Finance & Operations Committee

December 2017

December 14, 2017

1:30 p.m. - 4:45 p.m.

Boardroom, McNamara Alumni Center

FIN - DEC 2017

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 14, 2017**

AGENDA ITEM: Administrative Cost Definition and Benchmarking

☐ **Review** ☐ **Review + Action** ☐ **Action** [X] **Discussion**

☐ *This is a report required by Board policy.*

PRESENTERS: Julie Tonneson, Associate Vice President, University Budget

PURPOSE & KEY POINTS

The purpose of the cost benchmarking analysis is to define and categorize the University's costs in order to develop a shared understanding of University spending, and improve the University's ability to set spending benchmarks and monitor changes in spending over time. As a result, the analysis offers a view of spending through a different lens compared to the annual budget or the financial statements.

Cost Benchmarking FY17 Results

The FY17 Expense Summary for Administrative Cost Benchmarking is included in Attachment A. Overall, the analysis shows expenditure patterns relatively unchanged from prior years. Expenditures for Mission and Student Aid are at 55.8 percent of the total spend (FY16: 55.9 percent), with expenditures for Mission Support & Facilities at 36.0 percent (FY16: 35.9 percent), and Leadership and Oversight at 8.2 percent (FY16: 8.3 percent). Personnel expenditures comprise 60 percent of all expenditures included in the analysis. Facility project transfers and debt (included for the first time in FY17) comprise 4.1 percent of all expenditures.

Mission

Total expenditures for Direct Mission Delivery increased 1 percent between FY16 and FY17, with personnel spending increasing 2 percent, primarily in student positions. Personnel expenditures represent over 70 percent of the total mission spend. Non-personnel spending decreased 1.4 percent from FY16 to FY17, primarily due to a reduction in subcontracts on sponsored grants of $4 million and to one-time expenditures for equipment in FY16 that were not repeated in FY17 (e.g., $4.5 million for a cryo-electron microscope system for The Hormel Institute in FY16).

Student Aid

Student aid spending increased 4.8 percent (FY17 over FY16), with the largest growth occurring in state-funded financial assistance for resident undergraduate students.

Mission Support & Facilities

Mission Support and Facilities expenses increased 2.1 percent between FY16 and FY17. A $5 million increase in support for football coaches accounts for much of the increase in personnel (Other Support job classifications). Excluding those expenses, the increase for all employee groups is roughly 2.5 percent. Temporary and casual employees are included in this group for the first time in FY17 and account for just under 3 percent of total personnel expense; expenditures for this group increased 3.2 percent, which may reflect reliance on temporary personnel while implementing reallocations. Non-personnel expenditures increased only 0.5 percent, with extreme changes in two expense groups balancing each other out. On the one hand, expenses related to sales commissions in Intercollegiate Athletics (Twin Cities campus) and payouts of royalties in the Office of Technology Commercialization combined to reduce expenses over $12 million from FY16; these reductions may be related to the timing of accounting transactions and will be investigated further. On the other hand, facility transfers and debt expense increased 17.2 percent.

Leadership & Oversight

Spending on leadership and oversight increased 1.4 percent between FY16 and FY17. Personnel spending in the Leadership job codes (deans, directors, and system-level executive leadership) decreased 1.3 percent, offset by increases in supervisory job codes in Direct Academic and Skilled Generalist job categories.

Across all categories, Direct Academic personnel make up 46 percent of all personnel spending, by far the largest personnel group. Supply, Service and Miscellaneous spending makes up 31 percent of non-personnel spending, with 50 percent of that in the direct mission expense group. Across all categories, personnel expenditures reflect salary increases (general budget planning included a 2.5 percent salary increase for FY17), fringe rate/cost changes and changes in the number of personnel (new hires, retirements, non-renewals etc.).

Summary

The administrative cost benchmarking analysis is a valuable tool to monitor expense categories at the all-University level over time. In addition, it has provided an opportunity to understand unit-level costs through a different lens. As one of many tools to effectively manage spending at the University, this analysis has led to a deeper understanding of what takes place inside "total expenditures," and has led to the following lessons:

- It is difficult to significantly shift spending between the categories (columns) and thus shift percentages at the all-University level; movement of a tenth of a percent in one of the analysis categories requires a net change of roughly $3.5 million (Attachment B).
- Non-personnel spending exhibits the most volatility with fluctuations common in such items as sponsored subcontracts or significant equipment purchases.
- Shifts in sponsored awards year to year disproportionately affect the mission category.
- Changes in Mission spending also naturally affect Mission Support and Facilities and Leadership and Oversight spending. For example, program expansions require investment in essential services necessary to support those activities (such as maintaining library materials, technology licensing, compliance, etc.), which in turn result in increases to Mission Support and Facilities and Leadership and Oversight expenditures.
- One of the most valuable uses for cost benchmarking is the perspective it brings to unit-level analysis and its ability to highlight changes over time at that level.
- Cost Benchmarking has been useful as a way to frame conversations about administrative costs and therefore as a tool for developing and tracking reallocation plans.

BACKGROUND INFORMATION

The cost definition and benchmarking analysis (methodology and results) has been presented to the Finance Committee annually beginning in the 2012-2013 academic year. Slight changes in methodology each year have been explained, and those changes have been implemented back three years each time for comparability. As a result of these changes, however, each individual annual report should be reviewed on its own and not compared to a report from a prior year.

Purpose and Goals

Originally, the cost benchmarking analysis was created to answer questions related to "administrative costs" at the University. Prior to this analysis, there was no shared definition of those costs, so there was no accepted and standard way to answer questions related to them. Through a consultative process involving stakeholders throughout the institution, the analysis was shaped in a way to define mission related spending separately from all other spending on support functions and basic infrastructure. It was further decided at the time that these latter two categories would be the basis for how the University would define "administrative costs" for purposes of reallocation and communication to external parties.

FY 2012 was the first year of the cost benchmarking analysis. Goals for the analysis included:

- Develop a shared understanding of University spending.
- Promote a broader dialogue of the University's cost structure – "where the money goes."
- Identify gaps in processes, data and information.
- Improve the University's ability to set its own spending benchmarks.
- Establish a repeatable methodology to monitor changes and patterns in spending over time.

The analysis is achieving these goals. At the institutional and unit level, it is used to better understand cost components and how to manage them. It is also used in conjunction with the budget framework as a tool for units in understanding the baseline for developing reallocation plans focused on administrative costs. Moreover, it is a valuable tool for investigating unit level activities and identifying trends in spending outside of the norm, which may then spur recommendations for change.

The cost benchmarking analysis is unique to the University and cannot be used to compare spending patterns across institutions. While some institutions are beginning to create similar analyses, they have not progressed to the same level of detail, and because they will also rely on unique aspects of their individual reporting and data elements, the results will not be easily comparable.

Structure and Methodology

The analysis starts with total expenditures at the close of each fiscal year. Total expenditures as represented in this analysis will not equal expenditures as represented in the final audited financial statements for a number of reasons. Most significantly, institution-level accounting entries for accruals, deferrals, depreciation, amortization, etc., are not included. Additionally, expenses in system-wide financial management "units" are excluded largely to avoid duplicating the effect of expenses charged internally: for example, including direct payment of fringe benefit expense to service providers from the system-wide "unit" would duplicate the fringe benefit charges assigned at the unit level which are incorporated into the personnel costs in this analysis.

Within the analysis, categories of spending are identified as the following:

- Direct Mission Delivery – the expenses of the 'doers' of the mission.
- Mission Support & Facilities – the expenses to 'support' the delivery of mission activities.
- Leadership & Oversight – the expenses for the 'leadership, direction, control and management' of the mission.

Expenses in all three categories occur throughout the organization (in academic and support units) and are supported by multiple funding sources. The benchmarking analysis focuses on current operating funds, including sponsored activity. The intent is to categorize expenditures that relate to the regular ongoing operations of the University supported by annual revenues. As a result, it excludes non-current and agency funds, internal service organization (ISO) funds, and cross-unit charges (with the exception of transfers for facility projects).

Within the analysis, different types of costs are distributed among the spending categories in different ways. Personnel costs are distributed based on job code: each individual job code has been reviewed and assigned to one of the three spending categories based on the definitions of those categories and a reasonable judgment of the function represented by the job code description. Non-personnel expenditures are distributed based on a combination of function designation (research, instruction, etc) and/or account code definition (consulting, supplies, etc.). Examples of the types of expenditure included in each spending category are outlined in the table below. Note that direct student aid is treated as a separate category related to, but not included in, the delivery of mission.

Expenditures by Expense Category

Direct Mission Delivery 'doers' of the mission	**Mission Support & Facilities** 'support' the delivery of the mission	**Leadership & Oversight** 'leadership, direction, control, and management' of the mission
Personnel**:** • Tenured and tenure-track Professors • Adjunct instructors, lecturers, clinical professors • Extension educators • Health science professionals • Scientists and laboratory • Technicians • Students in teaching assistant, research assistant, or fellowship roles	Personnel: • Audit/Finance/HR/Info Tech/Legal • Clerical Support • Advisors, librarians, curators, child care workers, coaches • Coordinators, "Skilled generalists" – analysts, associate to, administrative professional, etc. • Buildings and grounds workers • Skilled trades, engineers, safety • Technicians, environmental health and safety workers, police • Temp & Casual workers	Personnel: • Executive leadership – President, Vice Presidents, Chancellors, Provost & Vice Provosts • Academic leadership – Deans & Associate Deans, Department chairs and heads • Directors – program, department, campus, and system-wide (another "non-descriptive" set of job codes) • Supervisor and managerial titles across the organization
Non-Personnel: All non-personnel expenses with instruction, research, or public service function codes – Excludes facility-related activity: utilities, rents, leases and repairs & maintenance, etc.	Non-Personnel: Prorated share of supplies and services, etc. in non-mission functions; equipment purchases in non-mission functions, all consulting in non-mission functions, facilities costs: utilities, rents, leases, repairs & maintenance, transfers for facilities projects, debt	Non-Personnel: Prorated share of supplies & services, non-capital equipment, etc. in non-mission functions

Note that the definition for Leadership & Oversight encompasses all supervisory and manager positions regardless of their function in the institution. For example, job codes that designate someone as a manager of x are included in that third column, rather than in the second (Mission Support & Facilities) column where their "functional" home would be.

The FY 2017 analysis has been updated to include a few significant spending categories not reflected in previous versions. In the personnel section, costs for temporary and casual employees are now included. Originally the thought was that these hires are one-time or short-term so they were not included. From the University level view of expenditures, however, there is a recurring level of spending on these positions so it is appropriate to include that as a general cost of operating. In the non-personnel section, facility-related transfers and debt service at the institutional level have been added: all University contributions to capital projects, either cash or

debt service expense, are included. All of these additional expenses fall within the Mission Support & Facilities expense category. Inclusion of these expenses in the analysis offers an even more complete reflection of management decisions affecting the allocation of annual resources to overall operating costs.

An important characteristic of the analysis is the ability it provides to compare expenditure trends over the past three years. To that end, personnel data in the analysis is modified to reflect current job codes for all fiscal years of the analysis for all employees whose job code changed due to the recent job family study. For example, the Development Job Family Study was completed in FY17, so employees in this job family whose job code changed may have shifted from one expense category to another solely due to an update to their job code without a change in their responsibilities. Due to the incorporation of these changes, the report presented this year is not comparable to reports presented in previous years.

Attachment A

Expense Summary for Administrative Cost Benchmarking

FY 2017

University of Minnesota - Systemwide *

($$ in Thousands)

	11/21/17									
	a	b	c	d	e	d	e	f	g	h
1	**PERSONNEL**	**Mission**	Mission as % of Total	**Student Aid**	Student Aid as % of Total	**Mission Support & Facilities**	MS&F as % of Total	**Leadership & Oversight**	L&O as % of Total	**Total**
2	Direct Academic	940,781	97.5%					24,028	2.5%	964,809
3	Students **	257,595	85.1%			45,265	14.9%			302,860
4	Leadership							59,800	100.0%	59,800
5	Campus Operations ***					116,207	87.9%	16,041	12.1%	132,248
6	**Support:**									
7	*Audit/Finance/HR/Info Tech/Legal*					*191,931*	*80.8%*	*45,717*	*19.2%*	*237,648*
8	*Clerical Support*					*78,428*	*100.0%*	*0*	*0.0%*	*78,428*
9	*Coordinators*					*492*	*100.0%*			*492*
10	*Skilled Generalists*					*26,898*	*34.2%*	*51,736*	*65.8%*	*78,635*
11	*Other Support*					*186,734*	*79.6%*	*47,781*	*20.4%*	*234,515*
12	*TemplCasual*					*17,337*	*100.0%*			*17,337*
13	**Support Subtotal**	0	0.0%	0	0.0%	501,821	77.6%	145,234	22.4%	647,055
14	**Total Personnel**	**1,198,376**	56.9%	**0**	0.0%	**663,293**	31.5%	**245,102**	11.6%	**2,106,772**
15										
16										
17	**NON-PERSONNEL**	**Mission**	Mission as % of Total	**Student Aid**	MS&F as % of Total	**Mission Support & Facilities**	MS&F as % of Total	**Leadership & Oversight**	L&O as % of Total	**Total**
18	**Operating Expense**									
19	*Direct Mission Subcontract/Participant*	*127,756*	*100.0%*							*127,756*
20	*Supply/Service/Misc*	*215,420*	*49.8%*			*179,645*	*41.5%*	*37,793*	*8.7%*	*432,858*
21	*Equipment/Other Capital Assets*	*43,654*	*48.1%*			*41,115*	*45.3%*	*5,935*	*6.5%*	*90,703*
22	*Consulting/Prof Services*	*84,799*	*63.0%*			*49,697*	*37.0%*			*134,496*
23	*Repair & Maintenance Supply*					*54,975*	*100.0%*			*54,975*
24	*Utilities*					*101,625*	*100.0%*			*101,625*
25	*Rents/Leases*					*30,976*	*100.0%*			*30,976*
26	*Student Aid*			*288,205*	*100.0%*					*288,205*
27	**Operating Expense Subtotal**	471,629	37.4%	288,205	22.8%	458,032	36.3%	43,728	3.5%	1,261,594
28	Debt/Capital Project Transfers **					143,058	100.0%			143,058
29	**Total Non-Personnel**	**471,629**	33.6%	**288,205**	20.5%	**601,090**	42.8%	**43,728**	3.1%	**1,404,652**
30										
31	**TOTAL EXPENSE**	**1,670,005**	47.6%	**288,205**	8.2%	**1,264,383**	36.0%	**288,831**	8.2%	**3,511,424**

* Excludes expenditures for Enterprise Systems Upgrade Project (RRC: Enterprise Resource Planning), real estate acquisitions, non-current and agency funds, cross-unit charges (except facilities projects), and ISO Funds.

** Inlcudes interfund transfers to support facility-related projects and the University's contribution to debt activities from direct cash or gifts (not including HEAPR or capital appropriations).

Attachment B

Expense Summary for Administrative Cost Benchmarking

Summary of Results - FY15-FY17

			A		B		C		D		E
1			Mission	% of Total (E)	Student Aid	% of Total (E)	Mission Support & Facilities	% of Total (E)	Leadership & Oversight	% of Total (E)	Total
2	**Personnel**										
3		FY17	1,198,376	56.9%		0.0%	663,293	31.5%	245,102	11.6%	2,106,772
4		FY16	1,174,417	57.2%		0.0%	640,840	31.2%	239,245	11.6%	2,054,502
5		FY15	1,134,893	57.1%		0.0%	621,466	31.3%	230,956	11.6%	1,987,314
6	**Non-Personnel**										
7		FY17	471,629	33.6%	288,205	20.5%	601,090	42.8%	43,728	3.1%	1,404,652
8		FY16	478,334	34.3%	274,877	19.7%	597,680	42.8%	45,542	3.3%	1,396,433
9		FY15	450,785	33.3%	266,084	19.7%	595,053	44.0%	40,689	3.0%	1,352,611
10	**Total**										
11		FY17	1,670,005	47.6%	288,205	8.2%	1,264,383	36.0%	288,831	8.2%	3,511,424
12		FY16	1,652,751	47.9%	274,877	8.0%	1,238,520	35.9%	284,788	8.3%	3,450,935
13		FY15	1,585,678	47.5%	266,084	8.0%	1,216,519	36.4%	271,644	8.1%	3,339,925

* Excludes expenditures for Enterprise Systems Upgrade Project (RRC: Enterprise Resource Planning), real estate acquisitions, non-current and agency funds, cross-unit charges (except facilities projects), and ISO Funds.

** Inlcudes interfund transfers to support facility-related projects and the University's contribution to debt activities from direct cash or gifts (not including HEAPR or capital appropriations).

Administrative Cost Definition and Benchmarking

Julie Tonneson

Finance & Operations Committee

December 14, 2017

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

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University Budget & Finance

Original 2012 Goals for Cost Definition and Benchmarking Analysis

- Develop a shared understanding of University spending
- Promote a broader dialogue of our cost structure – where the money goes
- Identify gaps in processes, data and information
- Improve the University's ability to set its own spending benchmarks
- Establish a repeatable methodology to monitor changes or patterns in spending over time

Cost Categories As Defined Through a Consultative Process

Direct Mission Delivery

*The expenses of the **‘doers’** of the mission*

Student Aid

Mission Support & Facilities

*The expenses to **‘support’** the delivery of mission activities*

Leadership & Oversight

*The expenses for the **‘leadership, direction, control and management’** of the mission*

Costs in all of these categories….

Occur throughout the organization

Have multiple funding sources

Direct Mission Delivery

FY17
47.6% of overall spend

Types of Positions Included in this Category:

- Tenured and tenure-track professors
- Adjunct instructors, lecturers, clinical professors
- Extension educators
- Health science professionals
- Scientists and laboratory technicians
- Students in teaching assistant, research assistant, or fellowship roles

Plus all non-personnel expenses with instruction, research, or public service function codes (excluding utilities, rents, leases and repairs & maintenance – assigned to facilities)

Mission Support & Facilities

FY17
36.0% of overall spend

Types of Positions Included in this Category:

Support categories – **all non-supervisory**

- Audit/Finance/HR/Info Tech/Legal and Clerical Support
- Other specialized support - Examples: Advisors, librarians, curators, child care workers, coaches
- Non-descriptive job codes – Examples: Coordinators, “Skilled generalists” – analysts, associate to, administrative professional, etc.

Campus Operations – **all non-supervisory**

- Buildings and grounds workers
- Skilled trades, engineers, safety technicians, environmental health and safety workers, police

Plus prorated share of supplies and services etc. in non-mission functions
Plus large equipment purchases in non-mission functions
Plus all consulting in non-mission functions
Plus facilities costs -- utilities, repair & maintenance, rents & leases

Leadership & Oversight

FY17
8.2% of overall spend

Types of Positions Included in this Category (Leadership & Management):

- **Executive leadership** – President, Vice Presidents, Chancellors, Provost & Vice Provosts
- **Academic leadership** – Deans & Associate Deans, Department chairs and heads
- **Directors** – program, department, campus, and system-wide (another “non-descriptive” set of job codes)
- **Supervisor and managerial titles** across the organization

Plus prorated share of supplies & services, small equipment, etc. in non-mission functions

The Majority of University Spending is on Mission and Student Aid

($ in thousands)

FY17:	Mission + Student Aid	Mission Support & Facilities	Leadership & Oversight	Total
Personnel	$1,198,376	$663,293	$245,102	$2,106,772
Non-Personnel	$759,834	$601,090	$43,728	$1,404,652
Total	$1,958,210	$1,264,383	$288,830	$3,511,424
% of Total	55.8%	36.0%	8.2%	

Spending Shifts Very Little From Year to Year

		A	B	C	D		E
	Personnel	**Mission % of Total**	**Student Aid % of Total**	**Mission Support & Facilities % of Total**	**Leadership & Oversight % of Total**		**Total**
1	FY17	56.9%	0%	31.5%	11.6%		$2,1106,772
2	FY16	57.2%	0%	31.2%	11.6%		$2,054,502
3	FY15	57.1%	0%	31.3%	11.6%		$1,987,314
	Nonpersonnel						
4	FY17	33.6%	20.5%	42.8%	3.1%		$1,404,652
5	FY16	34.3%	19.7%	42.8%	3.3%		$1,396,433
6	FY15	33.3%	19.7%	44.0%	3.0%		$1,352,611
	Total						
7	FY17	47.6%	8.2%	36.0%	8.2%		$3,511,424
8	FY16	47.9%	8.0%	35.9%	8.3%		$3,450,935
9	FY15	47.5%	8.0%	36.4%	8.1%		$3,339,925

The analysis has verified understandings:

- Little movement/change seen at this level
- Administrative reallocations decrease cost growth
- Sponsored funding impacts Mission
- Expanding program = expanding support
- Volatility is in non-personnel spending

The Results Are Good!

UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 14, 2017**

AGENDA ITEM: FY 2019 Major Budget Levers and Resolution Related to FY 2019 Twin Cities Undergraduate Nonresident/Non-reciprocity Tuition Rate

☐ **Review** ☐ **Review + Action** ☒ **Action** ☐ **Discussion**

☐ *This is a report required by Board policy.*

PRESENTERS: Brian D. Burnett, Senior Vice President
Kathryn F. Brown, Vice President, Office of Human Resources
Julie A. Tonneson, Associate Vice President, University Budget

PURPOSE & KEY POINTS

The purpose of this agenda item is to:

1. Act on the President's recommended FY19 undergraduate nonresident/non-reciprocity (NRNR) tuition rate for the Twin Cities campus.
2. Continue the policy discussion initiated at the October meeting regarding the remaining budget planning assumptions for the fiscal year beginning July 1, 2018 (FY19).

The committee will revisit information related to the budget framework revenue and expense categories, and will hear and discuss more detailed information in response to questions raised in October on compensation strategies and NRNR enrollment. Additionally, this discussion will include background information previously presented to the Finance Committee on concepts related to expenditures and how changes in expenditures are planned and realized in the budget over time.

Non-Resident/Non-Reciprocity Tuition

The President recommends a 15 percent increase in the Twin Cities campus NRNR undergraduate tuition rate for FY19. The President also recommends continuing the policy of holding the increase for continuing NRNR students to no more than 5.5 percent (for current freshmen, sophomores and juniors).

The recommendation is coming forward at this time to provide the best opportunity for a positive impact on the fall 2018 recruitment cycle. The current rate is near the bottom of the Big Ten comparison group (13 out of 14) and is therefore not aligned with the undergraduate resident tuition rate in a similar comparison (7 out of 14). The recommended increase is year one of a two-year plan to set the NRNR price consistent with the resident rate in reflecting a high-quality educational experience for students. After two years of similar increases, the NRNR tuition and

required fees on the Twin Cities campus will be approximately $35,000 – remaining an excellent value, but re-set to a more appropriate level in comparison to peer institutions.

