs and Provost-Distributed Education and Instructional Technology. The LMS has been budgeted for the life of the three-year contract. Vendor was chosen through a competitive process.

• To Blue Cross and Blue Shield of Minnesota for an estimated $15,583,714 for a partially self-funded Student Health Benefit Plan (SHBP) for Twin Cities, Duluth, Crookston, Morris and Rochester Students for Boynton Health Service. This contract is for medical plan expenses incurred during two plan years from August 24, 2011, through August 31, 2012, and claims paid from August 24, 2011, through August 31, 2013. This is the fifth year contract period of a six-year award. The program has adequate reserves to meet all obligations for the next two years of partial self-funding and provide the same level of coverage to students for the upcoming year. The cost of the plan is borne entirely by students purchasing the plan. Vendor was selected through a competitive process.
Background Information:

Approvals are sought in compliance with Board of Regents Policy as follows:

• General Contingency: Reservation and Delegation of Authority, Sec.VII, Subd. 1.
• Purchase of Goods and Services $1,000,000 and Over: Reservation and Delegation of Authority, Sec.VII, Subd. 6

President's Recommendation for Action:

The President recommends approval of the Consent Report.
## General Contingency

### 2010-11 General Contingency:

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<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
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<tr>
<td><strong>FY2011 General Contingency</strong></td>
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<td>$1,000,000</td>
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<tr>
<td>Carryforward from FY2010 into FY2011</td>
<td>117,393</td>
<td>1,117,393</td>
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<tr>
<td>1 Return unused funds</td>
<td>(151)</td>
<td>1,117,544</td>
<td>Unused funds from East Cliff boiler replacement project</td>
</tr>
<tr>
<td>2 Exec Dir Office for Business &amp; Community Economic Dev</td>
<td>55,000</td>
<td>$1,062,544</td>
<td>Awards Incentive &amp; Recognition Program</td>
</tr>
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<td>3 Executive Director for the Board of Regents</td>
<td>149,563</td>
<td>912,981</td>
<td>Salary and fringe for new Deputy Director position</td>
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<tr>
<td>4 Chancellor, University of Minnesota Crookston</td>
<td>100,000</td>
<td>812,981</td>
<td>Bridge funding for Dir of Assessment position, year 2 of 3</td>
</tr>
<tr>
<td>* Assoc. VP for Capital Planning and Project Management</td>
<td>215,000</td>
<td>597,981</td>
<td>Eastcliff maintenance and refurbishment projects</td>
</tr>
<tr>
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<td>75,000</td>
<td>$522,981</td>
<td>Pre-Demolition work</td>
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<tr>
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<td>$357,981</td>
<td>Security and phone system upgrades to Eastcliff property</td>
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<tr>
<td>13 Assoc. VP for Capital Planning and Project Management</td>
<td>175,000</td>
<td>182,981</td>
<td>Consultant services for F &amp; A rate development process</td>
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<tr>
<td>15 Vice President for Research</td>
<td>36,495</td>
<td>146,486</td>
<td>Transition funding for attorney salary and fringe 0.2 FTE</td>
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<td>17 General Counsel</td>
<td>32,000</td>
<td>114,486</td>
<td>Presidential search and transition expenses</td>
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<td>19 Executive Director for the Board of Regents</td>
<td>18,000</td>
<td>96,486</td>
<td>Eastcliff Improvements</td>
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<tr>
<td>21 Assoc. VP for Capital Planning and Project Management</td>
<td>4,500</td>
<td>91,986</td>
<td>Association of Governing Boards planning meeting</td>
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<tr>
<td><strong>New items this reporting period:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No new items this reporting period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of June 30, 2011</strong></td>
<td>91,986</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Subject to Board approval due to cost of $250,000 or more
Purchase of Goods and Services 1,000,000 and over

To ADP, Inc. for an estimated $1,364,700 for an employee and non-credit Learning Management System (LMS) solution for a three-year contract including implementation costs for the period of August 1, 2011 to July 31, 2014 for the Office of Human Resources and University collegiate/administrative units offering non-credit courses.

This new software system will replace several systems for employee and non-credit learning management and non-credit registration. This new system will benefit the University in the following ways:

**Employee Training:**
- Better management of all training completed during employee career
- One single, integrated online system to record employee training
- Easier extraction and reporting of data captured in solution

**Non-Credit Registration:**
- Replaces the multiple systems currently in use with fully featured registration and tracking system. Several of these systems are approaching end-of-life/end-of-support
- Lower cost per registration than current solutions
- Facilitates new revenue opportunities for academic units

Through a competitive bid process, ADP, Inc. provided the best functionality and best overall solution for the contract period. This is a Software as a Service (SaaS) solution.