	Current Year FY18	Recommended FY19	$ Increase	% Increase
Twin Cities NRNR Annual Tuition Rate	$24,986	$28,734	$3,748	15%

In conjunction with this recommendation, the President will incorporate additional investments to positively impact recruitment of nonresident students in the recommended FY19 Operating Budget. The final recommendation will include a combination of support for additional recruiters to continue to build pipelines in new national markets (the University currently lags far behind peers in this resource) and increased funding for a discounting strategy for the fall 2018 cohort, targeted to strategically address student financial need and exceptional merit.

Current estimates are that the proposed 15 percent increase in the NRNR tuition rate on the Twin Cities campus, combined with the decision to hold all continuing students to no more than a 5.5 percent increase, will result in a revenue increase of roughly $8.8 million. Recommendations to increase investments in recruiting staff and scholarships/waivers for new freshmen will reduce the net gain incorporated into the final recommended budget framework for FY19.

Attachment 1 - University of Minnesota 2018-19 Tuition Plan: Tuition Rates, in the docket, includes the recommended NRNR tuition rates.

Revenues

Budget planning starts each year with development of the Budget Framework – a very high level-set of assumptions regarding changes in revenues and expenditures that summarize plans for achieving a balanced budget. It focuses on the significant unrestricted funds – state appropriation and tuition – available to support the maintenance and operations of the University's core missions. The other funds of the institution (fees, auxiliary and other unrestricted sales, restricted grants, contracts, gifts, etc.) are incorporated into detailed budget planning for each relevant unit and are included in the President's recommended annual operating budget, but they are a very small component of the Budget Framework.

The revenue assumptions to consider for the framework at this time include:

- Assumed or known changes in state appropriations.
- Planned internal reallocations.
- Planned changes in tuition revenue based on recommended rates and enrollment.

State Appropriations

For FY19, the state appropriations to the University in current law do not increase. In fact, there will be a $10 million decrease compared to the current year appropriation.

University of Minnesota
2018 – 2019 Biennial Appropriations ($ in Thousands)

	FY2018	FY2019	Biennium
Beginning Biennial Base Level Appropriation	$626,349	$626,349	$1,252,698
Current Law State Funding Level	$658,686	$648,636	$1,307,322
Change from Beginning Biennial Base Level	$32,337	$22,287	$54,624
Change from Prior Year	$32,237	($10,050)	
% Change from Prior Year	5.2%	-1.5%	
% Increase from Biennial Base Level Funding			4.4%

The appropriation increases in the table above for FY18 including $18,975,000 for core mission ($10 million of which was a one-time appropriation eliminated in the FY19 base going forward) and $13,362,000 for various targeted initiatives that were described in the President's recommended FY18 operating budget.

This framework assumes no additional operating funding from the State of Minnesota during the 2018 legislative session. If that were to change, budget planning would need to incorporate two scenarios: one with the additional appropriation and one without.

Reallocation

Reallocation in the budget planning context means that decisions are made to reduce spending in some areas/activities in order to pay for cost increases and investments in other areas/activities. In each of the last five years, planned reallocations have been incorporated into the budget framework at 1-2 percent of total unit allocations (state appropriation and tuition for academic units and general O&M for support units). The amount of reallocation required by unit has not been implemented across the board; it has varied based on the unique financial circumstances and needs of each unit. The total amount incorporated into the budget has been calculated as that needed to balance the budget, combined with what was necessary to achieve the President's goal to reduce administrative costs by $90 million over six years.

In the budget process, each unit submits proposals outlining actions to be taken to reduce recurring expenditures and the projected impact on unit activities and service levels. To the extent possible, units have been asked to focus reallocation plans on reductions to administrative operations and costs, those that would result in a decrease in the Mission Support & Facilities and Leadership & Oversight spending categories (defined as "administrative expenses") of the Cost Benchmarking analysis. For most units there is a mix of expenditures within administrative and mission categories, so if their reallocation proposals impact the Direct Mission Delivery portion of the budget, they have been asked to provide rationale for this decision and indicate why the decision was made to move beyond the administrative categories.

As a result of this process, the University has reallocated over $100 million of resources from lower to higher priorities over the last five years. The majority of expenditure reductions have come from the elimination of positions or lower compensation costs of replacement hires, but impacts have been felt in almost all spending categories including equipment, supplies, travel, consultants, utilities, etc. Further considerations regarding spending reductions are addressed in the "Expenditures" section below.

The President's goal of implementing $90 million in reduced spending on administrative items (as a part of the process just described) will be reached in FY19. As the University plans for budgets beyond next year, however, reallocations will continue to be an important part of balancing the budget. The focus or goals may shift, but the need to reprioritize the use of resources will remain.

Tuition

Without an increase in discretionary state funding for FY19, the decision on resident undergraduate rates will need to consider a variety of factors:

- Trade-offs between stable or minimally increased rates and inflationary costs plus desired investments in excellence.
- Placement by campus in their various comparison groups.
- Availability of need-based financial aid for students.
- Financial burden placed on all students and families.

For FY19, each 1 percent increase in resident undergraduate tuition is equivalent to estimated incremental new tuition revenue of $3.4 million on the Twin Cities campus and $1.3 million for the other four campuses combined.

At the October meeting, committee members raised questions around the current pricing of tuition on the Crookston, Duluth, Morris, and Rochester campuses. Although the University has implemented very few increases in the resident undergraduate tuition rate on these campuses in the last five years, the rates remain high among their comparison schools. The University is conducting some analysis in this area and, as part of the FY19 Budget Framework agenda item for the March meeting, will address questions related to competitor institutions outside of the other University campuses (where they lose students to), trends in applications and yield rates (including the geographic locations of applicants), sticker and net price comparisons where possible, and other related items.

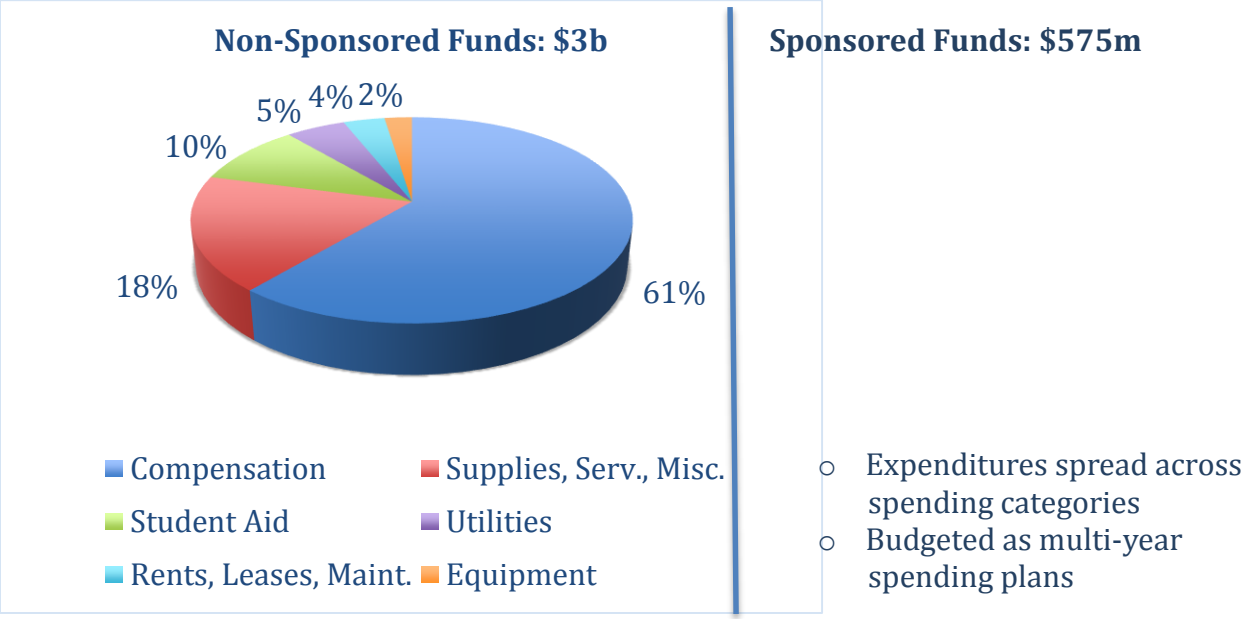
The situation is different for the undergraduate NRNR tuition rates in that the Twin Cities campus is potentially in a position to implement significant increases. The nonresident differential on the Duluth and Morris campuses remain high compared to their competitors, but the Twin Cities rate for that population is the second lowest in the Big Ten. It is not consistent with the resident rate in reflecting the high-quality academic experience of the students, and so the President is recommending a 15 percent increase in the rate for FY19.

In response to questions from the Board, the administration reviewed data related to enrollment demographics, academic qualifications, retention and graduation rates, changes in applications and enrollment patterns, tuition comparisons, and price elasticity. This data review indicates that it is possible to increase the NRNR tuition rate as recommended over the next several years and maintain enrollments. Discounting strategies and enhanced national recruiting efforts will be necessary to be successful, and the strategy should be revisited each year in order to make adjustments as necessary based on enrollment patterns.

The graduate and professional tuition rates vary by school and program, often reflecting rates in their individual markets, unique program rankings and student demand, earnings potential for students, and student debt load at graduation. These rates have generally increased in the 0-3 percent rate over the last several years.

Expenditures

As a reminder, the approved budget for FY18 includes total planned expenditures of $3.6 billion:



Over the last 20 years, the average annual growth in expenditures, adjusted for inflation, has been 1.5 percent. The categories of spending with the highest rates of growth over the last 7-10 years – what might be considered the most significant cost drivers in the budget – have been supplies & services, equipment, and repairs & maintenance. For budget planning purposes, however, this view of growth isn't immediately helpful because those categories are spread very broadly throughout the institution and across all functions or activities.

Budget planning for expenditures does not follow the framework vs. non-framework distinction that applies to revenues. For expenditures, it is necessary to apply a distinction of object vs. function. Many financial reports and analyses conducted on expenditures, as well as many of the cost levers discussed as part of the budget, are from the perspective of "object of expenditure" as shown in the pie chart above. This is an important and valid way to think about expenditures, but often when strategic planning and budgeting intersect, the discussion is more from a "functional" perspective: expanding program X, investing in new faculty cohorts, understanding the institutional investment in compliance, etc. Both perspectives on spending are important to consider, resulting in more complex planning, tracking and communicating.

Questions that must be answered as part of the annual budget development process address spending from both perspectives, include questions like:

- Should there be an annual increase in the general salary pool, and if so, what percent?
- Should there be investment to expand scope of high quality or emerging programs?
- Should some programs or services end and if so, what principles should guide that work?
- Should the design of employee benefit packages change and for what purpose?
- Should plans be made for a colder winter/warmer summer and thus increased utility costs?
- Should spending to maintain current physical space increase?

It is important to understand that these types of questions and corresponding decisions are included in every budget process, but some are not evident in the description of any given annual budget. They are often asked at the "functional" level (how can the University have the "best

ranked" library?) and implemented at the "object" level (allocate funds for salary to hire more librarians, funds for collections, funds for facility improvements and equipment). Furthermore, those investments are often made over time so that one individual budget may include a new position or new equipment, but the final result of an increase in rank is achieved through the accumulation of investments and decisions over time and thus not linked to any one particular budget.

Compensation

The more immediate "tactical" vs. longer-term "strategic" distinction in spending plans can be applied to the University's largest cost: compensation. Over the past 20 years, compensation has accounted for a steady 60-65 percent of University annual spending. Attracting and retaining talented faculty and staff is the life-blood of any university, and compensation is one of the most important components of what is described as the total "Employee Value Proposition." It is the combined impact of base pay, benefits, merit and reward processes, training and development, relationships, organizational mission, and engagement opportunities that determines whether an employee accepts a position with the University and stays for an extended period of time. Managing and enhancing those items is the strategic goal of the human resources function. Success is measured in retention rates and successful programs throughout the institution.

The primary tactical decision as it relates to the annual budget focuses on the choice of what to include for a general salary change. Consistent with Board policy, compensation must be competitive relative to institutional peers and relevant labor markets, reward meritorious performance, and consider a faculty or staff member's work responsibilities, experience and expertise. Compensation must be delivered in a fair and equitable manner, and internal equity must be considered. These principles guide the setting of an initial salary for a faculty or staff member, and also guide compensation increases thereafter. The annual percentage change in the general compensation pool established by the University as part of the budgeting process is determined by:

- National/regional cost of living.
- Average projected compensation increases in competitive industries or institutions.
- Balance between available resources (including required internal reallocations) and other framework costs and strategic investment plans.

The overall percentage increase in the compensation pool as planned in the budget represents an average increase across all employees. Outside of collective bargaining agreements, the decisions on annual compensation increases for a faculty or staff member are made by individual managers in departments throughout the University and are based on the employee's meritorious performance, relative market information, and internal considerations of equity and fairness.

If the planned salary increase is 2 percent, as it was for FY18 for example, that means within each unit managers are allocating their dollars such that each individual employee may actually see anywhere from a 0 percent to a 4 percent increase based on merit. The aim is to provide increases across all employees that result in an average cost increase for base salaries equal to 2 percent of their total compensation budget. In addition to base salaries, compensation can be delivered as augmentations, non-recurring lump sum payments, or incentives.

Market information related to employee pay is relevant and used. Although managers often base annual decisions for each employee solely on merit, within this system faculty salaries are compared to their academic discipline in the relevant institutional peer group, and each non-

faculty position/job type has an acceptable range of pay which has been set by market analysis. Since 2015, the University has developed market data for 21 job families in the P&A and Civil Service employee groups.

Within the acceptable ranges, managers have the ability to address market inequities for particular positions through the differential allocation of dollars. If base funding in the unit does not allow such decisions, those units can present evidence of a necessary market adjustment through the budget process and decisions can be made as to the amount of invest in that group of employees to address a need that is over and above the general salary pool increase. Recent examples of these types of investments have included market adjustments for specialists in University Health & Safety and attorneys in the Office of the General Counsel.

In past years there have also been funds set aside in the budget specifically to address a broader need, such as the competitive compensation levels of different faculty groups. The need becomes apparent through difficulties in attracting and retaining these critical personnel. Experience and market comparisons are documented, and recommendations and requests are made through the budget process. The President decides whether to include the investment in the annual recommended operating budget considered by the Board.

Moving forward, the Office of Human Resources has outlined ways they will enhance the market information available to University management. Over the next two years, an enhanced job family model will be developed, resulting in more exact job titles and market midpoints for each of these titles. This will allow for more meaningful and accurate comparisons of salaries to the relevant market.

For FY19 budget planning, the cost related to fringe benefits and each 1 percent increase in the general salary pool would be as follows:

- Fringe with no salary increase framework funds = $8.1 million
- 1 percent salary increase (on top of the fringe $8.1m) framework funds = $11.9 million
- Fringe with no salary increase all funds = $15.2 million
- 1 percent salary increase (on top of the fringe $15.2m) all funds = $22.2 million

Facilities/Operations/Strategic Choices

All other categories of spending for FY19 include costs the University must address and choices to be made from a longer-term, strategic perspective that will have immediate budgetary implications. Funding for items such as utilities, debt service, vendor licensing and maintenance contracts, hazardous material disposal, and disability resources will be incorporated into the recommended budget based on known or estimated cost increases. The level of funding for maintaining excellence across all University programs and services will be determined as the budget process progresses and decisions are made on tuition and reallocations.

For FY19 budget planning, the cost related to these items would be as follows:

- Strategic Choices – discretionary – typical range = $10.0 - $20.0 million
- Facilities Expenses = $3.0 - $5.0 million
- Operations = $1.0 - $2.0 million

BACKGROUND INFORMATION

The committee previously discussed this topic at its October 2017 meeting. The Board will further discuss budget variables as part of the FY19 budget framework in March 2018, and will review the President's recommended FY19 annual operating budget in May with action anticipated in June 2018.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to FY 2019 Twin Cities Undergraduate Non-resident/Non-reciprocity (NRNR) Tuition Rate, which establishes a 15 percent increase in the Twin Cities campus NRNR undergraduate tuition rate for FY19. The resolution also continues the policy to hold the increase for continuing NRNR students to no more than 5.5 percent (for current freshmen, sophomores and juniors).

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

FY 2019 Twin Cities Undergraduate Nonresident/Non-reciprocity Tuition Rate

WHEREAS, the University is committed to achieving standards of national and international excellence; and

WHEREAS, the current undergraduate nonresident/non-reciprocity tuition rate for the Twin Cities campus is set at a level inconsistent with the corresponding resident tuition rate in terms of comparison to peers; and

WHEREAS, communicating a significant change in the Twin Cities undergraduate nonresident/non-reciprocity tuition rate as early as possible, before the end of the calendar year, will benefit the process to reach enrollment goals; and

WHEREAS, significant increases in the tuition rate could negatively impact the retention rates of current nonresident/non-reciprocity students (freshmen through juniors during the 2017-2018 academic year).

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the FY 2019 Twin Cities undergraduate nonresident/non-reciprocity tuition rate as stated in Attachment 1 - University of Minnesota 2018-19 Tuition Plan: Tuition Rates, with a commitment to hold the rate increases to no more than 5.5 percent for continuing nonresident/non-reciprocity students.

Attachment 1
University of Minnesota 2018-19 Tuition Plan: Tuition Rates

	A	B	C	D	E	F	G	H	I	J
	2017-2018 Semester Rates		2018-2019 Semester Rates				2018-2019 Semester Rates			
	Resident	Nonresident	Resident	Nonresident (Students Entering 2018-19	Nonresident (Students who entered 2017-18)	Nonresident (Students who entered in 2016-17 or earlier)	Resident % Increase	Nonresident (Students Entering 2018-19) % Increase	Nonresident (Students who entered 2017-18) % Increase	Nonresident (Students who entered in 2016-17 or earlier) % Increase
Twin Cities										
Undergraduate										
Per Credit	$492.31	$961.00	TBD	$1,105.15	$1,013.85	$933.00	TBD	15.0%	5.5%	5.5%
13 Credits or more	$6,400.00	$12,493.00	TBD	$14,367.00	$13,180.00	$12,129.00	TBD	15.0%	5.5%	5.5%
Carlson School of Management tuition surcharge (paid in addition to rates above; Fall, Spring & Summer)										
Per Credit (1-8 credits)	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	0.0%	0.0%	0.0%	0.0%
9 Credits or more (full-time)	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	0.0%	0.0%	0.0%	0.0%

FY 2019 Major Budget Levers and Resolution Related to FY 2019 Twin Cities Undergraduate Nonresident/Non-Reciprocity Tuition Rate

Brian J. Burnett, Senior Vice President
Kathryn Brown, Vice President
Julie Tonneson, Associate Vice President

Finance & Operations Committee

December 14, 2017

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

Agenda:

PRESENTATION

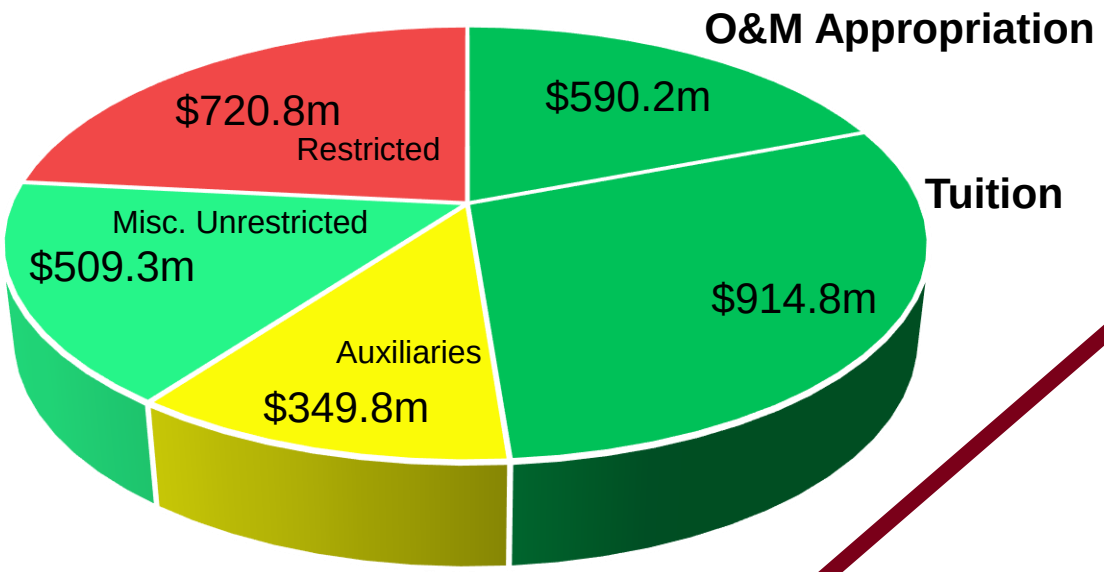
- Refresher – Framework Revenues
- President's Recommendation – NRNR tuition rate on the TC Campus
- Ways to View Expenditures
- Compensation
- Other Framework Expenditures

15-20 minutes

DISCUSSION

45 minutes

Revenue Focus for Budget Framework: $1.5B in Tuition & State Support (FY18 Budget)



Supplemented by Internal Reallocations

What can we count on for state appropriations and internal reallocations?

- Current Law State Appropriation Change for FY19

- Internal Reallocations – Will reach the $90 million goal, but more is needed to balance the budget on an ongoing basis

Each 1% Increase in Tuition Rates Generates the following estimated revenue increases:

1% Across the Board = $9.1m	Undergraduate	Graduate & Professional
Resident TC/UMR	$3.4 million	
Resident UMC/UMD/UMM	$1.2 million	
Nonresident/Non-reciprocity TC	$1.0 million*	
NRNR UMD/UMM	$0.1 million	
Resident All Campuses		$2.0 million
Nonresident All Campuses		$1.4 million

* Up to 5.5% - each 1% after that generates $245,000

The President recommends increasing the Twin Cities NRNR rate to better reflect the quality of a UMN education and remain competitive with Big Ten peer institutions.

Campus	2015-16	2016-17	2017-18	2018-19
Twin Cities	$20,660	$22,210	$24,986	$28,734
Dollar change	+$1,350	+$1,550	+$2,776	+$3,748
% change	+7.0%	+7.5%*	+12.5%*	+15.0%*

*CHANGE FROM OCTOBER DISCUSSION - Students paying the non-resident rate and enrolled in 2015-16, 2016-17 **AND** 2017-18, will see no more than a 5.5% rate increase through 2020-21.