The Learning Management System will be purchased with O&M funds from the Office of Human Resources to cover the employee licenses, and a per registration payment plan for the non-credit activities from the College of Continuing Education, Academic Support Resources, Academic Affairs and Provost—Distributed Education and Instructional Technology. The LMS has been identified as a budgeted item for the life of the three-year contract.

Submitted by: Carolie Carlson
Suite 260
Minneapolis Campus
Phone: (612) 626-1349
Fax: (612) 626-8244

Approval for this item requested by:

[Signature]
VP or Exec. VP Signature

6/20/11
Date
To Blue Cross and Blue Shield of Minnesota for an estimated $15,583,714 for a partially self funded Student Health Benefit Plan (SHBP) for Twin Cities, Duluth, Crookston and Morris and Rochester Students for Boynton Health Service.

This estimate is based on a projection of 9600 covered students, their spouses/domestic partners, and children as covered dependents. This contract is for medical plan expenses incurred during two plan years from August 24, 2011, through August 31, 2012 and claims paid from August 24, 2011 through August 31, 2013. This is the fifth year contract period of a six-year award.

In November 2006 Gerald Rinehart, Vice Provost of Student Affairs, appointed a University Committee to conduct a request for proposal process for administrative services and stop loss coverage for the partially self funded Student Health Benefit Plan.

In January 2007 the University of Minnesota requested insurance company proposals to provide student health benefits coverage for the 2007-08 and 2008-09 plan years for students attending the University of Minnesota. After evaluating proposals from five different managed care/insurance organizations, the committee voted to award the new contract to the incumbent carrier, Blue Cross and Blue Shield of Minnesota.

The 2011 renewal quote from Blue Cross and Blue Shield of Minnesota (BCBSMN) came with a projected increase in the cost of claims of 0%, a 3% increase in their administration services and no increase in the cost of stop loss coverage for the upcoming year.

There are several components to this program that determine the cost of coverage for the students. Considering the increased cost of claims, in addition to the increase in the capitation projection for services and administrative costs at Boynton, with an offset of a growth of enrollment due to the increase of international students, we are able to provide benefit enhancements in the area of preventive services and limit the overall increase in the cost of coverage to students for the 2010-2011 academic year to 2.2%. The average monthly rate for the basic Student health Benefit Plan (SHBP) will increase $3.33 per month from $155.00 to $158.33.

The program has adequate reserves to meet all obligations for the next two years of partial self-funding and provide the same level of coverage to students for the upcoming year. The cost of the plan is borne entirely by students purchasing the plan.

Submitted by: Carl Anderson
Interim Director and Chief Operating Officer
Boynton Health Service; W334
Phone: 612-625-1612
Fax: 612-625-1434

Approval for this item requested by:
Gérald Rinehart, Vice Provost, Office of Student Affairs
Date 6/13/11
Finance and Operations Committee

July 6, 2011

Agenda Item: Information Items

☐ review    ☐ review/action    ☐ action    ☒ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy    ☒ background/context    ☐ oversight    ☐ strategic positioning

To advise the Board of an agreement between the University of Minnesota Duluth (UMD) and the Duluth Transit Authority (DTA) which will provide students, faculty and staff in Duluth free access to selected DTA bus routes.

Outline of Key Points/Policy Issues:

On May 26, 2011, UMD signed an agreement with DTA creating a transit pass program for students, faculty, and staff on selected routes in Duluth. Under the agreement, the DTA agrees to accept validated Student/Employee IDs as the official transit pass for eligible participants for a six-year period from September 1, 2011, through August 31, 2017.

The University agrees to pay to DTA as follows:
• for the first year, $180,000/semester for a total of $360,000;
• for years two through five, $200,000/semester for a total of $400,000/year; and
• for the sixth year, $220,000/semester for a total of $440,000.

Total payments over the life of the agreement are $2.4 million.

Funding for the program will come from the UMD Transportation account.

Background Information:
UNIVERSITY TRANSIT AGREEMENT

This agreement is made this 26 day of January, 2011 between the Regents of the University of Minnesota through its Duluth Campus, whose address is 10 University Drive, Duluth MN 55812 (hereafter referred to as the “University”) and the Duluth Transit Authority, a regional transit authority, whose address is 2402 W. Michigan Street Duluth MN 55806, (hereinafter “DTA”).