Expenditures viewed as “Object” vs. “Function”

Expenditures in “Object” View Examples:

Salaries
Equipment
Supplies/Services

Accounting & reporting structure largely built on this view

Expenditures in “Function” View Examples:

Faculty Recruitment
Compliance
Improved Grad Rates

Build “stories” to describe changes - largely built from a summary of actions

Long term changes and strategies may not be evident in annual budget decisions:

Example – Make decision to eliminate an academic program:

Year 1 –	Year 2 or 3 –	Year 2, 3 or 4 –	Final (yr. 4?) –
student support costs may decrease as new cohort not enrolled – reported as:	faculty retirement or movement & position not replaced – reported as:	fewer students/ classes/faculty so admin. support can decrease - reported as:	program no longer exists but actions already counted so addt'l savings reported as
reduction in general operations	position elimination	position elimination	$0

Compensation is a part of the employee value proposition which supports the University's ability to recruit and retain talent.

True Differentiators–Hard or Impossible to Replicate

Mission, Pride In Purpose, "We Are Driven"

Environment & Culture–Harder to Replicate

Wellbeing, Life Balance, Relationships

Total Rewards–Must be Competitive–Easy to Replicate

Foundational	Performance-Based	Professional Development
Base Pay	Merit Increases	Training
Benefits	Incentives & Bonuses	Leadership Development
Time Away	Recognition	Mentoring

Employee Engagement

Number of Employees by Job Family

Job Family	# of Employees
Administration	1064
Alumni Relations/Advancement Operations	55
Animal Health	122
Athletics & Recreation	73
Audit	17
Business Development	56
Campus Operations	581
Communications	513
Development	168
Education	741
Finance	598
Grants & Contracts	128
Health Care	309
Human Resources	203
Information Technology	1269
Legal	33
Libraries & Museums	228
Purchasing	30
Research	2396
Student Services	1033
Total:	**9617**

The University sets a compensation pool as part of its annual budgeting process, and considers:

- Average salary increases projected by our comparison markets
  - Twin Cities All Industry = 2.9%
  - National Higher Education = 2.5%

- Relevant cost of living increases (Sept. 2016-2017)
  - Midwest = 1.5%
  - National = 2.2%

- The University's ability to pay
  - Each 1% increase for FY19 (all funds, after fringe bump) = $22 million

The annual compensation pool is distributed at the local-level by colleges, units, and departments to individual faculty or staff with consideration of meritorious performance and relevant market data.

An individual's salary increase may be higher, lower, or equal to the amount of the annual compensation pool.

Relevant market data is informed by the work being done, and applied to P&A and Civil Service salaries in their job family.

Current State

Finance Job Family		Current Midpoint
Director 2		$177,487
Director 1		$151,700
Manager 3	Analyst 3	$129,520
Manager 2	Analyst 2	$110,737
Manager 1	Analyst 1	$94,713
Professional 4, Supervisor	Professional 4	$80,808
Professional 3, Supervisor	Professional 3	$69,025
Professional 2, Supervisor	Professional 2	$58,999
Professional 1		$50,419

Future State

Finance Job Family General Lane	Current Midpoint	Benchmark Management Titles	Benchmark Individual Contributor Titles	Accounts Receivable	Cost Accounting	Financial Planning/Analysis
Supervisor/Professional 2 –General	$58,999		Analyst	Pro 2-Accounts Receivable $49,975	Pro 2-Cost Accounting $62,954	Pro 2-Financial Planning/Analysis $85,649

Other significant costs and investments must be factored into the framework:

Facilities

- Utilities
- New Building Operations
- Repair and Maintenance
- Debt service

$3.0m - $5.0m

Operations

- Technology Licensing
- Library Inflation/Licensing
- Infrastructure

$1.0m - $2.0m

Strategic Choices

- Campus & Collegiate Academic Support
- Academic Initiatives
- Mission Support Services
- Institutional Financial Aid

$10.0m - $20.0m

Discussion

- ❑ President’s NRNR Recommendation
- ❑ Other Budget Variables for FY19

UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 14, 2017**

AGENDA ITEM: Student Housing Across the System

☐ **Review** ☐ **Review + Action** ☐ **Action** [X] **Discussion**

☐ *This is a report required by Board policy.*

PRESENTERS: Lisa Samuelson, Interim Associate Vice Chancellor, Crookston
Lisa Erwin, Vice Chancellor, Duluth
Sandra Olson-Loy, Vice Chancellor, Morris
Gail Sauter, Associate Vice Chancellor, Rochester

PURPOSE & KEY POINTS

The purpose of this item to engage the committee with a comprehensive review of current and future student housing located on the Crookston, Duluth, Morris, and Rochester campuses.

BACKGROUND INFORMATION

The Facilities, Planning, & Operations Committee participated in the following discussions of student housing, primarily on the Twin Cities campus:

- February 2017, "Update on Long-Range Twin Cities Housing Plan"
- July and September 2016, "Capital Budget Amendment: Pioneer Hall Renovation and Superblock Dining Consolidation"
- July 2016, "Master Lease of Student Housing Facilities - Radius at 15th and Keeler Apartments"
- June and July 2016, "Resolution Related to Long-Term Development in Key Areas of the Twin Cities Campus"
- May 2016, "University Housing: The Role of Master Leasing in Meeting Enrollment Goals"

Crookston

Part I: Program Overview

UMC Residential Life is an auxiliary unit within Student Affairs and is combined with Security Service functions. Professional staffing for the unit consists of a Director, two live-in Area Coordinators, an Administrative Specialist, a Maintenance Carpenter and 4.5 Custodians. In addition to the professional staff, the Residential Life department employs thirteen student Community Advisors and five student desk attendants.

UMC has five facilities with a recommended total capacity of 672. There are two traditional residential facilities, McCall Hall and Skyberg Hall. McCall Hall opened in 1941 and is a three-story structure that is not currently ADA compliant, houses predominantly mid-to-upper classman and can house 110 students. Skyberg Hall was built in 1971 and is a three-story building with two-wings. Skyberg Hall can house a total of 170 students, has first floor ADA compliance and is a mixture of freshmen through seniors.

Building	Date Constructed	Type	Students	ADA Compliant	Capacity
McCall Hall	1941	Traditional	Mid to Upperclassmen	No	110
Skyberg Hall	1971	Traditional	Freshmen through Seniors	First floor only	170
Centennial Hall	1997 & 2006	Apartment	Mid to Upperclassman	First floor only	126
Evergreen Hall	2009	Apartment	Mid to Upperclassman	Yes	126
Heritage Hall	2012	Suite	Freshmen	Yes	140

In 1997, UMC opened the first half of the apartment complex Centennial which at the time had beds for 48 students. In 2006, the second wing of Centennial was added giving UMC 78 additional beds. Within the Centennial Building the department was also able to add office space for the professional staff which allowed two rooms in MCall to be converted back into residential space. Centennial has a total occupancy of 126 students, is ADA compliant on the first floor and consists of predominantly second, third, and fourth year students.

Evergreen Hall, also an apartment style facility was opened in 2009. Evergreen was built on the site of two apartment buildings, Brink Hall and Lee Hall, which were removed as the facilities had outlived their usefulness. Brink and Lee housed a combined total of 96 students. Evergreen has a capacity of 126 students; has one classroom; two guest suites; the honors lounge; and has a cash operation dining facility attached. Evergreen houses predominantly second, third, and fourth year students, is ADA compliant, and has LEED Silver Certification.

The most recent facility for Residential Life is Heritage Hall, which opened in 2012 and has a capacity for 140 students. Heritage is the sole suite-style facility at UMC and houses predominantly first year

students and is ADA compliant. In addition to the residential component, UMC's largest classroom was part of the building project through separate funds.

Currently, UMC has 489 students residing on campus, excluding the 13 Community Advisors. This figure is down from 2012 when 632 students were living on campus. The decreased number is reflective of the overall enrollment figures for campus as 92% of first-years students elect to live-on campus, as well as 42% of campus-based students. UMC is currently at 73% of its recommended housing capacity. The additional capacity has allowed the department to offer an increased number of single-rooms for both enhanced revenue and also retention efforts.

Part II: The Quality Difference

UMC prides itself on delivering and maintaining high quality residential facilities. We accomplish this through a dedicated team of staff who are committed, first and foremost, to providing a safe and comfortable home for students. Although we have promoted its outstanding facilities and services for years, recognition has also been received from outside entities.

Niche is an online educational resource that produces comprehensive ratings for universities, k-12 schools and neighborhoods, using available statistics and student ratings. UMC received an "A" rating from Niche based on its "outstanding campus housing that is safe and clean with modern amenities." Further, Niche ranked UMC as #1 in the category of safest college campuses in Minnesota and was ranked fourth in the category of "Best College Dorms in Minnesota."

UMC was also the first college or university in Minnesota to have a Leadership in Energy and Environmental Design (LEED) certified residence hall. Building "green" and reducing the carbon footprint while assessing environmental concerns of students continues to be a priority for our campus.

UMC Residential Life is also committed to providing an environment conducive to high-level academic success. The facility design process intentionally focused on creating an abundance of study spaces for groups and individuals, with one space specifically designed for the Honors program. The Residential Life staff is committed to maintaining 24-hour "respect hours" and daily sleep/study hours, so that students can focus on their studies. Each semester, the staff also implements a Study Bucks program that awards students caught studying with a study buck that can be used for a prize at a special event. These efforts have paid off, as indicated in the table below.

According to spring semester 2017 statistics, UMC students who lived in the residence halls received an average GPA of 3.10 while students who lived off-campus received and average GPA of 2.87 during the same period. In addition, 38% of students who resided on campus received a GPA of 3.5 or higher. Students who live in the residence halls also faired better in regards to 4-year graduation rates as the 2012 cohort who lived on campus graduated at a rate of 44.9% while their off-campus counterparts graduated at a rate of 41.7%.

Students Completing Degree On-Site	Cumulative GPA	4-year Graduation Rates
Living On-Campus	3.10	44.9%
Living Off-Campus	2.87	41.7%

Part III: Future Priorities

Thanks to recent investments and available capacity, there are no imminent plans for an expansion to the current offerings. From a financial picture, McCall Hall and Skyberg Hall have both been paid-off, with debt service remaining on Centennial, Evergreen, and Heritage. With the recent decline in on-campus enrollment, residential life occupancy has declined accordingly. Therefore, it is Residential Life's highest priority to assist with overall enrollment numbers so that occupancy rates can also increase.

The department is working with the Admissions Office to provide a top-notch experience for prospective students and their families. Currently, they are piloting a program that allows a prospective student to stay overnight, without a charge, in Heritage Hall as part of their on-campus visit. Residential Life is also working closely with administration on developing meals plan options that balance the needs of both enterprises. The unit is dedicated to making the cost of attendance affordable. UMC's per semester rates are among the lowest in the region, ranging from $1676 for a room to $2500 for an apartment.

Residential Life will continue to maintain an exceptionally high standard of quality for facilities and services. The unit is dedicated to replacing and updating outdated furniture and fixtures and has efficient and effective maintenance schedules for the facilities themselves.

UMC envisions an opportunity for increased use of facilities for summer conferences and campus. Currently, UMC has one large summer camp that uses the residential facilities for one week, with a handful of smaller groups needing a few rooms at other times. By intentionally developing additional relationships with camp and conference sponsors, Residential Life would benefit from additional revenue while potential students would gain exposure to the campus and its offerings positively impacting enrollment.

Duluth

Part I: Program Overview

UMD Housing and Residence Life (H&RL) functions as a self-supporting unit to the University. H&RL has space to provide housing to 2962 students in on-campus residence halls and apartments. Professional staff includes individuals focused on building maintenance, administrative operations, and residence life (student support). Additionally, H&RL employs approximately 125 students as Resident Assistants, Desk Attendants, Maintenance Workers, and Mailroom Attendants.

UMD's housing facilities consist of both traditional residence halls and apartments comprising nearly 725,000 square feet. The facilities have been built over time, starting in the 1950s as development for the current UMD campus location was just beginning.

Building Name	**Year Opened (Age)**	**Capacity**
Residence Halls		
Vermilion Hall	1956 (61)	62
Burntside Hall	1959 (58)	114
Griggs AB KL	1965 (52)	212
Griggs CD MN	1967 (50)	212
Lake Superior Hall	1970 (47)	372
Griggs PQRS	1990 (27)	360
Griggs EF	2002 (15)	252
Ianni Hall	2011 (6)	266
Total Residence Halls		*1850*
Apartments		
Junction Apartments	1978 (39)	132
Oakland Apartments (Original)	1981 (36)	380
Oakland Apartments (Balsam)	1988 (29)	100
Goldfine Hall	1988 (29)	288
Heaney Hall	1995 (22)	212
Total Apartments		*1112*
Grand Total		***2962***

Some of UMD's older housing facilities are beginning to show their age. Some of the building systems (HVAC, plumbing, fire alarms, etc.) are starting to reach the end of their life and are due for upgrades or replacement. Additionally, the designs of older buildings fail to meet current student standards for desirability with regards to room layouts and building configurations. Furthermore, the original facilities on the current campus were built as single level buildings, and occupy a large portion of land for a very small occupancy load. It is expected that analysis will determine that it would be more cost effective to replace some of our older facilities, such as Burntside and Vermilion, rather than make the necessary improvements.

It is also worth noting, that while official capacity is 2962, rarely does occupancy fully reach that number. This is due to needing to reserve spaces to be used in an emergency as well as to provide appropriate accommodations for students with a disability or significant need. Most commonly this is

accomplished through assigning a double room as a single room, which results in the loss of an occupiable bed space.

UMD's residence life work is centered around a community development curriculum that focuses on four distinct areas. The areas were determined based upon the UMD Strategic Plan, UMD Student Learning Outcomes, the UMD Student Life Mission Statement, and the UMD Student Life Strategic Plan. The four focus areas are:

- Connections - providing opportunities for students to build relationships with each other
- Academic Success - assisting students as the navigate the academic environment at UMD
- Decision Making - creating opportunities for students to understand the impact of their decisions
- Personal Growth - supporting students as they continue their physical, emotional, and identity development

H&RL has partnered with the UMD Honors Program for a number of years to provide a Honors Community for the first year students that are engaged in that program. The community provides an academically focused environment that allows opportunity for those students to live together and have shared co-curricular experiences.

The H&RL residence life team is also working to develop additional learning communities to provide further, focused support to our students. Starting in Fall 2017, H&RL has partnered with the Labovitz School of Business and Economics to sponsor BizDogs, a living-learning community for first year business students. While it is too soon to evaluate the full impact the community is having, early indicators are very positive. H&RL anticipates working with additional collegiate units and departments to sponsor living-learning communities in the future.

Finally, Residence Life staff works to directly support students in a variety of ways. Staff routinely meets with students who are found in violation of policies outlined in our Housing Guidebook. The focus on these conversations is educational and developmental. Additionally, our staff regularly support students who are struggling with challenges such as mental health, family deaths, or surviving sexual assault.

Part II: Current Housing Demand

H&RL houses a wide number of undergraduate students on campus at UMD. The following data provide a three-year snapshot of who has lived on campus for each of the years:

Registration Status	Fall 2015		Fall 2016		Fall 2017	
New High School (NHS)	1855	63.81%	1972	69.17%	2095	71.31%
New Advanced Standing (NAS)	124	4.27%	121	4.24%	108	3.68%
Continuing	777	26.73%	670	23.50%	660	22.46%
InterCT	9	0.31%	4	0.14%	2	0.07%
IntraCT	72	2.48%	45	1.58%	40	1.36%
Readmit	2	0.07%	0	0.00%	0	0.00%

NewNonDegree	39	1.34%	18	0.63%	31	1.06%
Unknown	29	1.00%	21	0.74%	2	0.07%
Total	2907	100.00%	2851	100.00%	2938	100.00%

As is noted above, most of the students who live on campus at UMD are NHS Students. As NHS enrollment has risen over the past 3 years at UMD, so has the number of NHS students who lived on-campus.

The chart below indicates the percentage of students from each registration status that have lived on campus for the past three years:

Registration Status	**Fall 2015**	**Fall 2016**	**Fall 2017**	**3 Year Average**
NHS	92.89%	92.24%	92.09%	92.40%
NAS	27.07%	25.05%	24.05%	25.39%
Continuing	12.93%	11.10%	10.75%	11.59%
Inter-campus Transfer	19.57%	11.76%	5.88%	12.40%
Intra-campus Transfer	19.41%	13.55%	13.75%	15.57%
Readmit	4.55%	0.00%	0.00%	1.52%
New Non-Degree	63.93%	40.00%	72.09%	58.68%
Unknown	50.88%	53.85%	12.50%	39.07%

As we review the housing type requests that we received for Fall 2017, it is apparent that UMD does not have the right mix of housing types that are students are seeking.

Housing Type	**Residence Halls**	**Apartments**
Capacity	1850	1112
Student Requests	2099	835
Difference	-249	+277

As is shown in the chart above, more students are requesting Residence Hall spaces than are available. Typically, the students who requested Residence Halls are accommodated in our Apartments when we run out of Residence Hall spaces. Data demonstrate that 90% of NHS students request Residence Hall spaces each year, so the bulk of the students that are negatively impacted by the shortage of Residence Hall beds are First Year Students. Residence Hall spaces provide better

opportunities for new students to build connections with each other and to receive academic and personal support that is available to them.

There are currently limited quality and affordable off-campus housing options for students in Duluth. While there are some housing developments that are geared towards college students (BlueStone Lofts, Campus Park, etc.) there are limited capacity in those facilities and the costs in those communities tend to be higher. Current and future off-campus housing development in the Duluth area seems to either be at the Luxury level or is designated for low-income families. This past fall, students began to feel a pinch in having limited off-campus housing options available to them.

Part III: The Future

UMD has set a goal of increasing enrollment 1% each year. This enrollment increase will come through the admission of additional new students, improved retention, and increases in specialized non-degree programs, such as the ESLi program. As demonstrated in the statistics presented earlier, new students and non-degree students live in on-campus housing at a higher percentage than other students and we are currently unable to meet the demand for residence hall beds. If we continue to see an increase in students, we can expect to see an increase in demand for on-campus housing - specifically Residence Halls.

The potential for increased enrollment, coupled with the outlined current shortage of Residence Hall beds and the age of some of our facilities, suggests that UMD faces the following shortage of beds:

Additional Residence Hall Bed Due to Current Demand Shortage	250
Decommissioning of Burntside & Vermilion Halls	176
Estimated Additional Residence Hall Beds for Enrollment Growth	100
Total Residence Hall Bed Shortage Projection	**526**

Given this current and projected bed shortage, now is the time to complete a Housing Study/Master Plan to chart a course for the future of our housing facilities at UMD. The housing study/master plan would determine a best course of action for proceeding to address the need for additional residence hall bed spaces. It is hoped that the additional residence hall spaces would be built in phases to allow for constant assessment of where demand is at due to shifts in enrollment and other external influences, such as the off-campus housing market.

Additionally, H&RL also needs to ensure that current facilities are upgraded and well maintained in order to ensure that they remain desirable for our current students. Plans for maintenance and selected upgrades to these spaces are currently outlined in our long-range plans. Additionally, plans also exist to provide more appropriate and adequate space in the heart of our housing complex - the Lake Superior Hall Lobby. It is hoped that this work can also be revisited as a part of our plans for future housing structures and renovations.

As part of the planning process, UMD also needs to evaluate and plan for the impact that additional housing facilities will have on UMDs related services. Specifically, additional food service space will be necessary as our current facilities, such as the Superior Dining Center and our Food Court, are already at capacity. It is also likely that additional housing facilities may disrupt parking lots while

simultaneously creating greater demand for residential parking at UMD. Work to connect the Housing Study with the recently completed Parking Study is necessary.

If additional facilities are built to address the demand shortage for Residence Hall beds, H&RL will also need to develop additional ways to ensure we are still utilizing our apartment spaces. There are many ways this concern can be addressed while also meeting needs that have not been met in the past:

- Housing additional returning students (UMD was unable to house 40 returning students who applied to live on campus for Fall 2017)
- Converting apartment bedrooms to single rooms to make the facilities more appealing to Juniors and Seniors
- Creating a graduate student housing option to meet the interest
- Provide housing for married students and their families
- Provide faculty/staff housing

UMD H&RL has many partners in the work of bringing a vision for housing to fruition: U of M VP Brian Burnett, UMD VC Steve Keto, U of M University Services, UMD Facilities Management, UMD Student Life, UMD Finance and Operations, UMD Dining Services, and UMD Transportation and Parking Services. Work is underway to initiate a housing multi-phase, multi-year project that will address current and anticipated student housing shortages long with expected building decommissioning over the next 10 years.

Note: The majority of the statistics presented in this report are courtesy of the UMD Office of Institutional Research.

Morris

On-campus living is a core part of the student experience and the campus identity at the University of Minnesota, Morris as a selective, residential, public liberal arts college. Ninety-five percent of new First Year students have lived on campus each fall throughout the last decade, without a housing requirement. Overall, more than 50 percent of the Morris student body lives on campus each year and 90 to 95 percent of Morris students live within a mile of the campus. This highly residential community supports students' transition to college, their academic success, and their deep engagement in campus life.

Fall 2017 Morris housing:

- 847 Morris students live on campus in Fall 2017 - 426 new students and 421 continuing students.
- 95% of all First Year students and 52% of Morris students overall live on campus.
- Housing occupancy is at 95% of recommended capacity and up from 742 students in fall of 2007.

Morris Residential Life Facilities	Const. Year	Primary Population Served	Recommended Capacity	Overflow spaces
Traditional Halls:				
• Clayton A. Gay Hall	1965	First Year Students	211	4
• David C. Johnson Independence Hall	1970	First Year Students	228	5

• Pine Hall	1926	First Year Students	83	4
• Spooner Hall	1913	Continuing Students	91	2
• Blakely Hall (overflow housing)	1920	Continuing Students	0	52
Suites: • Green Prairie Community	2013	First Year & Continuing Students	72	0
Apartments	1971	Continuing Students	211	68
Total			896	135

Increasing Student Impact

Living on campus boosts college success. Morris students who live on campus their first year earn higher GPAs and persist in college at rates well above their peers who live off campus their first year.

2004 to 2016 New First Year Students by Fall Residence	GPA in 1st year	Persisted to 2nd Year	Graduated in 4 Years
On Campus First Year	2.98	85%	54%
Off Campus First Year	2.76	70%	38%

Residential Life staff – professional staff, central office staff, fifty student peer leaders (undergraduate student hall directors, community advisors, international student liaisons and others), and buildings/ grounds staff – place a priority on helping students build connections and develop a sense of belonging on campus. They work to create high-quality student-centered living communities that support academic success, personal growth, health, and wellbeing with services aligned to meet student needs.

Morris students report an unusually high sense of safety and security – in the top 5% of the 250+ participating universities nationally – in annual ACUHO-I Educational Benchmarking surveys. They also report a greater satisfaction with facilities and a greater capacity to alter their actions to live a sustainable life than their peers at other institutions. Overall, students rate their housing experience as good and their likelihood of recommending on-campus living to new students as excellent.

Program Enhancements to Support Student Recruitment and Retention

The Morris Strategic Plan adopted in 2007 calls for contemporary student life facilities to support student recruitment and retention. Aligned with the plan, and in response to lower rated campus housing offerings from admitted students who chose other colleges over Morris, Residential Life implemented a capital plan updating student living environments in all residential facilities from 2007 to 2016. This $2.25 million initiative included new room and lounge furnishings (replacing vintage early 1970s furnishings), carpeting, lounge air conditioning, and wireless network upgrades in all student housing. In addition, the Green Prairie Community, the first new residence hall construction at Morris since 1970, opened in 2013. Students valued these improvements and their living environment ratings jumped to 'excellent'.
The Residential Life six-year capital plan for 2017-2022 focuses on infrastructure enhancements including plumbing upgrades, window replacements, tuck pointing, and related work.

In fall 2017, the campus began work on a new strategic plan—imagining and then creating the University of Minnesota Morris of the future. The recruitment and retention of talented students committed to a rigorous liberal arts environment is and will be an important area of planning. Residential Life is part of this effort. The program is looking at initiatives to support student retention including more single room options (70 students were on a waiting list for a single-occupancy room

in spring 2017); continuing wireless upgrades and technology deployment (such as collaborative work centers) in the residence halls to meet rising student demand; continuing to enhance campus dining; and partnering with others on campus to implement evidence-based mental health and well-being initiatives for First Year and continuing students. Residential Life leaders and partners will continue to monitor housing demand and possible public/private partnerships with new construction underway in the Morris community.

Summer Initiative: In 2008, Residential Life began collaborating with the new Morris Conferences and Events office to increase summer use of campus facilities to 'enhance the three Rs': Student **R**ecruitment, Campus **R**eputation and **R**evenues. From a baseline of 371 summer housing guests and $22,000 in housing revenues in 2007, the team has grown summer occupancy to 1,182 guests who generated $108,000 in housing revenues in summer 2017 – growth of 315% in guests and 490% in revenues.

Residential Life hosts a growing number of Morris students, visiting researchers, guests and interns each summer. Morris staff and faculty have also created new summer programs, such as a 4-week intensive English language and liberal arts transition program for entering international students and the Cougar Volleyball high performance camp. A variety of youth programs plant the seeds for future undergraduates. Since 2010, UM Extension has hosted a three-day overnight 4H Camp on campus open to youth who have completed grades 3 – 6; the 2017 "Super Heroes" camp had six educational tracks and hosted 111 campers. The Irondale Marching Band, one of Minnesota's premier high school marching bands, has held their camp in Morris for five years with 110 students and 20 adult staff. Additional marching bands and drum corps host their camps on campus as well.

The Green Prairie Community was designed to host adult learners in the summer. Green Prairie and the campus apartments are fine homes for events like the Rural Arts Culture Summit . This three-day gathering of 350 artists, art organizations, rural-centric organizations, and community and economic development leaders from across the state and country celebrates the imaginative and creative thinking that has helped to create vibrant small town cultures. Morris Center for Small Towns, Springboard for the Arts, the Minnesota State Arts Board, McKnight Foundation, Bush Foundation, and University partners create a transformative event on the campus.

All evidence indicates that the Morris summer initiative has been a success in enhancing recruitment, reputation and revenues. Goals include growing summer guests to 1,765 and summer revenues to $162,000 by 2022.

Rochester

UMR's first class enrolled in Fall 2009 and lived in various downtown locations or in close proximity to the downtown core. UMR was aware that recruiting first year students would be difficult without "on-campus" housing. Shortly after our first class enrolled, a private developer approached UMR about building student housing for UMR students. However, in 2009 the developer found that financing for the project was difficult to access. The City of Rochester agreed to allocate to the University $5.8 million of city sales tax for the housing and mixed use project in downtown Rochester.

The University signed a 10-year master lease for the following:

- Lower level – classrooms and science labs
- First floor – residential life office

- Second floor – staff/faculty open office space, student/faculty collaborative space, and student life space
- Floors 3-8 – student housing (max capacity of 237 students)

318 Commons opened in Fall 2011 with students living throughout the third through eighth floors. Because we were not fully occupied, 318 Commons management leased apartments at market rate to a number of Mayo medical students and residents and other professionals that wanted to live downtown. The ninth floor (not leased by UMR) was dedicated entirely to market rate occupants.

Over the life of the 10-year lease, the $5.8 million is being returned to UMR for other uses which have included supporting housing operations during the early years, completing additional space not fully built out in the beginning on the non-apartment floors, and developing new space in downtown Rochester.

Housing Status Today

Today, UMR occupies all apartments on the third through eighth floors and 6 of the 14 apartments on the ninth floor of the 318 Commons building. With a highly diverse student body and other campus facilities distributed throughout the downtown Rochester area, the intentionality of community living in our residence facility is central to student success. Among the student residents, there are four living-learning communities currently totaling 71 students within 318 Commons: Healthy Living, Global Connections, Recovery on Campus, and Health CORE – Community of Respect and Empowerment (student leaders that are underrepresented, that is low socio-economic status, students of color, and/or first generation). These structured residential life communities increase student engagement, retention, and academic performance by enhancing two critical variables for traditionally-aged student success: peer accountability and a sense of belonging. Collaborative space for faculty-student interaction located within the residence life facility combined with evidence-based residence life programming have become critical components of student success at UMR. A strong residence life governance system is also now operational. In Fall 2018, given the increase in first-year student enrollment, UMR will add the remaining 8 apartments on the ninth floor to fully occupy all housing units available (277 beds).

As it is our goal to house as many first-year students in 318 Commons as possible, we are also anticipating the need in Fall 2018 for additional housing for upper division students. We are currently exploring possible leased space in a new apartment building in downtown Rochester; the developer has expressed an interest in a master lease partnership.

The Future of Housing at UMR

As UMR's enrollment continues to grow, we anticipate the need for additional housing in the years 2019 and 2022. There are local developers that may compete for the opportunity to establish new student housing options in downtown Rochester.

For traditionally-aged, first and second year students, living "on campus" in structured residence life increases GPA, retention, openness to diversity, and timely completion of the four-year degree (beginning with Astin in 1977[i], followed by many other studies). Given that ample evidence, UMR aims to provide housing for a majority of first and second year students to support our goals for their retention and success.

As with all space-related decisions at UMR, future residence facility determination will be based on the following established decision making principles:

- Pursue and Sustain Strategic Vision and Enrollment Growth: Select and secure spaces that support and sustain our innovative, high-success model of education, creating conditions in which all students can thrive and be successful; align with UMR's Strategic Plan; and accommodate and accelerate strategic enrollment growth. A campus space committee has identified criteria by which to assess potential spaces, including the following: inspiring, innovative, collaborative, flexible, welcoming, sustainable, inclusive, and purposeful.
- Pursue a Sustainable Model of Public Fund Stewardship: Maintain flexibility by committing to strategic leasing arrangements rather than building ownership; enhance stewardship of resources through projected long-term savings on maintenance and repair; and provide a new facilities model for higher education in Minnesota, to include the pursuit of public-private partnership options for long-term space development.
- Continue Downtown Rochester Community Connections and Integration: Locating UMR facilities in downtown Rochester immerses health science students in a vibrant medical context and provides synergistic opportunities for research, learning, and outreach, including curricular and co-curricular civic engagement. Furthermore, this continued integration in the downtown Rochester community will foster the development of mission-driven partnerships and local cooperation (Destination Medical Center, city, county, YMCA, Parks Department, school district, etc.) as well as enhanced visibility to grow reputational and recruitment marketing.
- Provide Options for the Feasibility of Long-term Future Facilities: Use city sales tax and other sources as needed to purchase land in the Destination Medical Center zone. Such purchases maintain the option for a future "Community Campus" in which UMR can be an anchor tenant with other organizations committed to developing human potential through learning.

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[i]Astin, A. W. (1977). *Four critical years: Effects of college on beliefs, attitudes, and knowledge*. San Francisco: Jossey-Bass.

Student Housing Across the System

Lisa Samuelson, Interim Associate Vice Chancellor, Crookston
Lisa Erwin, Vice Chancellor, Duluth
Sandra Olson-Loy, Vice Chancellor, Morris
Gail Sauter, Associate Vice Chancellor, Rochester

Finance & Operations

December 14, 2107

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

University of Minnesota Crookston

Crookston Student Housing Overview

- 489 students living on campus
  - 92% of all first-year students
  - 42% of campus-based students (i.e., not online)
  - Down from 632 students living on campus in 2012

- 5 residential options
  - Two traditional halls: McCall Hall (1941), capacity of 110 students; and Skyberg Hall (1970), capacity of 170 students
  - Suites: Heritage Hall (2012), capacity of 140 students
  - On-campus apartments: Centennial Hall (1997 & 2006), capacity of 126; and Evergreen Hall (2009), capacity of 126

- At 73% of recommended housing capacity of 672

High Quality Facilities and Services

- Rated as the #1 safest college campus in Minnesota according to Niche
- Ranked in the top four from the program “Best College Dorms in Minnesota”
- “A” rating from Niche
- First LEED certified Residence Hall (Evergreen) in State of Minnesota

Academic Success

Spring 2017:

- Overall average of residential life students GPA = 3.10
- Overall average off-campus student GPA = 2.87
- 38% of residential life students received a 3.5 GPA or higher
- 4 year graduation rate for residential life students = 44.9%
- 4 year graduation rate for off-campus students = 41.7%

Future Priorities

RESIDENTIAL LIFE
UNIVERSITY OF MINNESOTA
CROOKSTON

- Continue to maintain high quality facilities and services
- Increase occupancy rate
- Assist with retention efforts through cost management practices and facility maintenance
- Enhance use of the facilities during summer

University of Minnesota Duluth

University of Minnesota Duluth Housing Overview

- 2962 beds
  - 1850 Residence Halls
  - 1112 Apartments
- 725,000 sq. ft.
- Facilities range from 6 to 61 years in age

- Program focus areas
  - Connections
  - Academic success
  - Decision making
  - Personal growth
- Living-Learning Communities
- Student support

Duluth: Current Housing Demand

- Student profile:

Type	Percentage
New High School	92.40%
Transfer	24.55%
Continuing	11.79%

- Student demand (Fall 2017):

Housing Type	Residence Halls	Apartments
Capacity	1,850	1,112
Student Requests	2,099	835
Difference	-249	+277

- Growth from campus internationalization efforts
- Off-campus housing

Duluth: Future Housing Plans

- Expansion of Living-Learning Communities
- Maintain/upgrade existing facilities
- Address anticipated housing needs/demands:

Need	Number
Additional residence hall beds needed	250
Beds needed after decommissioning of two halls	176
Estimated additional residence hall beds for enrollment growth	100
Total – Additional Residence Hall Beds Needed	**526**

- New opportunities to provide housing for graduate students and students with families

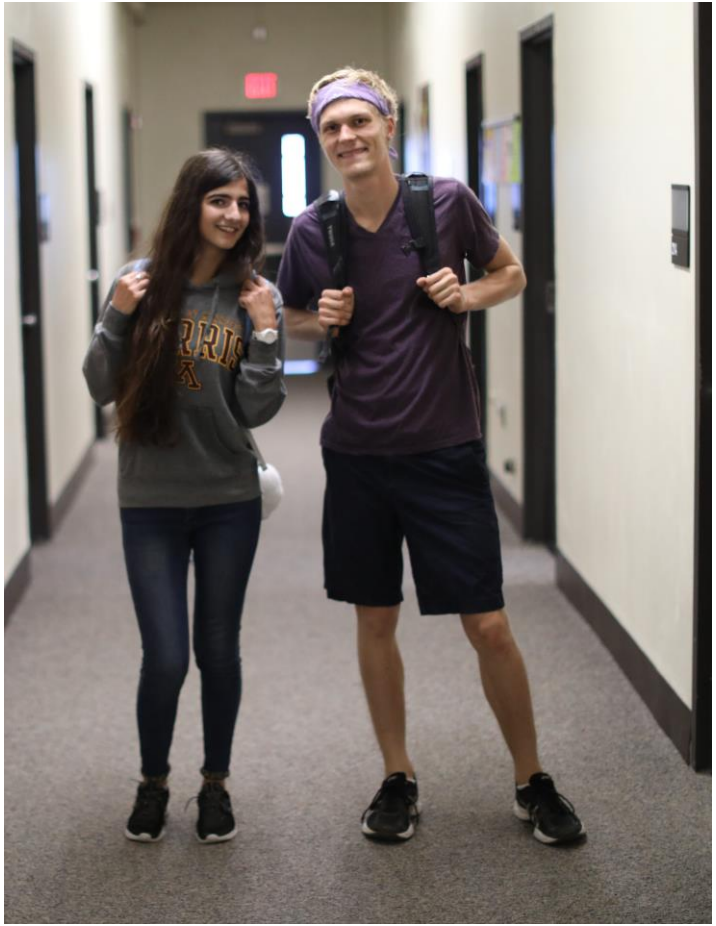
University of Minnesota Morris

Morris Student Housing Snapshot

- 847 students living on-campus
  - 426 new and transfer students + 421 continuing students
  - 95% of all First Year students
  - 52% of all Morris students
  - Up from 742 students living on campus in 2007

- 7 residential options
  - Five traditional halls: David C. Johnson Independence Hall (1970), Clayton A Gay Hall (1965), Pine Hall (1926), Blakely Hall (1920) and Spooner Hall (1913)
  - Suites: Green Prairie Community (2013)
  - On-campus apartment complex (1971)

- 95% of recommended housing occupancy - 896 available spaces



Increasing Student Impact

- First-year students who live on campus earn higher GPAs, are retained, and graduate at higher levels than students who lived off campus their first year.

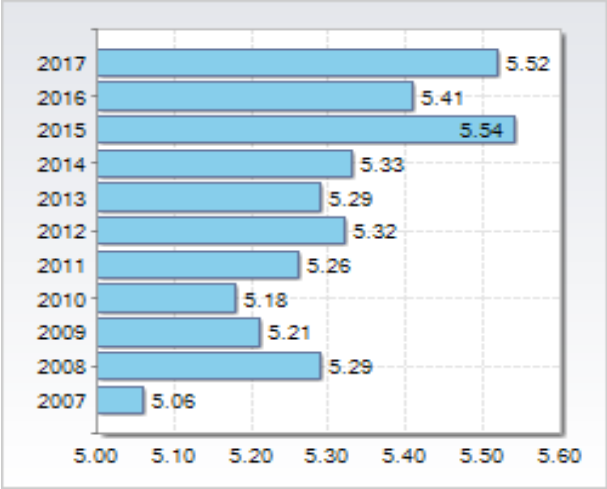
2004 to 2016 New First Year Students by Fall Residence	GPA in 1st year	Persisted to 2nd Year	Graduated in 4 Years
On Campus First Year	2.98	85%	54%
Off Campus First Year	2.76	70%	38%

- Residential Life prioritizes building student connections and sense of belonging on campus, success in academic life, and quality facilities and services.
- Morris student residents report a greater sense of safety and security (in the top 5% of universities nationally), satisfaction with facilities, and greater capacity to alter their actions to live a sustainable life than their peers at other institutions.*
- 50 Peer Leaders – Hall Directors, Community Advisors, International Student Liaisons, and more

*Annual ACUHO-I Educational Benchmarking Survey

Program Enhancements to Support Student Recruitment and Retention

- Fully updated student living environments – 2007 to 2016 – $2.25 Million
  - 2007: Clayton A. Gay Hall furnishings and carpeting
  - 2009: Pine Hall furnishings and carpeting
  - 2010: David C. Johnson Hall furnishings and carpeting
  - 2013: Spooner Hall furnishings and carpeting
  - 2013: Green Prairie Community opened
  - 2014: Apartments furnishings and carpeting
  - 2015: Blakely Hall room furnishings
  - 2016: All halls - lounge air conditioning
- Student ratings of their Hall and Apartment environment increased from 5.06 (good) to 5.52 (excellent) on a 7- point scale
  (1 = extremely poor, 7 = superior)*



Future Priorities

- 6-Year Capital Plan 2017-2022 focus: infrastructure -- plumbing upgrades, window replacements, tuck-pointing, and related work.
- Boosting student retention: offering more single room options for returning students (Spring 2017 -- 70 students on a single room waiting list), technology support--wireless upgrades, continuing to enhance student dining
- Monitoring future housing demand and possible public/private partnerships
- Campus collaboration to implement evidence-based mental health and well-being initiatives

*Annual ACUHO-I Educational Benchmarking Survey

Using the campus in the summer to enhance the 3Rs: Student Recruitment, Campus Reputation & Revenues

	2007	2017	% Growth	2022 – proj.
Summer revenues	$22,000	$108,000	490%	$162,000
Summer residents and guests	371	1182	315%	1765

- **Morris students**
- **Summer classes, campus, and conferences** – selected examples
  - U of MN Morris: Summer Transition for English Language and Liberal Arts Readiness (STELLAR) 4 week program for new international students, Cougar Volleyball High-Performance Camp, Rural Arts and Culture Summit*
  - U of MN Extension: 4-H summer camp
  - External Groups: Alexandria High School Marching Band camp, Irondale Marching Band camp
- **Visiting scholars, researchers, and interns**
  - USDA Soils Lab, MN Fish and Wildlife, U of MN Conservation Services, U of MN WCROC - CFANS graduate students, local industry interns

*Rural Arts and Culture Summit sponsors: U of MN Morris Center for Small Towns, Springboard for the Arts, MN State Arts Board, U of MN Regional Sustainable Development Partnerships, McKnight Foundation, and Bush Foundation

University of Minnesota Rochester

History of UMR Housing

- Public/Private Partnership – Fall Semester 2011
- Public: $5.8 million in City Sales Tax
- Public: UMR 10-year lease
- Private: Local developer ownership of building
- Private: City sales tax is returned to UMR

Housing Status Today

- Housing located on floors 3-9
- Four living learning communities
- 318 Commons will be full Fall 2018
- Possible need for more space?

The Future of Housing

- Fall 2018, 2019, 2022 - exploring additional housing options
- Local developers interested in Master Leasing
- Continue to support first- and second-year students

Glen Stubbe - *Star Tribune* | May 21, 2017

UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 14, 2017**

AGENDA ITEM: Amendments to the University of Minnesota Faculty Retirement Plan

☐ **Review** ☐ **Review + Action** ☒ **Action** ☐ **Discussion**

☐ *This is a report required by Board policy.*

PRESENTERS: Kathryn F. Brown, Vice President, Office of Human Resources
Kenneth Horstman, Senior Director, Office of Human Resources

PURPOSE & KEY POINTS

The purpose of this item is action on proposed amendments to the University of Minnesota Faculty Retirement Plan (Plan). The discussion will describe the proposed retroactive amendments to the Plan that will correct certain historic contribution errors, and to conform the Plan to the current administrative practice that compensation earned by a faculty member for assignments that are not faculty assignments shall be considered covered salary.

Attachment 1 in the docket includes the specific proposed amendment language that will replace current language in the Plan. No changes to the proposed amendment language have been made since the committee's review in October 2017.

BACKGROUND INFORMATION

Board Policy: *Reservation and Delegation of Authority,* Article I, Section XI, Subd. 3 states:

> *The Board reserves to itself authority to establish or discontinue retirement plans for University faculty and staff. For those plans sponsored by the University and governed by formal plan documents, the Board reserves to itself authority to approve amendments to those plans that significantly affect the cost structure of the plans. An amendment is considered to significantly affect the cost structure of the plan if the change causes a cost impact of more than $250,000.*

Timeline

- Prior to 1973 - Per the University's interpretation of State of Minnesota law, contributions to the Plan were only paid on nine-month academic appointments. Plan contributions were made on regular appointments from state funding.
- June 16, 1973 - The National Institute of Health (NIH) and National Science Foundation (NSF) requested that a portion of their grants to the University pay for fringe benefits for faculty members. The result of this request was that summer earnings became subject to a complicated coding system in the University's paper-based payroll accounting program,

which resulted in some summer earnings being eligible for retirement plan contributions while other summer earnings were not.

- 2000 - Common electronic payroll platform launched and policy discussed. The inclusion of all faculty summer earnings for Plan contributions was discussed, but no policy change resulted. During this period, there was no awareness that a correction was needed. However, upon the move to a new payroll accounting system in 2012, it became clear that a change was needed going forward to streamline business processes.
- Fall 2012 - Business processes reviewed in preparation for the PeopleSoft 9.2 upgrade in 2015. The goal was to minimize costs by streamlining business processes so that costly customizations would not be needed in the new system. To that end, it was decided that all future summer earnings would be covered in the Plan. This eliminated variability that would require system customization going forward.
- May 4, 2014 - The Plan's definition of "Covered Salary" was amended to cover all summer earnings, regardless of funding source, for research and teaching.
- Late 2014 - An anonymous submission resulted in an internal audit related to summer earnings under the Faculty Retirement Plan. The Office of Human Resources, the Office of General Counsel, the Office of Internal Audit, and the Office of Budget and Finance reviewed payroll records back to 2000.
- April 2015 - PeopleSoft 9.2 launched with a single set of earnings codes. The new system used a single set of earnings codes instead of separate earnings codes, as were used in the past. While the intent was to simplify, an unintended consequence was that any eligible Plan participant with multiple appointments received additional contributions on these additional appointments.
- 2015 and 2016 - Analysis of summer earnings salary history. This analysis was led internally first by the Office of the General Counsel and now by the Office of Human Resources. This was a time-consuming analysis due to the need to confirm needed corrections through external audit resources (Eide Bailly), and to confirm that an Internal Revenue Service Voluntary Correction Program was the appropriate vehicle to resolve this issue (confirmed through outside legal opinion from Gray Plant Mooty and a second opinion from Dorsey and Whitney).
- 2017 - Preparing submission for the Voluntary Correction Program. The University recommends publicly filing a Voluntary Correction Program submission to the IRS. In the submission, the administration would recommend a correction to the under-contributed amounts only. The administration does not plan to require participants who received over-payments to repay the University. Recovering over-contribution is rarely advised given that it can involve recovering assets from former employees and long-time retirees, add complexity to their personal finances, and impact their personal accounts. The final draft is ready for submission pending approval of the 2017 Correction Amendment to the University of Minnesota Faculty Retirement Plan by the Board of Regents.