WHEREAS:

A. DTA is the regional transit authority providing public transit services within the Duluth/Superior metropolitan area.

B. University is the largest public university in the city and is a major destination of motor vehicle traffic originating in the city of Duluth MN.

C. Both the University and DTA recognize that among the many benefits of using public transit are reducing congestion, improving the quality of air and the environment, and limiting the amount of real property set aside or dedicated to motor vehicle users and parking in urban locations.

D. DTA and the University believe that the formation of a transit pass program for students, faculty, and staff along with the construction of a transit hub with daycare center located on the campus will continue to benefit both the University and DTA as well as individuals within the University and City in total.

NOW, THEREFORE, the University and DTA hereby covenant and agree to be bound by the terms and conditions set forth in this Agreement and attached hereto and incorporated herein by reference.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth herein.

UNIVERSITY OF MINNESOTA DULUTH  DULUTH TRANSIT AUTHORITY

By Gregory Fox  By Dennis E. Jensen
Vice Chancellor for Finance and Operations  General Manager
GENERAL TERMS AND CONDITIONS OF UNIVERSITY TRANSIT PASS PROGRAM MEMORANDUM of AGREEMENT

This agreement is made this 26th day of May, 2011 between the Regents of the University of Minnesota through its Duluth Campus, whose address is 10 University Drive, Duluth MN 55812 (hereafter referred to as the “University” or “UMD”) and the Duluth Transit Authority, a regional transit authority, whose address is 2402 W. Michigan Street Duluth MN 55806, (hereinafter “DTA”).

1. DEFINITIONS

As used in this Agreement:

1. The term “Pass” or “Passes” means the “Student ID and Faculty/Staff ID”, designated valid I.D., or any special pass approved by DTA and made available to eligible riders at a designated location or locations as agreed upon by University and DTA. The Pass shall not be transferable.

2. The term “student” means: each member of the university’s current student body enrolled as a full-time undergraduate, full-time graduate, or full-time professional student at the UMD campus. Other enrolled students may purchase discount semester passes for the semesters they are enrolled.

3. The term “faculty” means teaching and/or research staff eligible for a UMD ID.

4. The term “staff” means an employee of UMD eligible for a UMD ID.

5. The term “eligible participants” means students, faculty, and staff as defined above.

6. The term “local transit routes” means standard public transit service making frequent stops along designated streets or highways through the local service area, including the cities of Duluth, Proctor, and Hermantown, MN and Superior, WI.

7. The term “University” means the person or business named as University on page 1 of this Agreement.

8. The term “semester” means a major grading period of which there are two (fall and spring) in an academic/calendar year. The Fall pass may also be used until the start of the Spring Semester and the Spring pass shall be valid until the start of the next Fall Semester.
II. TERMS AND CONDITIONS

The parties hereto agree as follows:

1. Issuance of Passes: Until such time as DTA and the University determine otherwise, the University and the DTA agree to accept the validated Student/Employee ID as the official transit pass for all eligible participants as described herein.

2. Term of Pass: This Pass Agreement shall extend from September 1, 2011, through August 31, 2017.

3. Payment for Passes.
   
   A. No later than the last day of the last month of each academic semester, the University agrees to pay to DTA $180,000 each semester for a total of $360,000 for the first year of the contract; years two thru five will consist of semester payments of $200,000 for a total of $400,000 per year; and year six will consist of $220,000 semester payments for a total of $440,000 for the academic year. Cash fares collected on routes serving UMD are the sole property of the DTA and do not impact this contract.

   B. Should the programs service levels, ridership, or costs for this program change substantially (10% in terms of buses serving UMD; DTA base fare; hourly cost of service; or should the cost of diesel fuel exceed $4.50 per gallon) the DTA and the University agree to discuss viable options to address those issues.

4. Service: DTA transportation service is defined as regularly scheduled public transportation, which is open to the general public. It is understood and agreed to by the parties that the buses to be utilized in providing these mass transit services are not University buses, but instead are mass transit buses.

5. Routes: DTA services provided will include the following routes: East 8th; Kenwood; East 4th - Woodland, Mainline to UMD and Morley Heights. Any significant change from the proposed service requires the advance notice and consent of University. Proposed change(s), if any, will be based upon current productivity and efficiency standards as maintained by DTA and as disclosed to the University. Route 18 is funded by the DTA and Federal Government via a JARC grant. UMD contract sums do not fund this service and therefore are unchanged by changes in service of this route.