The Plan Participant Impact Due to Failure to Include Salary from Summer Appointments

In January 2016, Gray Plant Mooty contracted with Eide Bailly to conduct an independent review of Gray Plant Mooty's data analysis. Eide Bailly confirmed that 487 participants in the Plan were impacted between 2000 and 2014. The firm confirmed $574,149 in under-contributions, and $380,054 in over-contributions. In addition, they found an additional $331,395 in under-contributions for a total under-contribution of $905,544 reflecting both principal and earnings, as

of June 30, 2017. The final amount of earnings loss will depend on the future date of the final submission for correction to the IRS.

Historical payroll records do not exist in any storage format (paper or electronic) that would allow a satisfactory reconstruction of Plan participation between 1973 and 2000. Records available on grants would not allow the University to rebuild the full employment information or contributions made over the course of employment for any past participants. Complete information is not available prior to 2000. Should a participant come forward for a claim for benefits between 1973 and 2000, the University would honor the request if provided proper documentation.

The Plan and Minnesota State Retirement System Plan Participant Impact Due to Unintended Consequences of Single Appointment Change in PeopleSoft 9.2 Upgrade

As of August 1, 2017, 187 individuals may have received additional contributions on a portion of earnings that were ineligible between April 2015 and July 2017. There do not appear to be any under-contributions to Plan participants and the value of over-contributions is still to be determined. The proposed amendment will provide coverage of all eligible earnings for all appointments an eligible participant held as of January 1, 2017, and will allow any over-contributions to remain in participant accounts for the time period between April 2015 and December 2016.

Next Steps

1. If the Board approves the 2017 Correction Amendment to the University of Minnesota Faculty Retirement Plan, the University will file the Voluntary Correction Plan with the IRS.
2. Pending IRS approval, the University will notify participants and implement the correction to make participants whole.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the proposed amendments to the University's Faculty Retirement Plan as stated in Attachment 1 and authorizes the administration to implement those amendments.

ATTACHMENT 1

2017 CORRECTION AMENDMENTS TO THE UNIVERSITY OF MINNESOTA FACULTY RETIREMENT PLAN

Except as expressly set forth in this amendment or any prior amendments, all the terms and conditions of the University of Minnesota Faculty Retirement ("Plan"), remain unchanged and in full force and effect.

Effective for Plan Years commencing on or after January 1, 2017, Section 1.04 of the Plan shall be deleted and replaced with the following:

Sec. 1.04 "Covered Salary" means basic appointment salary, administrative augmentation, commutation allowance, Regent's professor stipend, increment, nine-month appointee summer research, summer session instructional earnings, and effective the pay period beginning April 6, 2015, Duluth Additional Instruction. All other earnings are excluded. For those Faculty Members who have entered into a phased retirement agreement, or are on a sabbatical or entrepreneurial leave (1% - 50%), Covered Salary will include the Faculty Members' full, unreduced Covered Salary, regardless of work effort. Covered Salary shall not include compensation paid prior to the employee's Entry Date (as defined in Sec. 1.06).

Effective January 1, 2017, in the case of a Participant that meets the definition of Faculty Member under Section 1.07, all earnings for any additional services or appointments to the University satisfying the components in the first paragraph of this Section 1.04 shall be included in Covered Salary.

The annual compensation of each Participant taken into account in determining allocations for any Plan Year, shall not exceed the dollar limit under Code section 401(a)(17) ($270,000 for the Plan Year beginning January 1, 2017), as adjusted for cost-of-living increases in accordance with Code section 401(a)(17)(B). Annual compensation means compensation during the Plan Year or such other consecutive twelve-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year. The applicable annual limitation for a partial Plan Year will equal the annual limitation multiplied by a fraction, the numerator of which is the number of months in such partial Plan Year and the denominator of which is 12.

In the case of a Faculty Member who was a Participant in the Plan prior to July 1, 1996, the dollar limit contained in the preceding sentence shall be replaced with $400,000 (as adjusted for cost of living pursuant to Code section 401(a)(17) under the transition rule for state and local governmental plans found at Treas. Reg. 1.041(a)(17)-1(d)(4)(ii) and in subsequent IRS guidance as may be published from time to time. The applicable annual limitation for partial Plan Year will equal the annual limitation multiplied by a fraction, the numerator of which is the number of months in such partial Plan Year and the denominator of which is 12.

Effective for Plan Years commencing on or after January 1, 2017, Section 2.01 of the Plan shall be deleted and replaced with the following:

Sec. 2.01 Eligibility

(a) Except as provided in subsections (b) or (c) of this section, all Faculty Members shall become Participants in the Plan on the first Entry Date following his or her hire or transfer to Faculty Member employment.

(b) In the case of a Faculty Member who receives Covered Salary for services to the University before such services have been performed (such as a Faculty Member who is paid for a 9-month appointment over a 12-month period), such Faculty Member shall become a Participant in the Plan on the Entry Date on which the Faculty Member actually receives Covered Salary, to the extent such payment is for services that will be performed after the beginning of the contract year. Notwithstanding the foregoing, all Participant contributions shall be returned to the Participant and all University contributions shall be forfeited to a suspense account if the Faculty Member fails to provide services for the contract year for which he or she has received payment. The suspense account will be applied to reduce future employer contribution for all Participants in the next Limitation Year, and in each succeeding Limitation Year, if necessary.

(c) For the limited purpose of allocating corrective contributions made because of missed summer earnings, former Participants who are owed corrective contributions shall become Participants in the Plan.

Effective for Plan Years commencing on or after January 1, 2017, Section 2.03 of the Plan shall be deleted and replaced with the following:

Sec. 2.03 Duration of Participation. A Participant shall continue to be such until the later of (i) the Participant's Termination of Employment or (ii) the date all benefits, if any, to which the Participant is entitled hereunder have been distributed from the Fund. Notwithstanding the foregoing, for the limited purposes of allocating corrective contributions made on the basis of summer earnings, a Participant shall continue to be a Participant until such time as the corrective contributions are distributed from the Fund.

Effective for Plan Years commencing on or after January 1, 2017, Section 3.03 of the Plan shall be deleted and replaced with the following:

Sec. 3.03 University Contributions. The annual University contribution on behalf of each Participant shall be 13% of Covered Salary. Notwithstanding the foregoing, for any Employee who is hired or rehired on or after January 2, 2012, and who has met the eligibility requirements to become a Participant in the Plan, the annual University contribution shall be 10% of Covered Salary. As provided in Sec. 3.02, the University shall pick up the Participant contribution and the total annual contributions specified in Section 3.01 shall be made entirely by the University.

With respect to a Participant for whom the Participant contribution is waived pursuant to the last sentence of Sec. 3.02, the total annual contribution specified in Sec. 3.01 shall be made entirely by the University or its disability insurer or its agent, based on the rate of the Participant's Covered Salary in effect on the date the disability began, or, if the Participant was on a Leave of Absence Without Salary ("LWOS") at such time, based on the rate of Covered Salary that would have been paid absent such LWOS, as determined by the University.

Notwithstanding the foregoing or any language in the Plan to the contrary, any excess University contributions erroneously made to Participants based on summer earnings prior to May 4, 2014 shall remain in such Participant's account as agreed to with the Internal Revenue Service under the Voluntary Correction Program.

Notwithstanding the foregoing or any language in the Plan to the contrary, for those Participants who meet the definition of Faculty Member under Section 1.07 with earnings for additional services or appointments to the University not included in Covered Salary before January 1, 2017, any excess University contributions erroneously made before January 1, 2017 shall remain in such Participant's account as agreed to with the Internal Revenue Service under the Voluntary Correction Program.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 14, 2017**

AGENDA ITEM: Collective Bargaining Agreement: Regents of the University of Minnesota and AFSCME Locals 3937 and 3801, Technical Employees

☐ **Review** ☒ **Review + Action** ☐ **Action** ☐ **Discussion**

☐ *This is a report required by Board policy.*

PRESENTERS: Kathryn F. Brown, Vice President, Human Resources

PURPOSE & KEY POINTS

The purpose of this item is for the committee to review and take action on a Collective Bargaining Agreement (CBA) between the Regents of the University of Minnesota and AFSCME Locals 3937 and 3801, Technical Employees. Once approved, the CBA will define the terms and conditions of employment for covered employees between the date of signing and June 30, 2018.

Covered Employees

The employees covered by this CBA are technical employees as defined by the Minnesota Public Employees Labor Relations Act Unit 7. The total number of employees is approximately 790.

Summary Economic Highlights

During Fiscal Year 2018, there will be an across-the-board adjustment of 1% to all wage scales, effective June 12, 2017. There will also be progression step increases for eligible employees.

Financial Impact

Recurring Costs: Fiscal Year 2018

Base annual Payroll	$ 31,952,515
Wage Scale Adjustment	$ 319,525
Progression Step Increases	$ 319,525
Total Recurring Cost	$ 639,050

BACKGROUND INFORMATION

Negotiations began on May 17, 2017. A tentative agreement was reached on August 23, 2017. The Union's contract ratification process was completed on October 17, 2017. Board approval is required before this CBA can be implemented.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Collective Bargaining Agreement between the University of Minnesota and AFSCME Locals 3937 and 3801, Technical Employees.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Proposed Labor Agreement with
AFSCME Locals 3937 and 3801, Technical Employees

WHEREAS, the parties have met and negotiated over the course of the past several months and have reached agreement regarding terms and conditions of employment regarding the employees of this bargaining unit; and

WHEREAS, the AFSCME Locals 3937 and 3801 have ratified acceptance of this agreement; and

WHEREAS, according to Board of Regents Policy: *Reservation and Delegation of Authority*, approval of labor agreements by the Board of Regents is required.

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the Finance & Operations Committee docket for December 14, 2017.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 14, 2017**

AGENDA ITEM: Capital Budget Amendment: Golf Practice Facility (Twin Cities Campus)

[X] **Review** [ ] **Review + Action** [ ] **Action** [ ] **Discussion**

[ ] *This is a report required by Board policy.*

PRESENTERS: Bruce Gritters, Interim Assistant Vice President, Capital Planning & Project Management
Mark Coyle, Director of Intercollegiate Athletics, Twin Cities campus

PURPOSE & KEY POINTS

The purpose of this item is to review an amendment to the FY 2018 Annual Capital Improvement Budget for the following project:

- *Golf Practice Facility (Twin Cites campus)*

A project data sheet is included in the docket materials and addresses the basis for request, project scope, cost estimate, funding, and schedule for this project. A map locating the project on the Twin Cities campus is also included.

BACKGROUND INFORMATION

This project will construct a new 5,000 square foot year-round golf practice facility on the Les Bolstad golf course located on the St. Paul section of the Twin Cities campus. Donor funds have been raised to cover the costs of the project.

The facility has been sited in such a way that enables the current golf course to continue operations as it does today, maintains current use for cross country, aligns with existing soccer facility, and does not limit options for future golf course planning or reconfiguration.

PRESIDENT'S RECOMMENDATION

The President recommends approval of an amendment to the FY 2018 Annual Capital Improvement Budget for the project listed below and of the appropriate administrative officers to proceed with design and construction for this project:

- *Golf Practice Facility (Twin Cites campus)*

Golf Practice Facility
Twin Cities Campus
Project No. 02-367-17-1519

1. **Basis for Request:**

This project will construct a year-round Golf Practice Facility on the Saint Paul Campus for both men's and women's golf teams. University of Minnesota golf teams are at a disadvantage when it comes to practice facilities, as most Big Ten schools have a golf facility that provides their student athletes the ability to practice on campus year-round. While the teams have one of the best outdoor practice facilities in the Big Ten at Les Bolstad golf course, they currently commute to off-campus practice locations in the winter months (up to 25 miles per day.) This new facility will enable indoor practice on campus, allowing more time to focus on classes and studies. In addition, both men's and women's teams are currently without locker facilities and this new facility will provide that basic amenity.

2. **Scope of Project:**

The new facility will provide golf teams with a one-story building, located adjacent to the existing outdoor practice greens and driving range at Les Bolstad golf course. Four (4) hitting bays, indoor chipping and putting area, locker rooms, meeting space, and coaches' offices are included in the 5,000 SF facility.

Site access will be provided off Cleveland Avenue and ten (10) parking spaces are proposed adjacent to the building.

3. **Master Plan or Precinct/District Plan:**

The project is in compliance with the Twin Cities Campus Master Plan dated March 2009.

The proposed building has been sited to minimize impacts on the golf course, driving range, and cross-country programs as outlined in the included Site Plan.

4. **Environmental Issues:**

This project has no anticipated environmental issues.

5. **Cost Estimate:**

Construction Cost	$ 2,780,000
Non-Construction Cost	405,000
Total Project Cost	$ 3,185,000
Facility Cost / SF	$ 492/SF

6. **Capital Funding:**

Private Giving	$ 3,185,000
Total Capital Funding	$ 3,185,000

7. **Capital Budget Approvals:**

At the time of the FY2018 annual capital budget, funding for this project had not been identified. Since that time, donor funding has been secured and the project is seeking a capital budget amendment to allow the project to proceed with design and construction.

8. **Annual Operating and Maintenance Cost and Source of Revenue:**

The anticipated annual operating cost for this facility is $4.06/SF.

9. **Time Schedule: (Additional milestone maybe added or substituted if appropriate.)**

Proposed Design Completion	April 2018
Proposed Construction Completion	November 2018

10. **Project Team**

Architect:	RSP Architects
Contractor:	TBD

11. **Recommendation:**

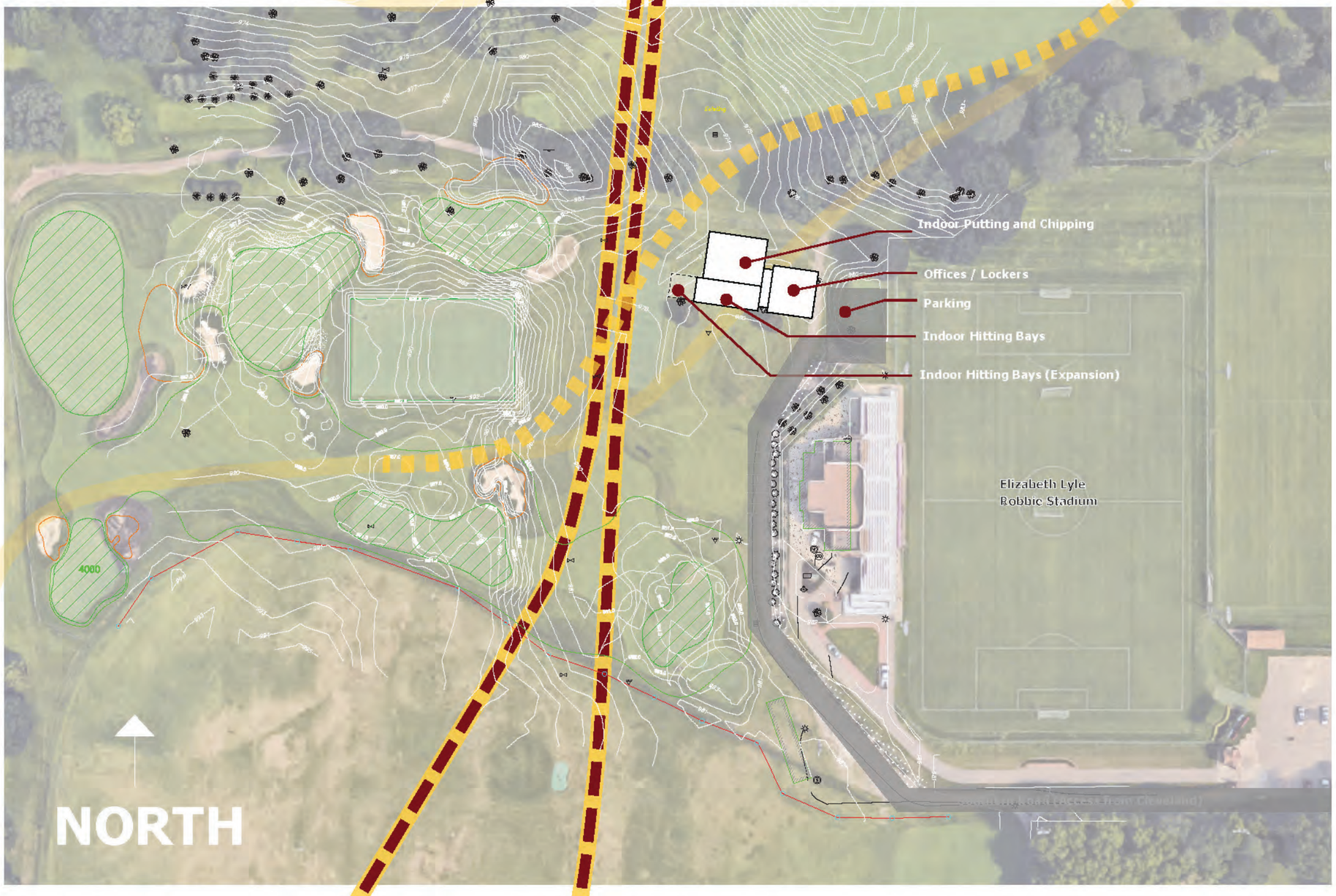
The above described project scope of work, cost, funding, and schedule is appropriate:

Mark Coyle

Mark Coyle, Director of Intercollegiate Athletics

Brian Burnett, Senior Vice President for Finance and Operations

2017 NEW GOLF TRAINING FACILITY
BUILDING SITE LOCATION



XC START + FINISH CHUTE

XC REROUTE

Current XC ROUTE

Golf Practice Facility

(Twin Cities Campus)

Interim Assistant Vice President Bruce Gritters

Intercollegiate Athletics Director Mark Coyle

Board of Regents Finance and Operations Committee

December 14, 2017

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

University Services

Stewardship • Integrity

Respect • Innovation • Safety

Siting enables current and future uses

Golf Practice Facility Site

North

This project addresses deficiencies

- On-campus, year-round practice facility
- Locker rooms
- Team meeting space

Donors funds are making this a reality

- Cost Estimate
  - Construction $2,780,000
  - Non-Construction 405,000

  $3,185,000

- Capital Funding
  - Private Giving $3,185,000

- Project Schedule
  - Design April 2018
  - Occupancy November 2018

- Annual Operating Costs
  - $4.06/SF

UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 14, 2017**

AGENDA ITEM: Consent Report - **REVISED**

☐ **Review** ☒ **Review + Action** ☐ **Action** ☐ **Discussion**

☐ *This is a report required by Board policy.*

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

General Contingency

The purpose of this item is to seek approval for allocations from General Contingency greater than $250,000. There are no items requiring approval this period.

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

The purpose of this item is to seek approval for purchases of goods and services of $1,000,000 and over.

- To Cardinal Health for an estimated $10,000,000 for the purchase of pharmaceuticals and related supplies for the period of November 1, 2017 through October 31, 2019 for Boynton Health Center. This purchase will be paid for from the sales of prescription and other items to patients and from payments by University departments for pharmaceuticals. Supplier was selected through a competitive process.

- To CDW Government LLC for an estimated $15,000,000 for Cisco equipment and support as needed for the Office of Information Technology's (OIT) Next Generation Network project, distribution/edge segment, for the period of December 18, 2017 through December 17, 2022. The first year purchase of equipment, support, and maintenance is funded through the financing plan for The Next Generation Network project, which was reviewed and approved by the Board in October 2016. Subsequent years' expense will be paid for as part of OIT's annual operating budget. Supplier was selected through a competitive process.

- To Duluth Transit Authority (DTA) for $2,175,000 for DTA UPass Program for University of Minnesota Duluth Student Life Operations for the period of September 1, 2017 through August 31, 2022. Secured funds for payments come from multiple sources including the Transportation Sustainability Fee, Auxiliary units, and Coca Cola. See enclosed documentation for basis for supplier selection.

- To Elsevier, Inc. for an estimated $8,663,000 for subscription to Elsevier ScienceDirect as needed for the University Libraries for the period of January 1, 2018, through December 31, 2020. This is a three-year license with Elsevier. The first year (2018) will cost an estimated $2,802,532 and increase approximately 3 percent in 2019 and 2020 totaling the three-year contract at an estimated $8,663,000. The $8,393,000 allotted as payment to Elsevier over the next three years is included in the University Libraries 2018, 2019 and 2020 budgets, as well as the 2018, 2019 and 2020 budgets for Duluth, Morris and Crookston Libraries. Supplier was selected by University Libraries under the authority granted by Board of Regents Policy: *Libraries and Archives* and under the University's purchasing of goods and services policy.

- To Mavo Systems and Environmental Plant Services for approximately $2,000,000 for providing Emergency Water Event Services as needed for the Facilities Management Department for the period of January 1, 2018 through December 31, 2019 with possible contract extensions through December 31, 2022 for an additional $3.000.000. Total value of the contract if all options are exercised would be $5,000,000. Maintenance and operations of Emergency Water Event services is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget. Suppliers were selected through a competitive process.

Employment Agreements

The purpose of this item is to seek approval for the following employment agreements:

- Jakub Tolar as Dean of the Medical School
- First Amendment to employment agreement - Head Football Coach, Twin Cities Campus
- Second Amendment to employment agreement - Head Football Coach, Twin Cities Campus

Off-Cycle Tuition Approval

In an effort to accommodate industry-driven schedules for working professionals, some specialized post-baccalaureate programs operate on an academic year of summer-fall-spring rather than the traditional fall-spring-summer. For communication and implementation purposes, final tuition rates for these programs must be set prior to the May/June presentation of rates in the operating budget for the next fiscal year.