6. Misconduct on Public Transit. DTA maintains the authority granted by all applicable laws and regulations including the right to eject temporarily or permanently any person who in DTA’s opinion has acted in such a manner as to adversely affect the safety of DTA passengers, its drivers, or its agents. As appropriate, the DTA may eject such person(s) for misconduct on public transit, confiscate passes and/or seek prosecution of any person who is responsible for damage to DTA property or injury to DTA personnel. Any UMD pass confiscated for misuse will be returned to UMD.
7. **Renewal of Agreement.** Before June 1, 2017, the DTA shall notify the University and the University shall notify the DTA of its intent to extend this Pass Program Agreement for another period. Levels of service and costs for alterations in services will be discussed at that time.

8. **Termination.** This Agreement shall continue in full force and effect during the term of this Agreement unless it is terminated earlier by either party. Either party may terminate this Agreement in its sole discretion by giving the other parties written notice of termination at least ninety (90) days prior to the termination date, but in any event, termination will be at the end of the spring semester.

9. **Insurance.** The parties recognize and acknowledge that each of the parties is a public or governmental agency. Both parties shall carry public liability, property damage, and personal injury (including bodily injury) insurance to at least the statutory limits and shall provide evidence of such if requested.

10. **Indemnification.** Subject to the limitations of the tort claims statutes applicable to the respective parties, each party agrees to indemnify and hold harmless the other party from and against all claims, causes of action, liability, damages, costs and expenses which said other party may incur or which may be asserted against such other party as a result of the first party's negligence or failure to perform its duties hereunder.

11. **Other Interests.** No person not a party to this Agreement shall have any rights or entitlement of any nature under it.

12. **Entire Agreement.** This Agreement contains the entire agreement between the parties hereto for the term stated and cannot be changed or altered except by written agreement signed by all parties hereto. Neither party shall be bound by any oral agreements or special arrangements contrary to or in addition to the terms and conditions as stated herein.

13. **Project Manager.** DTA's Project Manager for this Agreement is Dennis E. Jensen, General Manager. All questions and correspondence relating to the technical aspects of this Agreement should be directed to Dennis E. Jensen, General Manager, or his designee.

14. **Contract Administrator:** DTA's Contract Administrator for this Agreement is Carla Montgomery, Finance Director. All questions and correspondence relating to the financial aspects of this Agreement should be directed to Carla Montgomery, Finance Director, or her designee.

15. **Miscellaneous:**
DTA agrees to offer complete and full cooperation with the University to assure maximum service efficiency for the UMD students and faculty/staff.

The DTA is a part of the Regional Emergency Response Team. As such, the DTA responds to all EMS calls from all EMS partners. The requesting agency is responsible for actual costs.
incurred by the DTA. UMD’s Senior Environmental Health and Safety Specialist will coordinate with the DTA as needed.

**Governing Law:** This Contract and all future amendments shall be construed under Minnesota State law.

**Headings:** All headings, subheadings, or titles in this Agreement are for guidance purposes only, and shall not be utilized to interpret or enforce any part of the Agreement.

**Arbitration:** It is the intent of the parties, to make the submission to non-binding arbitration of any dispute or controversy arising out of this agreement, an express condition precedent to any legal or equitable action or proceeding of any nature.

**Notices:** All notices to be given hereunder shall be sufficient if given in writing in person or by registered or certified mail, return receipt requested, postage prepaid, and in either case, addressed to the respective party at its postal address or at such other address or addressed as each may hereafter designate in writing. Notices by mail shall be deemed effective and complete at the time of posting and mailing in accordance herewith. Notice shall be sent to the parties at the addresses shown below:

**If to University:**
University of Minnesota Duluth  
Attn: Vice Chancellor for Finance and Operations  
10 University Drive  
Duluth MN  55812

**If to DTA:**
Duluth Transit Authority  
Attn: General Manager  
2402 W. Michigan Street  
Duluth MN  55806

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth herein.

**UNIVERSITY OF MINNESOTA DULUTH**  
By [Signature]  
Gregory Fox  
Vice Chancellor for Finance and Operations

**DULUTH TRANSIT AUTHORITY**  
By [Signature]  
Dennis E. Jensen  
General Manager