The President recommends approval of tuition rates for the following programs for Summer 2018, Fall 2018, and Spring 2019:

	2017-2018 (Effective Summer 2017) Semester Rates Resident	Nonresident	2018-2019 (Effective Summer 2018) Semester Rates Resident	Nonresident	2018-2019 Semester Rates Resident % Increase	Nonresident % Increase
Twin Cities						
Carlson School of Management						
Master of Science in Business Analytics						
Per Credit	$940.00	$1,340.00	$960.00	$1,370.00	2.1%	2.2%
MS in Business Analytics Part-Time Program						
Per Credit 1-11	$1,230.00	$1,597.00	$1,255.00	$1,630.00	2.0%	2.1%
Master of Science in Finance						
Per Credit	$940.00	$1,340.00	$960.00	$1,370.00	2.1%	2.2%
College of Science and Engineering						
Master of Science in Security Technologies						
Per Credit - Year 2 Students	$1,142.00	$1,142.00	$1,142.00	$1,142.00	0.0%	0.0%
Per Credit - Year 1 Students	$1,142.00	$1,142.00	$1,250.00	$1,250.00	9.5%	9.5%
Master of Science in Medical Device Innovation						
Per Credit - Year 2 Students	$1,142.00	$1,142.00	$1,142.00	$1,142.00	0.0%	0.0%
Per Credit - Year 1 Students	$1,142.00	$1,142.00	$1,250.00	$1,250.00	9.5%	9.5%

The Master of Science in Security Technologies and the Master of Science in Medical Device Innovation operate on a cohort model with students enrolling in the summer term of each year and progressing through 4 academic terms of course work (summer-fall-spring-summer). Rates are guaranteed for the 4 terms of the program. Students in both programs take 6 elective credits outside of their program, with students in one program frequently taking courses in the other, thus the rates were aligned in the past year to ensure fairness. Demand for both programs continues to be strong, with students turned away from the MS in Securities Technologies due to full enrollment. A 9.5 percent increase, while substantial, is appropriate for the "guaranteed" tuition model and sustainable for these specialized professional programs.

The proposed increases for the Carlson School programs result in rates that remain competitive with peer programs and reflect strong demand for enrollment. The two full-time programs, Master of Science in Business Analytics (MSBA) and Master of Science in Finance, are one-year programs so there is no impact to current students. For the part-time MSBA program, students are expected to complete the program in two years, and the 2 percent rate increase will have a minimal impact on current students. Student demand for these programs continues to be strong so enrollment is expected to increase for 2018-19.

Amendments to Civil Service Rules

As required by Board of Regents Policy: *Reservation and Delegation of Authority*, the administration seeks approval for amendments to the Civil Service Rules, as included in the docket.

BACKGROUND INFORMATION

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

- General Contingency: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 1.
- Purchase of Goods and Services $1,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6.
- Employment Agreements: *Reservation and Delegation of Authority,* Article I, Section IV, Subd. 1.

- Amendments to Civil Service Rules: *Reservation and Delegation of Authority,* Article I, Section XI, Subd. 2.

General Contingency

Fiscal Year 2017-18

	Recipient	Amount	Balance	Purpose
1	**FY2018 General Contingency**		**$1,000,000**	
2	Carryforward from FY17 to FY18	(265,213)	1,265,213	
3	Balance Adjustment	(350,000)	1,615,213	Reversal of FY17 duplicate transfer, not posted until FY17 carryforward calculated
4	Intercollegiate Athletics	150,000	1,465,213	Enhance security perimeter and screening at TCF Bank Stadium
6	CPPM	163,000	1,302,213	Support for painting and structural repair of Radio K transmitting tower
	CPPM	(544)	1,302,756	Return of unused funds from NCROC boiler replacement
5	**New items this reporting period:**			
	CPPM	(20,377)	1,323,133	Return unused funds from NCROC Forest Biliogy Boiler Replacement
7	**Balance**		**1,323,133**	

* Subject to Board approval due to cost of $250,000 or more

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

To Cardinal Health for an estimated $10,000,000 for the purchase of pharmaceuticals and related supplies for the period of November 1, 2017 through October 31, 2019 for Boynton Health Pharmacy.

The pharmaceuticals purchased by the Boynton Health Pharmacy are used to fill prescriptions for U of M students, staff, dependents and retirees; to stock various clinics at Boynton Health; or wholesaled to other U of M departments.

Cardinal Health was selected through a competitive process led by the State of Minnesota, Department of Administration, Materials Management Division, on behalf of the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). Total MMCAP purchases are over 1 billion dollars annually.

MMCAP has been in existence for over 30 years. Over 5,000 facilities from 47 states participate in this buying group. Because of the large purchasing volume, members are able to get the most advantageous pricing available and next-day delivery for most items, thus enabling prompt service to Boynton's patients and other University departments.

This purchase will be paid for from the sale of prescriptions and other items to patients and from payments by U of M departments for pharmaceuticals.

Submitted by: Pepper N. Meyer, PharmD
Pharmacy Director
Boynton Health Pharmacy
Phone: (612) 624-2193

Approval of the item requested by:

Maggie Towle
MAGGIE TOWLE
Vice Provost for Student Affairs & Dean of Students

9/27/17
Date

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

To CDW Government LLC for an estimated $15,000,000 for Cisco equipment and support as needed for the Office of Information Technology's (OIT) Next Generation Network project, distribution/edge segment, for the period of December 18, 2017 through December 17, 2022.

The proposed purchase of Cisco equipment, software, training, support, and maintenance will provide network distribution and edge switches for all University campuses. The current technology is outdated and is scheduled to become unsupportable in January 2018. This puts the University at operational and security risk for network support. The new distribution and edge switches will provide network support for all campuses. The new distribution switches will provide a 10X increase in interconnection capability. The new edge switches will provide both a 1-gigabit connection to desktops and the possibility of faster speeds. Support for Wi-Fi connectivity will be greatly improved

Through a competitive process, CDWG Government LLC provided the best price and superior product functionality for the contract period. CDWG has offered a substantial discount on switch hardware over the next five years.

The first year purchase of equipment, support, and maintenance is funded through the financing plan for The Next Generation Network project which was reviewed and approved by the Board of Regents in October 2016. Subsequent years' expense will be paid for as part of OIT's annual operating budget.

Submitted by: Douglas Ahlgren
Purchasing, OIT Business Office
1300 South Second Street
Mpls. Campus
Phone: (612) 301-2172
Fax: (612) 625-3521

Approval of this Item is requested by:

Vice President and CIO

11-20-2017
Date

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

To Duluth Transit Authority (DTA) for $2,175,000 for DTA UPass Program for University of Minnesota Duluth Student Life Operations for the period of September 1, 2017 through August 31, 2022.

This agreement provides public transit service in the Duluth/Superior metropolitan area, including the Duluth campus, to UMD students, faculty, and staff at an extremely discounted rate for a period of five (5) years.

The benefits of this agreed upon service include cost savings to students and employees for public transportation, traffic congestion reduction on the UMD campus, lower demand for extremely limited parking spaces on campus, lower need for real property required for motor vehicle parking on campus, and environmental benefits associated with mass transit use.

The Duluth Transit Authority (DTA) is the only provider of public transportation in the Duluth/Superior metropolitan area. The DTA is the designated authority to provide such public transportation in the Duluth/Superior area. Their stated mission is to provide public transit service that is safe, convenient, efficient, and affordable. There is not another supplier that is uniquely qualified to provide this required service.

Agreements with DTA to provide this required service have been in place since September 2000. As each agreement ends, negotiations are entered into for subsequent service and new agreements are then entered into. Negotiations for this new agreement resulted in initial lower annual payments to DTA for additional transit service including two new requested routes servicing the UMD campus. Annual payments do not surpass payments made under the previous agreement until the fourth year of the new contract. The average annual payment made over the five-year contract is less than the annual payment made in the last year of the previous contract.

Secured funds for payments come from multiple sources including the Transportation Sustainability Fee, Auxiliary units, and Coca Cola.

Submitted by: Patrick Keenan, Director of Student Life Operations
UMD, 1208 Kirby Drive, 245 Kirby Plaza
Phone: (218) 726-8741
Fax: (218) 726-7526

Approval for this item requested by:

VP or Exec. VP Name
VP or Exec. VP Title

11.22.17
Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because it was a purchase available only from another governmental agency or public entity. Duluth Transity Authority (DTA) is the only fully comprehensive bus transit system in the Duluth/Superior metropolitan area.

The UPass program offers a commuting alternative to reduce regional traffic and campus congestion by increasing bus ridership and at the same time promoting environmental conservation. The UPass provides students discounted unlimited semester-period bus pass.

Procedures undertaken to ensure reasonableness of price included negotiations resulting in initial lower annual payments to DTA for additional transit service including two new requested routes servicing the UMD campus. Annual payments do not surpass payments made under the previous agreement until the fourth year of the new contract. The average annual payment made over the five-year contract is less than the annual payment made in the last year of the previous contract.

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

To Elsevier, Inc. for an estimated $8,663,000 for subscription to Elsevier ScienceDirect as needed for the University Libraries for the period of January 1, 2018, through December 31, 2020.

Elsevier ScienceDirect is a library database that provides online access to unique digital journal content, of which the University Libraries subscribes to approximately 1,020 journals.

While the primary subject areas covered by Elsevier ScienceDirect are science, technology, and medicine, the resource also provides access to social science and humanities journals published by Elsevier.

Elsevier, Inc. is the only publisher to offer this unique journal content.

University Libraries will purchase these resources on behalf of all the libraries of the University of Minnesota (and accessible to all campuses). The University Libraries will pay approximately $8,393,000; Duluth, Morris and Crookston Libraries will pay $225,000, $30,000, and $15,000, respectively.

This is a three-year license with Elsevier. The first year (2018) will cost an estimated $2,802,532 and increase approximately 3% in 2019 and 2020 totaling the three-year contract at an estimated $8,663,000. The $8,393,000 allotted as payment to Elsevier over the next three years is included in the University Libraries 2018, 2019 and 2020 budget, as well as the 2018, 2019 and 2020 budgets for Duluth, Morris and Crookston Libraries.

Submitted by: Wendy Lougee, University Librarian
499 Wilson
Phone: (612) 624-1807
Fax: (612) 626-9353

Approval for this item requested by:

VP or Exec VP Signature

20 Nov 2017
Date

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

To Mavo Systems and Environmental Plant Services for approximately $2,000,000 for providing Emergency Water Event Services as needed for the Facilities Management Department for the period of January 1, 2018 through December 31, 2019 with possible contract extensions through December 31, 2022 for an additional $3,000,000. Total value of the contract if all options are exercised would be $5,000,000.

The University community requires safe, reliable emergency water event services to maximize the useful life span of buildings flooring, walls, lab equipment, libraries, etc across the entire Twin Cities Campus. Emergency water event services cover assessment, water extraction and drying, repairs, clean-up and other related services. In addition, the contract will create a system wide (Rochester, Duluth, Morris, and Crookston, and Twin Cities) usage of suppliers to create a standardization in Water Event emergency services.

The two contracts are being awarded through a competitive process. The suppliers were selected for Emergency Water event services based on providing the best value (combination of price, work plan, and staffing). The Emergency Water Event Services program has performed exceptionally well over the past four years, providing fast responsive services to any building experiencing unwanted water infiltration. Without quick service during Emergency water events the formation of mold could occur causing large additional financial commitments to restore the building to it's previous status. The University would like to continue this process by issuing contracts for two years with three one year renewal options.

Maintenance and operations of Emergency Water Event services is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget.

Submitted by: Bill Paulus, Facilities Management Associate Vice President
Suite 300 Donhowe Building
Minneapolis Campus
Phone: (612) 626-1091
Fax: (612) 626-0234

Approval for this item requested by:

Mike Berthelsen
Vice President of University Services

11-27-17
Date

Finance & Operations Committee
Consent Report
December 14, 2017

Personnel Appointment

Pending approval by the Board of Regents, **Dr. Jakub Tolar** will be appointed as Dean of the Medical School and Interim Vice President for Health Sciences at the University of Minnesota, effective October 23, 2017.

Position Overview

The *Dean of the Medical School* is responsible for advancing the University's academic, research, and outreach mission in the Medical School, including collaboration between the Twin Cities and Duluth Medical School campuses, the Academic Health Center, the broader University, and affiliated clinical education settings across the state, and overseeing the responsible administration, planning, stewardship, management and accountability of its critical resources. The Dean will also implement strategic and administrative alignment between the Medical School and University of Minnesota Physicians, continue to develop the Medical Discovery Teams and enhanced prominence for the Medical School through research and scholarship, and ensure high quality training for future physicians and scientists.

The *Interim Vice President for Health Sciences* is responsible for leading the University's health sciences agenda, working closely with University of Minnesota Physicians, Medical School leadership, and the health sciences schools and colleges to advance strategic alignment, coordination, and integration and for overseeing the responsible administration, planning, stewardship, management and accountability of critical resources of the Academic Health Center. In addition, the Interim Vice President cultivates strong relationships within the broader University community and with key external stakeholders, including state policymakers, external partners, donors, and chief executive officers of the state's health care systems.

Appointees Background and Qualifications

Dr. Tolar assumed the Dean appointment after serving as Executive Vice Dean of the Medical School. He is a Distinguished McKnight Professor in the Department of Pediatrics, Blood and Marrow Transplantation; Director of the Stem Cell Institute; and the Edmund Wallace Tulloch & Anna Marie Tulloch Chair in Stem Cell Biology, Genetics & Genomics. Dr. Tolar is a member of the graduate faculty of the Microbiology, Immunology and Cancer Biology Program, the Molecular, Cellular, and Developmental Biology and Genetics Program, and the Stem Cell Biology Program. He has a clinical practice through the University of Minnesota Masonic Children's Hospital, and his interests include educating a nd mentoring new physicians. Dr. Tolar is active in many professional societies, and is a strong advocate for cooperation and communication within the clinical and research communities.

Dr. Tolar is an internationally recognized leader in regenerative medicine who has been a faculty member of the University of Minnesota Medical School for 25 years. A dedicated educator, he spans the fields of basic science and clinical medicine and is revered for his dedication to improving human health. His collaborative and engaging approach in working with elected officials, citizens, health care partners, and colleagues within the institution is impressive.

Originally from the Czech Republic, Jakub Tolar received his medical education in Prague at the Charles University. In 1992, he came to the University of Minnesota, where he completed his PhD in Molecular, Cellular & Developmental Biology and Genetics.

Recommended Salary and Appointment Type

Dr. Tolar's annual salary for 2017-18 to be paid by the University is $665,000. He will receive an additional $35,000 for clinical services provided through University of Minnesota Physicians. His appointment as Dean of the Medical School and Interim Vice President for Health Sciences is a 100%-time, A-term (12 month), L-type (limited) appointment, reporting to and serving at the pleasure of the president. The full employment agreement between the University of Minnesota and Dr. Tolar is attached as an exhibit.

Individually Negotiated Terms of Employment or Separation Agreements

In addition to retirement contributions made to the Faculty Retirement Plan, the University will contribute an additional $50,000 annually toward Dr. Tolar's retirement so long as he holds the position of Dean of the Medical School.

Comparable Market Data

Benchmarking with the *Annual Review of Senior Leader Compensation*, which was presented to the Board of Regents in December 2016, shows comparative base salary data* among University of Minnesota peers for the position of Dean of the Medical School and Vice President for Health Sciences:

25th percentile – $414,200
50th percentile – $733,900
75th percentile – $894,300

President's Recommendation

The president recommends the appointment of Dr. Jakub Tolar to the position of Dean of the Medical School and Interim Vice President for Health Sciences

*salary data taken from the 9th payroll of fiscal year 2017

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 19 day of October, 2017, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Dr. Jakub Tolar ("Dr. Tolar" or "you").

WHEREAS, the University wishes to employ Dr. Tolar as the Dean of the Medical School and Interim Vice President for Health Sciences and Dr. Tolar wishes to accept employment as Dean of the Medical School and Interim Vice President for Health Sciences;

WHEREAS, this Employment Agreement is subject to the approval of the Board of Regents of the University of Minnesota and the completion of a background check satisfactory to the University;

THEREFORE, the University and Dr. Tolar agree as follows, subject to the approval of the Board of Regents:

I. EMPLOYMENT TERM AND DUTIES

Subject to the terms and conditions of this Agreement and University Policies and Procedures, the University appoints Dr. Tolar as the Dean of the Medical School and Interim Vice President for Health Sciences and he agrees to be so employed by the University for a term commencing on October 23, 2017, and continuing up to October 23, 2020. The Dean of the Medical School and Interim Vice President for Health Sciences is a 100 percent time, 12-month, L appointment in the professional and academic personnel classification who serves as an at will employee at the pleasure of the President. As such, you report to the President and your appointment may be terminated at any time without advance notification.

II. DUTIES

During the term of your employment as Dean of the Medical School and Interim Vice President for Health Sciences you will diligently and conscientiously devote your full-time attention and best efforts in performing and discharging the duties of Dean of the Medical School and Interim Vice President for Health Sciences as they are set forth in the job description for this position including, but not limited to, the following duties:

A. Advance the University's academic, research, and outreach mission in the Medical School, including collaboration between the Twin Cities and Duluth Medical School campuses, the Academic Health Center, the broader University, and affiliated clinical education settings across the state;

B. Oversee the responsible administration, planning, stewardship, management and accountability of capital, human, fiscal and other critical resources of the Medical School, providing leadership in securing adequate resources and support for the school through philanthropy and public and private partnerships;

C. Supervise the staff, responsibilities, and operations of the offices of the Dean of the Medical School;

D. Implement strategic and administrative alignment between the Medical School and University of Minnesota Physicians;

E. Continue to develop the Medical Discovery Teams and enhanced prominence for the Medical School through research and scholarship;

F. Ensure high quality training for future physicians and scientists;

G. Oversee the responsible administration, planning, stewardship, management and accountability of capital, human, fiscal and other critical resources of the Academic Health Center;

H. Supervise the staff, responsibilities, and operations of the offices of the Interim Vice President for Health Sciences, and of those units that report to you;

I. Lead the University's health sciences agenda, working closely with University of Minnesota Physicians, Medical School leadership, and the health sciences schools and colleges to advance strategic alignment, coordination, and integration; work with senior academic and administrative leadership to ensure the growth, quality, and impact of the health sciences; and play a key role in negotiating partnerships with Fairview Health Services, Children's of Minnesota, and other systems and practices;

J. Cultivate strong relationships within the broader University community and with key external stakeholders, including state policymakers, external partners, donors, and chief executive officers of the state's health care systems, and represent the University and those units that report to you in a positive fashion in private and public forums; and

K. Perform such other duties as related to your employment position and assigned to you by your appointing authority.

III. PERFORMANCE

In accordance with University Policy, you will receive regular annual performance evaluations as well as a broader systemic review of your performance no later than the end of your third year in the position.

IV. COMPENSATION

A. Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall pay you an annual salary of Six Hundred and Sixty Five Thousand, and No/100 Dollars ($665,000). You will also receive an additional Thirty Five Thousand and No/100 ($35,000) for clinical services provided through University of Minnesota Physicians.

B. All base salary shall be paid in accordance with the University's regular payroll procedures for Professional and Administrative employees and shall be subject to withholding for applicable federal and state income taxes, federal social security taxes, and other applicable taxes and deductions.

C. In accordance with University Policies and Procedures, you shall be eligible for annual salary increases based upon the evaluation of the appointing authority or his/her designee.

D. The base salary is subject to furloughs, pay freezes, salary reductions, or other adjustments to the same extent they are required of other employees of the University.

V. SUPPLEMENTAL RETIREMENT

As part of this appointment, you will participate in the University of Minnesota Faculty Retirement Plan. In addition to retirement contributions made to the Faculty Retirement Plan, the University will contribute an additional $50,000 annually toward your retirement so long as you hold the position of Dean of the Medical School. Each annual amount will vest on June 30th of each year, beginning in 2018. The University will deposit these funds each year on the vesting date (or such business day immediately following the vesting date) to the University of Minnesota Optional Retirement Plan or, to the extent such contribution exceeds contribution limits for such plan, to the University of Minnesota 415(m) Retirement Plan.

VI. BENEFITS

The University shall provide you with a benefits program as provided generally for its Professional and Administrative employees as described in its Policies and Procedures (http://www.umn.edu/ohr/benefits/summary/). These programs shall be subject to amendments and modifications by the University.

VII. SEPARATION

A. Your appointment as Dean of the Medical School and Interim Vice President for Health Sciences is an L appointment which means you serve at the pleasure of your appointing authority. Your appointment may be terminated without any required notice period.

B. In the event you are separated from your administrative position, you may be eligible for certain benefits provided by the University, in accordance with University policy. Any exception from or waiver of University policy related to your separation must be approved by the Board of Regents.

C. As a faculty member, at the end of an administrative appointment, you may return to the faculty at your academic and clinical salary.

VIII. UNIVERSITY POLICIES AND GENERAL CONDITIONS

A. Your appointment is subject to the University's policies and procedures that govern your position (http://policy.umn.edu/), which may be amended from time to time.

B. **Amendment.** Any amendment to this Agreement shall be in writing executed and delivered by the parties.

C. **Parties In Interest/Assignment.** This Agreement shall be binding upon and the benefits and obligations provided for herein shall inure to the parties hereto and their respective heirs, legal representatives, successors, assigns, transferees, or donees, as the case may be. No portion of this Agreement shall be assignable without the prior written consent of the other party.

D. **Effect of Prior Agreements.** This Agreement is intended by the parties as the final and binding expression of their contract and agreement and as the complete and exclusive statement of the terms thereof. This Agreement supersedes and revokes all prior negotiations, representations, and agreements, whether oral or written, relating to the subject matter hereof.

E. **Enforceability.** If any provision contained herein shall be deemed or declared unenforceable, invalid, or void, the same shall not impair any of the other provisions contained herein, which shall be enforced in accordance with their respective terms.

F. **Construction.** The headings preceding and labeling the sections of this Agreement are for the purpose of identification only and shall not in any event be employed or used for the purpose of construction or interpretation of any portion of this Agreement. No waiver by any party of any default or nonperformance hereunder shall be deemed a waiver of any subsequent default or nonperformance. As used herein and where necessary, the singular shall include the plural and vice versa, and masculine, feminine, and neuter expressions shall be interchangeable.

IX. BOARD OF REGENTS APPROVAL

This agreement is subject to the approval of the Board of Regents and a background check that is satisfactory to the University.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first shown above.

By: TOLAR
Jakub Tolar

REGENTS OF THE UNIVERSITY OF MINNESOTA

By: EKaler
Eric W. Kaler
President

Approved as to Form and Execution

By: _____
Douglas Peterson
General Counsel

Finance & Operations Committee
Consent Report - REVISED
December 14, 2017

Amendments to Employment Agreement

Pending approval by the Board of Regents, P.J. Fleck's employment agreement as Head Football Coach, University of Minnesota, Twin Cities, will be amended with two separate amendments.

Position Overview

Head football coach is a leadership position reporting directly to the deputy athletics director and athletics director. The head football coach must be adept at building and maintaining a football program of more than 100 students and dozens of staff that achieves at high levels academically, athletically and socially. As the most visible head coach among the more than 20 head coaches within Intercollegiate Athletics (ICA), the head football coach must also be a strong collaborator, working with ICA staff and campus leadership as an advocate for the football program and to advance the missions of ICA and the University.

It is expected the head football coach will oversee all aspects of the football program and its operations. These expectations include:

- developing and maintaining a competitive intercollegiate football program within the NCAA and Big Ten Conference;
- leading the recruitment/hiring, goal setting, coaching and performance review of all football staff;
- instructing and teaching student-athletes in fundamentals of football technique and strategy;
- directing all aspects of football staff in recruiting, practice and game competitions;
- planning and executing practice and competition plans, including the evaluation of opponents;
- evaluating and recruiting qualified student-athletes to the University of Minnesota whose athletic skills make them highly competitive in the Big Ten and whose academic abilities make them good candidates for a meaningful academic experience and graduation from the University of Minnesota;
- performing significant administrative responsibilities, including budget planning and management, scheduling of competitions and planning and executing team travel;
- providing opportunities for student-athletes to develop life and leadership skills;
- assisting in monitoring the academic performance of student-athletes to help them achieve full potential;
- establishing and maintaining effective relationships within the athletics department, the University, community, booster clubs, alumni, high school coaches, media and the general public;
- assisting with departmental or University fund raising and public relations;

- representing the football program in fulfilling contacts with or requests from, the news media, including appearances on radio and television;
- assisting in advancing the department's mission, vision, and strategic plan, including its commitment to equity and diversity;
- adhering to all rules and regulations of the department, the University, the Big Ten Conference, and the NCAA; and,
- representing in a positive fashion the University and its athletic programs in private and public forums.

Appointee Background and Qualifications

P.J. Fleck joined the University of Minnesota from Western Michigan University last January. Coach Fleck served as head football coach at WMU the previous four seasons, a time during which he engineered a historic turnaround on the field, from a 1-11 season in his first year to a 13-1 finish in his last. Coach Fleck's Broncos won the Mid-American Conference (MAC) championship for the first time in 29 years, advanced to the Cotton Bowl (one of major college football's prestigious "New Year's Six" bowl games) and finished the season ranked No. 12 in the country. Coach Fleck was twice named MAC Coach of the Year (2014, '16) while at WMU, compiling a 30-22 overall record.

Off the field, Coach Fleck's Broncos set new program records for MAC Distinguished Scholar Athletes (seven selected his final season) and Academic All-MAC honorees (16 in his final season). He inherited a program that had a collective GPA below 3.0 and helped his students elevate that to a 3.14 in his last semester at Western Michigan. His teams were also noted for their involvement in the community.

The success in the classroom and in the community that Coach Fleck oversaw at WMU followed him during his first year at Minnesota. The Gopher football program posted its best single-semester GPA on record in Spring 2017, and followed with its best summer-term GPA on record. In the community, Gopher football students were highly active, regularly visiting Masonic Children's Hospital, local food shelves and soup kitchens, and organizing several charity drives (canned foods and diapers in the spring, turkeys/food around Thanksgiving).

In competition, Coach Fleck's team went 5-7 last season, the most wins for a first-year head coach new to the program since Murray Warmath won seven games in 1954. The team's Big Ten victories included a win on Homecoming against Illinois, and the program's most lopsided win over Nebraska in 72 years, a game in which the Gophers scored their most points against a conference opponent since 2006. In non-conference competition, Coach Fleck's Gophers earned the largest road win for the program in more than a decade in their victory at Oregon State. In all, Minnesota won three games by 30 or more points, something that had not happen for the Gophers since 2005.

Background Information

Coach Fleck's initial employment agreement as head football coach went into effect on February 2, 2017. The proposed amendments would be the first and second amendments to that initial employment agreement.

Summary of Amendments to the Employment Agreement

First Amendment

The first amendment would add one year to Coach Fleck's existing employment agreement with the University. Salary considerations in this amendment reflect those from the initial agreement. Coach Fleck will continue to receive approximately $1 million annually in base pay, plus $2.5 million annually supplemental pay. In his original agreement, his base pay was scheduled to increase by $50,000/year, and that would continue into the 2022 season under this new amendment. When factoring in this $50,000/year increase, his base salary would be $1.25 million for the 2022 season.

The only other financial considerations from the first amendment is that is re-establishes the initial termination payments due to either party should the other end the agreement early and without just cause. Those amounts, which would be less any prorating related to the exact date of termination, are as follows:

Coach Fleck terminates agreement with University

- During 2018 calendar year: $5 million
- During 2019 calendar year: $4 million
- During 2020 calendar year: $3 million
- During 2021 calendar year: $2 million
- During 2022 calendar year: $1 million

University terminates agreement with Coach Fleck

- During 2018 calendar year: $12.5 million
- During 2019 calendar year: $9 million
- During 2020 calendar year: $5.5 million
- During 2021 calendar year: $3 million
- During 2022 calendar year: $1.5 million

Please note that the first amendment preserves the mitigation clause in the event of the University choosing to terminate the initial agreement.

Second Amendment

The second amendment to the employment agreement replaces paragraph 2.9, which deals with private aircraft use. The proposed language stipulates that private aircraft use shall not exceed sixty hours in any one fiscal year unless fund-raised dollars ear-marked for recruiting expenses are used to cover the costs of additional private flights, subject to approval by the Athletic Director.

The second amendment is submitted unsigned as the language was only recently finalized and therefore not included in the first amendment. The amendment will be signed upon approval by the Board of Regents.

Comparable Market Data

Coach Fleck's average salary (base plus supplement) over the next five years should this amendment be approved would be $3.65 million per year, with $3.55 million scheduled for this coming season (2018). Compared against the current pay of head football coaches across the Big Ten, Coach Fleck will rank around eighth in compensation among the conference's 14 head coaches in 2018.

Please note, it is very probable given the trend of rising head football coach salaries that other programs paying their coaches less at this time will be paying more by 2022 – whether that is to retain a successful coach or hire a new coach. It is highly unlikely that this contract's $3.65 million average, per year annual salary (base plus supplemental) will remain the eighth-highest head football coach salary in the Big Ten by 2022.

Recommendation

The president recommends approval of the first and second amendments to the employment agreement for P.J. Fleck as Head Football Coach, University of Minnesota, Twin Cities.

AMENDMENT TO EMPLOYMENT AGREEMENT

This is a contractual amendment to the Employment Agreement between the University of Minnesota ("University"), on behalf of its Department of Intercollegiate Athletics on the Twin Cities campus ("Department"), and Philip John Fleck ("Coach"), dated February 2, 2017 ("Employment Agreement"). The University and Coach do now mutually desire to amend certain terms of the Employment Agreement by entering in to this amendment ("Amendment"), effective November 21, 2017.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment, and such other good and valuable consideration the receipt and sufficiency of which the parties hereby acknowledge, the parties agree to amend their Employment Agreement, subject to formal approval of the University's Board of Regents, as follows:

1. **Paragraph 1.1 is deleted and replaced with the following:**

   1.1 Term. Subject to the terms and conditions of this Agreement, the University hereby employs Coach as head coach of the Team, and Coach agrees to be so employed by the University, for a term commencing on January 6, 2017, and ending on January 31, 2023 ("Term of Employment").

2. **Paragraph 3.2.1 is deleted and replaced with the following:**

   3.2.1. The University may terminate this Agreement at any time without cause upon thirty (30) days written notice to Coach. In such event, the University shall pay Coach a Termination Fee equal to the following cumulative amounts for each calendar year remaining on the contract, as follows: three million five hundred thousand dollars ($3,500,000) for calendar year January 1, 2018, to December 31, 2018; three million five hundred thousand dollars ($3,500,000) for calendar year January 1, 2019, to December 31, 2019; two million five hundred thousand dollars ($2,500,000) for calendar year January 1, 2020, to December 31, 2020; one million five hundred thousand dollars ($1,500,000) for calendar year January 1, 2021, to December 31, 2021; and one million five hundred thousand dollars ($1,500,000) for calendar year January 1, 2022, to December 31, 2022. It is understood by both parties that any partial year remaining at the time of termination will be prorated. For example, if the termination occurred on December 31, 2019, the payment would be five million five hundred thousand dollars ($5,500,000); or if the termination occurred half-way through the 2020 calendar year, the payment would be four million two hundred fifty thousand dollars ($4,250,000), i.e., one million two hundred fifty thousand dollars ($1,250,000) for the remainder of that

calendar year, and one million five hundred thousand dollars ($1,500,000) for each of the remaining two calendar years.

3. **Except as expressly provided in this Amendment, each and every term and condition of the Employment Agreement shall remain unchanged.**

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be effective as of the date first shown above.

Date: 11-21-17

Philip John Fleck
Head Coach for Football

REGENTS OF THE UNIVERSITY OF MINNESOTA

Date: 11/21/17

By: _____
Eric Kaler
President

Recommended for Approval:

Date: 11/21/17

By: Mark Coyle
Mark Coyle, Director
Intercollegiate Athletics

Approved as to Form and Execution:

Date: November 22, 2017

By: _____
Douglas Peterson
General Counsel

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This is a second contractual amendment to the Employment Agreement between the University of Minnesota ("University"), on behalf of its Department of Intercollegiate Athletics on the Twin Cities campus ("Department"), and Philip John Fleck ("Coach"), dated February 2, 2017 ("Employment Agreement"), as previously amended effective November 21, 2017 ("First Amendment"). The University and Coach do now mutually desire to further amend certain terms of the Employment Agreement by entering in to this second amendment ("Second Amendment"), effective _____, 2017.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Second Amendment, and such other good and valuable consideration the receipt and sufficiency of which the parties hereby acknowledge, the parties agree to amend their Employment Agreement as follows:

1. **Paragraph 2.9 is deleted and replaced with the following:**

   2.9. Private Aircraft Use. Subject to availability, the University agrees to fly Coach by private (non-commercial) aircraft when Coach is making recruiting visits and for other, mutually agreed upon University business that is located more than two hundred (200) miles from the Twin Cities campus. Coach's use of such private aircraft shall not exceed sixty (60) hours (including dead-head legs) in any one fiscal year, unless fund-raised dollars (enhancement funds) ear-marked for recruiting expenses are used to cover costs of additional private flights. Any use beyond the sixty (60) hours threshold is subject to approval by the Athletic Director, which can be withheld at the University's sole discretion.

2. **Except as expressly provided in this Amendment, each and every term and condition of the Employment Agreement shall remain unchanged.**

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be effective as of the date first shown above.

Date:_____ _____

Philip John Fleck
Head Coach for Football

REGENTS OF THE UNIVERSITY OF MINNESOTA

Date:_____ By:_____

Eric Kaler
President

Recommended for Approval:

Date:_____ By:_____

Mark Coyle, Director
Intercollegiate Athletics

Approved as to Form and Execution:

Date:_____ By:_____

Douglas Peterson
General Counsel

2017 Civil Service Employment Rules - Proposed Amendments

Revised: October 30, 2017

Amendment #1. The Classification Plan is now referred to as Position Classification Process and references to Job Evaluations Questionnaires (JRQ/JEQ) are updated to the current process and renumbering of the section.

4.1 ~~Preparation of the~~ Position Classification ~~Plan~~
The Vice President shall classify all Civil Service positions ~~in the University Civil Service System~~ according to the nature and scope ~~difficulties~~ of duties and responsibilities assigned to and performed by the employees appointed to such positions and shall assign to each position a classification title, number, and salary range.

4.2 ~~Job Evaluation Questionnaires~~ Position Classification Process
4.2.1 Employees may submit, through supervisory and administrative channels, ~~properly completed~~ updated Position Descriptions ~~job evaluation questionnaires~~ when changes in the tasks, duties, and responsibilities of their position have occurred due to reorganization of work, staffing requirements, ~~or~~ technology, or when they believe their positions are inappropriately classified.

4.2.2 A ~~reclassification~~ review of any position can result in no change, a promotion, demotion, or change to a different classification which does not constitute a promotion~~,~~ or demotion ~~(see definitions); or no change in classification~~. No probation is required after a reclassification unless requested by the supervisor and approved by the Vice President.

4.2.3 The reclassification of any position shall be made effective on the first day of the payroll period after the employee submits a signed and dated ~~JRQ/JEQ~~ Classification Review Request form, which includes an updated Position Description, to their immediate supervisor.

4.2.4 Reclassifications resulting in a demotion and reduction in salary will be made effective the first payroll period following notification of the decision by the Office of Human Resources.

4.2.5 The ~~questionnaire~~ Position Description shall be forwarded for review and classification ~~signature~~ within ~~periods of no more than five work~~ seven calendar days to each designated administrative level starting with the immediate supervisor and ending with the appropriate human resources office~~. Copies of the completed questionnaire will be sent to the employee and the responsible administrator when a final version of the questionnaire has been determined.~~

4.2.6 A supervisor cannot change, or require the employee to change, the employee's content within the Position Description. ~~responses on the questionnaire~~ However, managers are able to provide, either verbally or in writing, any differing opinions about the employee's job duties.

4.2.7 The Office of Human Resources ~~appropriate human resources office~~ shall make a determination on the classification ~~rule on the requested reclassification~~ within ~~25 workdays~~ 35 calendar days after receiving the Position Description ~~questionnaire~~ and shall convey the decision in writing to the employee and the responsible administrator, who is expected to implement the decision ~~comply with the ruling~~.

4.2.8 The decision of the Office of Human Resources ~~appropriate human resources office's decision~~ may be appealed by the employee within 21 ~~45~~ calendar days after receiving the decision. Appeals must be made in writing to the Office of Human Resources and a facilitated discussion will be scheduled to review the classification and come to a final decision. ~~Consultative Committee. Please refer to the classification appeal process found here: http://www1.umn.edu/csc/csdocuments/Final-JEQ-JRQ-Appeal-Proc.pdf.~~

~~4.3 Periodic Surveys~~ Manager-Initiated Reclassification Reviews

4.3.1 An administrator or supervisor initiates a review of a Civil Service position within a unit by completing a ~~Periodic Survey~~ Classification Review Request form, which includes an updated Position Description. Reclassifications resulting from the ~~Periodic Survey~~ Manager-Initiated Reclassification Review ~~will become~~ shall be made effective on the first day of the pay period mutually agreed to by the appropriate human resources office and the administrative unit~~,~~ and will be specified in writing.

4.3.2 The decision of the ~~appropriate human resources office~~ Office of Human Resources may be appealed by the manager and/or employee within 21 ~~45~~ calendar days after receiving the decision. Appeals must be made in writing to the ~~Consultative Committee~~ Office of Human Resources and a facilitated discussion will be scheduled to review the classification and come to a final decision.

4.4 Maintenance of ~~the~~ Classifications ~~Plan~~

4.4.1 The creation of new job classifications, the elimination of obsolete ones, and changes in titles or pay ranges of existing classifications shall be recommended by the Vice President for review by the Consultative Committee and approved by the University administration.

~~4.4.2 In cases of emergency, the Vice President may establish a job classification on a provisional basis, assign it to an appropriate salary range, and approve the appointment of individuals to positions in the classification until the classification and salary range can be reviewed by the Consultative Committee and approved by the University administration.~~

~~5.2 Salary Range Changes~~

~~5.2.1 The Vice President shall consider all written requests for changes in salary ranges from employees, supervisors, and responsible administrators. The Vice President shall notify all affected parties of the decision for or against a change. The Consultative Committee shall review and the Vice President shall approve any proposed recommendations regarding salary range changes. Salary increases commensurate with the amount of the range adjustment shall be given to employees in job classifications that are affected, except where documented performance or documented funding considerations warrant withholding part or all of the increase or where such range adjustments are made for administrative purposes to improve the salary structure.~~

~~5.2.2 The Vice President's decision may be appealed by the employee within 45 calendar days after receiving the decision. Appeals must be made in writing to the Consultative Committee.~~

Amendment #2. Rule 5.3.2 Compensation Policies references Rule 6.6 and there is no Rule 6.6. Also, section requires renumbering due to 5.2 removal in amendment 1.

~~5.3~~ 5.2 Compensation Policies

~~5.3.1~~ 5.2.1 The Vice President shall establish compensation policies for the regulation of salary increases, hiring rates, on-call rates, augmentation rates, in-range adjustments, outstanding achievement awards, and salary changes in cases of promotion, demotion, transfer, reinstatement, shift differential, and return from

leaves of absence. Administrative units have full managerial discretion within the framework of the policies except for the following:

~~5.3.2~~ 5.2.2 No one can be hired above or below a salary range, except that trainees must be hired below the salary range (Rule ~~6.6~~ 6.5.2)

~~5.3.3~~ 5.2.3 Promoted employees (see ~~"Definitions"~~ and Rule 4) must receive a minimum salary increase of four percent unless that increase would:
a) place the salary below the minimum salary or
b) place the salary over the maximum of the range of the higher level classification.

~~5.3.3.1~~ 5.2.3.1 If the minimum increase of four percent does not bring the salary to the minimum salary of the higher classification, then the employee must receive whatever percent increase is necessary to reach the new base.

~~5.3.3.2~~ 5.2.3.2 If the four percent increase places the salary over the maximum, then the employee's salary shall be set at the maximum of the range of the higher level classification.

~~5.3.4~~ 5.2.4 Employees who have been demoted and who have:
1) not experienced reductions in salary as a result of the demotions, and
2) who are subsequently promoted to classifications at or below their former salary ranges (but not below the minimum salary of the classifications in which they have been promoted), shall not receive a promotional salary increase without the approval of the Vice President.

~~5.3.4.1~~ 5.2.4.1 If, however, the employees' salaries are below the minimum salary of the classifications to which the employees have been promoted, the employees must receive the minimum salary of the higher classification (see ~~"Definitions" and~~ Rule 4).

~~5.3.5~~ 5.2.5 An employee who is demoted (see ~~"Definitions"~~ and Rule 4) shall be paid at or below the maximum of the salary ranges for the job classification into which the employee is being demoted. Depending upon administrative unit discretion, the salaries within the range after demotion should reflect the employee's experience and performance. The salary may not, however, exceed the employee's salary before the demotion.

~~5.3.6~~ 5.2.6 Employees who transfer ~~(see "Definitions")~~ may receive an increase in salary over their former salary. If the beginning rate for the new position is higher than the rate the employee was at in the former position, the employee's salary shall move to the beginning rate for the new classification. Conversely, if the employee's salary in the former position exceeds the maximum of the range for the new position, the employee's salary must be decreased to the maximum of the range for the new position.

~~5.3.7~~ 5.2.7 Employees returning from unpaid leaves of absence shall be compensated at the same rate of pay they received when the leaves commenced plus any non-discretionary increases which became effective during the time of the leaves. For increases requiring a specific length of service in order to be eligible for consideration, the period of the leave of absence is not counted toward eligibility. However, if employees gain additional experience or education that is relevant to their work during the leaves of absence, the time of the leaves may, at the administrative unit's discretion, be counted toward eligibility for discretionary increases.

~~5.3.8~~ 5.2.8 Employees shall receive on-call ~~(see definition)~~ and augmentation pay, as provided for by University policy (see OHR web site and refer to Civil Service pay plan). Employees shall also be provided with off-cycle checks under the circumstances specified by University policy.

~~5.3.9~~ 5.2.9 An employee who performs work in a higher classification for longer than five consecutive workdays shall receive a temporary salary augmentation during the remainder of the time the employee works out-of-class. The augmentation must be a minimum of four percent of the employee's current hourly rate, or the percent of the employee's current hourly rate necessary to reach the minimum rate of the higher classification, whichever is greater. Any overtime shall include the augmentation. If the responsibilities of the higher classification become permanent duties of the employee, that employee has the right to submit an updated Position Description for possible reclassification ~~a job a JEQ/JRQ questionnaire~~.

Amendment #3. Vacation accruals

Information for Civil Service Employees regarding the Changes to Rule 11 Vacation from Patti Dion, Office of Human Resources.

The Office of Human Resources is proposing changes to Civil Service Rule 11, Vacation.

1. The current rules provide for employees to move to a higher vacation earning rate when they reach higher years of service: 6, 9, 13, 21, 26 and 31 years of service. The rules currently define a year of service as 2080 hours. The rule change would define a year of service as a 12-month period of time. No employee will be negatively impacted and some employees will move more quickly to higher levels of vacation earnings.
   This change positively impacts
   - All employees who earn vacation and take an unpaid leave of absence.
   - Part-time employees (those working between 50%-99%).
   - All employees who are 50% - 100% and have 9-month, 10-month or 11-month appointments.
   - The unpaid time will now count toward the years of service.

2. With the move to PeopleSoft 9.2, use of leave is rounded to the nearest quarter hour rather than a tenth of an hour. This means that employees will not have any vacation and sick leave deducted from their bank until they report 8 minutes. When they report 8 to 15 minutes they will have 15 minutes deducted.

3. Language is updated to direct employees to the MyU to see their vacation and sick leave balances without requesting reports.

4. The University no longer has regular work schedule of 5 ½ or 6 day work weeks. So the language is no longer relevant.

5. Renumbering the rules.

PROPOSED RULE CHANGES

11.2.3 Use of vacation leave, sick leave, and accumulated overtime or holiday leave shall be charged in units of one ~~tenth~~ quarter hour rounded to the nearest ~~tenth~~ quarter hour.

11.2.4 When eligible, an employee shall earn vacation and sick leave during a paid leave of absence.

11.2.5 ~~Employees have the right to receive from their administrative unit a report of their vacation and sick leave accumulations.~~ Employees can access their vacation and sick leave accumulations on MyU at https://www.myu.umn.edu,

11.3 Vacation

General Provisions for Vacation Leave

11.3.1 Full- and part-time Civil Service employees on continuing or temporary appointments who are employed in one administrative unit on a prearranged and assigned schedule of 50 percent time or more shall earn vacation with pay at the following rates:

Vacation accrual based upon straight time paid work hour
*Accrual rate does not include V-classification and/or sick leave accumulation credit

Years of University Service	**Minutes of vacation leave earned per straight-time paid work hour**	***Accrual rate**	***Vacation leave earned per pay period if you work 40 hours/week**	***Days of vacation earned per year based upon 26 pay periods of full-time employment**
0-5	3.000 minutes	.05	4.0 hours	13 days
5+ to 8	3.750 minutes	.0625	5.0 hours	16.25 days
8+ to 12	5.250 minutes	.0875	7.0 hours	22.75 days
12+ to 20	5.650 minutes	.094167	7.53 hours	24.483 days
20+ to 25	6.000 minutes	.10	8.0 hours	26 days
25+ to 30	6.375 minutes	.10625	8.5 hours	27.625 days
30+ or more	6.750 minutes	.1125	9.0 hours	29.25 days

a. ~~3.00 minutes of vacation leave accumulation for each straight-time paid work hour during the first 10,400 hours of continuous service (equivalent to five years of full-time employment);~~
b. ~~3.75 minutes of vacation leave accumulation for each straight-time paid work hour from 10,401 through 16,640 hours of continuous service (equivalent to six through eight years of full-time employment);~~.
c. ~~5.25 minutes of vacation leave accumulation for each straight-time paid work hour from 16,641 through 24,960 hours of continuous service (equivalent to nine through twelve years of full-time employment);~~
d. ~~5.65 minutes of vacation leave accumulation for each straight-time paid work hour from 24,961 through 41,600 hours of continuous service (equivalent to 13 through 20 years of full-time employment);~~
e. ~~6.00 minutes of vacation leave accumulation for each straight-time paid work hour from 41, 601 through 52,000 hours of continuous service (equivalent to 21 through 25 years of full-time employment);~~
f. ~~6.375 minutes of vacation leave accumulation for each straight-time paid work hour from 52,001 through 62,400 hours of continuous service (equivalent to 26 through 30 years of full-time employment); and~~
g. ~~6.75 minutes of vacation leave accumulation for each straight-time paid work hour for more than 62,401 hours of continuous service (equivalent to 31 years of full-time employment).~~

11.3.2 ~~A year of continuous service shall consist of 2,080 straight-time paid work hours.~~ Years of employment is based upon the employee's anniversary hire date. If there is a gap in employment, years of employment is based upon the accumulated time of service.

11.3.3 Vacation leave accumulated for any one pay period becomes available for use during the same pay period.

11.3.4 When eligibility for a higher vacation accumulation rate occurs within a pay period, the extra vacation allowance starts the following pay period.

~~11.3.5 Employees who at the University's request regularly work a five and one-half or six-day week shall earn an extra .75 minutes per straight-time paid work hour of employment~~.

~~11.3.6 Each year of continuous employment shall be extended by adding to such periods the number of workdays the employee has been absent without pay.~~

~~11.3.7~~ 11.3.5 Employees may request vacation time subject to the convenience of the administrative unit concerned. Within an administrative unit, choice of available vacation time shall be determined by unit seniority.

~~11.3.8~~ 11.3.6 If an employee must be called in to work while on approved vacation leave, the employee must be paid one and one- half times that employee's regular rate for the hours worked.

~~11.3.9~~ 11.3.7 Full-time employees in those supervisory and professional classes of work designated by V after the job classification number shall accumulate an additional 1.385 minutes of vacation time (in lieu of overtime) for each straight-time paid hour of service.

~~11.3.10~~ 11.3.8 Part time employees in V-classifications will be paid straight time hours for all hours worked above their percent appointment up to a maximum of 40 hours per week. If the employee works more than 40 hours per week, they will be compensated in pay or compensatory time at time and one-half pay for all hours worked over 40.

~~11.3.11~~ 11.3.9 The maximum amount of accumulated vacation time may not exceed the amount of vacation time that may be earned within two work years.

Amendment #4. Remove gendered terms.

7.6.8 If the prior position was a temporary position the employee held for more than two years, there will be right of return; but if the prior position is now on temporary status, the employee will lose ~~his or her~~ continuing status upon return to that position. The employee shall notify the responsible administrator in charge of the prior position of intent to return to the prior position by the termination date of the currently held probationary position, and return to the prior position shall be within 10 workdays after notification. If the employee does not choose to return to the prior position under these circumstances, there will be right of placement on the layoff list provided the employee notifies the prior appropriate human resources office by the termination date of the probationary position of intent to be placed on the layoff list.

11.4.3 Any employee who is about to lose vacation because ~~he/she has~~ they have been denied a vacation request made in accordance with an administrative unit's leave policy and will reach the maximum accumulation, shall be entitled to take up to one week of vacation to prevent loss of vacation earned upon advance notice of seven (7) calendar days to their supervisor, or shall be allowed to cash out up to (1) one week of vacation earnings based upon percent time of appointment.

Definitions:
Bumping. Seniority-based process by which one employee may take the job of another in order to avoid layoff. A Civil Service employee may bump only within ~~his/her~~ their own seniority unit.

Amendment #5. Reference to sexual harassment changed to sexual misconduct and definition of sexual harassment removed. The Board of Regents policy will supercede the CS Rules. The Administrative Policy and Board of Regents Policy are proposed to be changed to: Sexual Harassment, Sexual Assault, Stalking and Relationship Violence. If the board approves the policy in October, both policies will undergo the 30-day posting period and become effective on or before January 1.

Definitions:

~~Sexual harassment. Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitutes sexual harassment when: (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment or academic advancement; (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions or academic decisions affecting such individual; (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work or academic performance or creating an intimidating, hostile, or offensive working or academic environment.~~

13.1.2 Supervisors must make a record of disciplinary action except for oral warnings, with a copy to the official personnel file and a copy to the employee. Disciplinary actions entered into an employee's Human Resources file shall be removed from departmental files after one calendar year, if no further disciplinary actions have been taken during that year. Records of suspension shall be retained in the official personnel file for eighteen (18) months, with the exception of suspensions for issues related to sexual or racial ~~harassment~~,misconduct which shall be retained in the employee's official personnel file for five (5) years; and physical abuse or violence which shall remain in the employee's official personnel file with the totality of the circumstances retained.

Amendment #6: Voting language change to reference Minnesota Statute.

11.10 Leaves of Absence With Pay
11.10.1 Upon request an employee shall be granted a leave of absence with pay for:
11.10.1.1 service on a jury provided the employee is regularly employed at a designated percentage of time of 50 percent or more. An employee serving on a jury is expected to report for work during any work hours when the jury is recessed. The employee may be requested to render some additional services to the administrative unit in order to minimize the interruption of service caused by this absence.

11.10.1.2 voting in any state-wide general or state-wide primary election, or in an election to fill a vacancy in the office of U.S. President, U.S. Senator or U.S. Representative during the election day pursuant to Minnesota Statute 204C.04.

Amendment #7: Clarify use of sick leave for University Wellbeing Program

11.5.12 Accumulated sick leave of up to 16 hours per year can be used by an employee to participate in a personal health maintenance program and/or University Wellbeing Program activity (e.g., weight control, stress management, stop smoking, biometric screening). An acceptable program is one which is sponsored by, offered by, or accepted by health, medical and fitness/wellness professionals as a health maintenance program and/or an activity of the University Wellbeing Program. Supervisory approval is needed to schedule sick leave for such purposes.

Amendment #8: Housekeeping to update language for new business process of posting to the website and reference location for finding the information rather than links that can expire or change.

1.3.2 Public hearings are required before Rules amendments are proposed to the President. Notice of intention to amend the Rules specifying the date, hour, and place of the hearings shall be published ~~in campus publications~~ on the University Senate website and the Office of Human Resources website not less than 14 days before said hearing.

1.3.3 Proposed revisions will be made available at least seven days before the public hearings on the on the University Senate website and the Office of Human Resources website not less than 14 days before said hearing. ~~Office of Human Resources worldwide web home page currently at http://humanresources.umn.edu/ or through the Office of Human Resources~~

Amendment #9: For clarity, add a reference to the Definitions near the beginning of the Rules and remove references in the language to 'see definitions'.

1.1.4 For the purposes of this document all the terms defined in the appendix "Definitions" have the meanings given them unless otherwise stated.

1.2 Application of the Rules

The Civil Service Employment Rules cover all University employees in job classifications included in the Civil Service Employee group ~~(see "Definitions")~~ except that temporary no-post and non-public employees (also see "Definitions") are specifically excluded from coverage.

3.4 Powers and Duties of Responsible University Administrators and Supervisors with respect to these Rules

Responsible administrators and supervisors ~~(see "Definitions")~~ shall administer the policies and procedures referenced in these Civil Service Rules and exercise all rights (unless denied them or otherwise prohibited by these Rules) inherent in the management process with respect to the supervision of employees.

4.1.1 A reclassification of any position can result in a promotion, demotion, or change to a different classification which does not constitute a promotion, or demotion ~~(see definitions)~~; or no change in classification. No probation is required after a reclassification unless requested by the supervisor and approved by the Vice President.

4.1.2 A reclassification of any position can result in a promotion, demotion, or change to a different classification which does not constitute a promotion, or demotion ~~(see definitions)~~; or no change in classification. No probation is required after a reclassification unless requested by the supervisor and approved by the Vice President.

6.5.5 Temporary appointments may be made to any position and must have a beginning and ending date. Temporary appointments may be part-time or full-time and employees shall not serve a probationary period during the period of the temporary appointment. ~~See "Definitions" for different types of temporary appointments.~~

10.1.5 Split shifts ~~(see "Definitions")~~ shall be avoided whenever possible. No split shift shall extend the working hours of an employee to more than 12 hours in any 24-hour period, except that in agricultural operations, working hours may extend to 14 hours in a 24-hour period.

10.2.1 As a condition of employment, employees may be required to work overtime. Overtime is the work time ~~(see "Definitions")~~ in excess of 40 hours per workweek on one or more University jobs. All overtime must be approved by the appropriate responsible administrator prior to being worked. Failure to obtain approval may result in disciplinary action.

10.2.2 All employees, except those whose jobs are designated as V-class (Rule 11.2), shall be paid overtime or given compensatory time off, at the discretion of the employee, at the rate of time and one-half for work in excess of 40 hours per work week on one or more University jobs ~~(see "Definitions" for what is included as work time).~~

10.5.2 On-Call

1) An employee who has been instructed by their supervisor, in writing, to remain available to work during an off-duty status shall be considered in an on-call status. On-call work shall follow the practice and procedures as established by the Vice President of Human Resources (see Rule 5.3.1) and indicated in the Civil Service pay plan: http://humanresources.umn.edu/supervising-u/compensation-classification. Expectations at time of hire of any on-call time shall be included in the written job description and given to the employee.

2) An employee who is called in to work from an on-call status shall receive the designated premium pay. This rule does not apply to those whose jobs are designated as V-class or otherwise exempt ~~(see also Definitions for Return to Work)~~.

10.5.3 Other Work Arrangements

Types of flexible work arrangements can include flextime, compressed work weeks, job sharing, telecommuting, or reduced- time/part-time arrangements ~~(see "Definitions")~~. Please refer to the telecommuting agreement in your department or unit. (Guidelines and more explanation for flexible work arrangements can be found at: http://humanresources.umn.edu/working-umn.

12.1 Seniority Unit

12.1.1 Seniority unit ~~(see "Definitions")~~ is determined at the college or appropriate senior administrative level, with the approval of the appropriate human resources office. Employees must be informed of the seniority unit in which they have rights at the time they become eligible to earn seniority, usually after they have passed probation. (See Rule 12.2 for other examples of eligibility to earn seniority.)

13.1.1 Supervisors may discipline employees only for just cause ~~(see "Definitions")~~. Disciplinary action may take the form of oral warning, written warning, suspension without pay, reduction in pay, and dismissal. Discipline shall be commensurate with the severity of the infraction and shall take into consideration factors such as, but not limited to, the employee's length of service, job history, and nature of the problems. A supervisor may require an employee to take a leave of absence with pay in order for the supervisor to conduct an investigation that may result in disciplinary action.

13.2.1 Employees who have passed probation, and temporary employees who have completed more than one calendar year of service in a 50 percent time or more appointment within the same classification, within the same administrative unit (see Rule 6.6), may be dismissed from a position for just cause ~~(see definitions)~~. Just cause is not required for dismissal of any other employee.

Amendment #10: In terms of seniority status, a new employee, who is on probation, has no seniority. Seniority is established once probation has been successfully completed. They fall at the bottom of the hierarchy already so there is no need to state this in each of these scenarios. It has become common practice to promote employees through a post/hire process in place of a reclassification. In this scenario, an existing employee, who may have more seniority, is placed in a vulnerable position for the window of their probationary period. The rules do not adequately address the post/rehire scenario and this appears to be an unintended consequence. Since Bumping rights are primarily based on Unit Seniority, an employee transferring to another Unit would be under probation and would be vulnerable to bumping in a layoff situation.

The proposed changes to 12.3.2.5 and 12.3.3.1 are meant to clarify that the layoff list is used as the vehicle for pursuing open positions, by employees that are being laid off, while they are under notice or actually laid off.

12.3.2 Bumping Rights

12.3.2.1 In accordance with the above, employees whose jobs have been eliminated, or whose appointment(s) are involuntarily reduced to below 75 percent, or employees on 50 to 74 percent appointments whose appointments are involuntarily reduced to below 50 percent, shall be allowed to the following, in the order listed:
1) bump the least senior (based on unit seniority) ~~or probationary~~ employee who is performing essentially the same duties within the same unit and classification.

12.3.2.2 If this is not possible, an employee may:
2) bump into the position identified by the following criteria:
a) The position is in the same classification and unit;
b) The duties are not essentially the same;
c) The bumping employee is qualified for the position;
d) The employee to be bumped is less senior (based on unit seniority) than the bumping employee. If more than one position meets the above criteria, the employee to be bumped shall be the least senior (based on unit seniority) ~~or probationary~~ employee in that set of positions.

12.3.2.3 If this is not possible, an employee may:
3) bump into the position identified by the following criteria:
a) the position is in a previously held classification in which the bumping employee passed probation in the same unit;
b) the position is in the same unit;
c) the bumping employee is qualified for the position;
d) the employee to be bumped is less senior (based on unit seniority) than the bumping employee.

12.3.2.4 If the bumping employee is eligible to bump to more than one previously held classification, this bumping option shall be applied to those classifications in the inverse order in which they were held. If more than one position in a particular classification meets the above criteria, the employee to be bumped shall be the least senior (based on unit seniority) ~~or probationary~~ employee.

12.3.2.5 If none of the above options are possible in the order listed, the employee may:
4) exercise the right to any posted vacancy within the system as identified by the following criteria, and shall be hired in classification seniority order. See 12.3.3.1:
a) the position is in a previously held classification in which the employee passed probation;
b) the employee is qualified for the position.

12.3.2.6 Rate-arranged employees follow the same criteria for bumping as other employees; however, they are only eligible to bump into the same classification in the same established salary range.

12.3.3 Layoff List

12.3.3.1 Employees who have successfully completed probation and who cannot or do not exercise their bumping rights and are under layoff notice or have been laid off, shall be placed on a University layoff list provided the employee submits a written request to be placed on the layoff list. These employees shall be rehired (if qualified to perform the work), in classification seniority order ahead of all other applicants (except for recalled employees), for vacancies within a previously held classification for which they apply.

12.3.3.2 An employee who is being terminated during the probationary period may choose not to exercise the option to bump another employee from a previously held continuing (non-temporary) position. The employee being terminated may then be placed on the layoff list, in accordance with Rule 7.5.

12.3.3.3 An employee on the layoff list must be recalled when a vacancy occurs in the unit and classification from which the layoff occurred, provided the employee is qualified to perform the work.

12.3.3.4 After receipt of recall notice, the employee shall have seven workdays during which to indicate intent to return and at least 22 additional workdays to report to work. Failure to accept recall shall constitute a resignation that includes removal from the layoff list.

12.3.3.5 Employees on the layoff list may apply for any vacancy, but are not entitled to hiring preference as laid-off employees except where the vacancy occurs in a previously held classification.

12.3.3.6 Rate-arranged employees follow the same protocol for access to the lay-off list as other employees but may only exercise layoff list rights in the same classification in the same established salary range.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 14, 2017**

AGENDA ITEM: Information Items

☐ **Review** ☐ **Review + Action** ☐ **Action** ☒ **Discussion**

☒ *This is a report required by Board policy.*

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

Annual Report on Targeted Business, Urban Community Economic Development, and Small Business Programs

This report provides a statistical overview of the University's expenditures with Targeted Businesses (women, minority, and disabled owned business) and Small Businesses.

FY 2017 was a banner year for total increase in spending with Targeted Businesses. The Office for Business & Community Economic Development (OBCED) was selected as the 2017 Corporate Partner of the Year by the Women's Business Development Center. Additionally, the North Central Minority Supplier Development Council recently named the University as the 2017 Corporation of the Year. Both of these awards were in recognition of the University's dedication to the utilization of Targeted Businesses. Specifically, in FY17 the University:

- Increased the utilization of businesses owned by women, minorities, and disabled persons (WMDBEs) $11.2 Million over FY 2016.
- Again increased its overall spending with targeted vendors by 3.39 percent. The total dollars spent with WMDBEs in FY17 was $82.56 million.
- In the last 24 months, spending with targeted vendors has increased by over $22 million, which includes increases of $11.5 million in FY16 and $11.2 Million in FY17.

The following are OBCED's observations of trends, comparative analysis and assessment of the supplier diversity data for FY 2016 to FY 2017. At first glance, the most glaring and obvious changes in FY 2017 data are:

- Significant increase in the total spending with Targeted Business Groups.
- Significant increase in the total spending with Women.
- Significant decrease in the total spending with all Minorities.

The greatest and most significant decreases in spending occurred with African Americans and Hispanics. It should be noted that the greatest criticism from community leaders is for the

perceived lack of opportunity and engagement by the University with Hispanics and African Americans. This decline in utilization reinforces community concerns about the perceived lack of equity and opportunity.

The total spending with women continues to trend disproportionately higher than with minorities and the disabled:

- Women - $58,230,595
- Native American - $8,741,868
- Asian - $8,320,626
- African American - $5,770,079
- Hispanic - $1,493,400
- Disabled - $3,230

Comparative Analysis FY 2016-FY 2017 Spending:

Figure I – Overall Spending

Targeted Group	FY 2016	FY 2017	Change
Women	$36,552,259 (51.32%)	$58,230,595 (70.53%)	$21,678,336
Native American	$8,822,044 (12.39%)	$8,741,868 (10.59%)	-$80,176
Asian	$8,502,232 (11.94%)	$8,320,626 (10.08%)	-$181,606
African American	$9,459,086 (13.28%)	$5,770,079 (6.99%)	-$3,689,007
Hispanics	$4,367,890 (6.13%)	$1,493,400 (1.81%)	-$2,874,490
Disabled	$0.00 (0.00%)	$3,230 (0.00%)	$3,230

Figure II – Goods and Services Spending

Targeted Group	FY 2016	FY 2017	Change
Women	$15,418,556 (21.65%)	$22,552,756 (27.32%)	$7,134,200
Native American	$876,706 (1.23%)	$1,084,426 (1.31%)	$207,720
Asian	$737,379 (1.04%)	$1,415,880 (1.71%)	$678,501
African American	$1,845,192 (2.59%)	$593,585 (0.72%)	-$1,251,607
Hispanics	$582,708 (0.82%)	$688,795 (0.83%)	$106,087
Disabled	$0.00 (0.00%)	$3,230 (0.00%)	$3,230

Figure III – Construction Spending

Targeted Group	FY 2016	FY 2017	Change
Women	$21,133,703 (29.67%)	$35,677,839 (43.21%)	$14,544,136
Native American	$7,945,338 (11.15%)	$7,657,442 (9.28%)	-$287,896
Asian	$7,764,853 (10.90%)	$6,904,746 (8.36%)	-$860,107
African American	$7,613,894 (10.69%)	$5,176,494 (6.27%)	-$2,437,400
Hispanics	$3,785,182 (5.31%)	$804,605 (0.97%)	-$2,980,577
Disabled	$0.00 (0.00%)	$0.00 (0.00%)	$0.00

Figure IV-Total University of Minnesota Spending - 3 Year Comparison

Fiscal Year	FY 2015	FY 2016	FY 2017
Total TGB Spend	$59,560,733	$71,315,811	$82,559,796

Targeted Business Assessment

While the University is experiencing a decrease in expenditures with many groups, the percentage of total spending has increased dramatically. The University's total increase in spending with Targeted Businesses from FY 2015 to FY 2016 was $11,755,078. The University's total increase in spending with Targeted Businesses from FY 2016 to FY 2017 was $11,243,985. The University has increased spending with Targeted Business by $22,999,063 over the past two years.

Small Business Analysis/Assessment

It should be noted that the University's total small business expenditures have decreased dramatically because the University has updated the data and removed businesses that are not certified or who are self-certified. In FY 2016 the total small business expenditures were reported as $26,753,571. After updating the data and removing individuals who are not certified small businesses, the total small business expenditures for FY 2017 are $838,068. The total small business expenditures decreased by -$25,915,503 between FY 2016 and FY 2017. OBCED only counts spending with suppliers who are appropriately certified and this is the reason for this dramatic decrease.

Campus Support of Super Bowl LII

Super Bowl LII will take place at US Bank Stadium on Sunday, February 4, 2018. The week before the game, there are many activities and events planned throughout the Twin Cities. A report is included in the docket that summarizes the support the Twin Cities campus is providing to the local organizing committee and the NFL for these events and activities.

Investment Advisory Committee Update

The quarterly meeting of the Investment Advisory Committee was held on November 8, 2017. The agenda for the meeting included:

- Asset Allocation Update
- CEF Performance Review
- Manager Introduction: Brightstar Capital Partners I
- Manager Recommendations: Golub Capital Partners XI, DCVC Bio, L.P., GenBridge Capital Fund I, Anchorage Illiquid Opportunities Fund VI, L.P.

Quarterly Asset Management Report

The purpose of this item is to report on the annual performance results for assets managed by the Office of Investments & Banking (OIB) for the quarter and the quarter ending September 30, 2017. OIB prepares this report, as required by Board policy, for review by the Board of Regents.

- The invested assets of the University totaled approximately $2.79 billion on September 30, 2017.
- The Consolidated Endowment Fund (CEF) value increased by $30 million to $1.38 billion and distributed $14 million to the University during the quarter. The total investment return for CEF during the quarter was 3.5 percent, compared to its short-term benchmark at 3.0 percent.
- The market value of the Short-term Reserves (TIP) was $1.09 billion as of September 30, 2017. The total return on the portfolio over the quarter was 0.5 percent compared to a

benchmark return of 0.3 percent. The change in market value of during the quarter was largely due to the timing of cash flows as part of the University's normal business cycle.

Quarterly Purchasing Report

The purpose of this item is to provide a quarterly report of purchasing activity, including detailed reports with brief discussion on the following activity:

- Summary of purchasing activity.
- Purchases made as approved exceptions to competitive process.
- Purchases made as preapproved exceptions to competitive process.
- Violations of Board of Regents: *Purchasing*

Semi-Annual Capital Planning & Project Management Report

This report includes projects in process that have been approved in the annual capital improvement budget and for which the Board is required to approve the schematic design. The report highlights progress and challenges in delivering the project scope of work within the approved budget and schedule. The Capital Planning and Project Management Semi-Annual Project Report is presented in the summer and in the winter to provide performance information prior to the consideration of the annual capital improvement budget and the six-year capital plan.

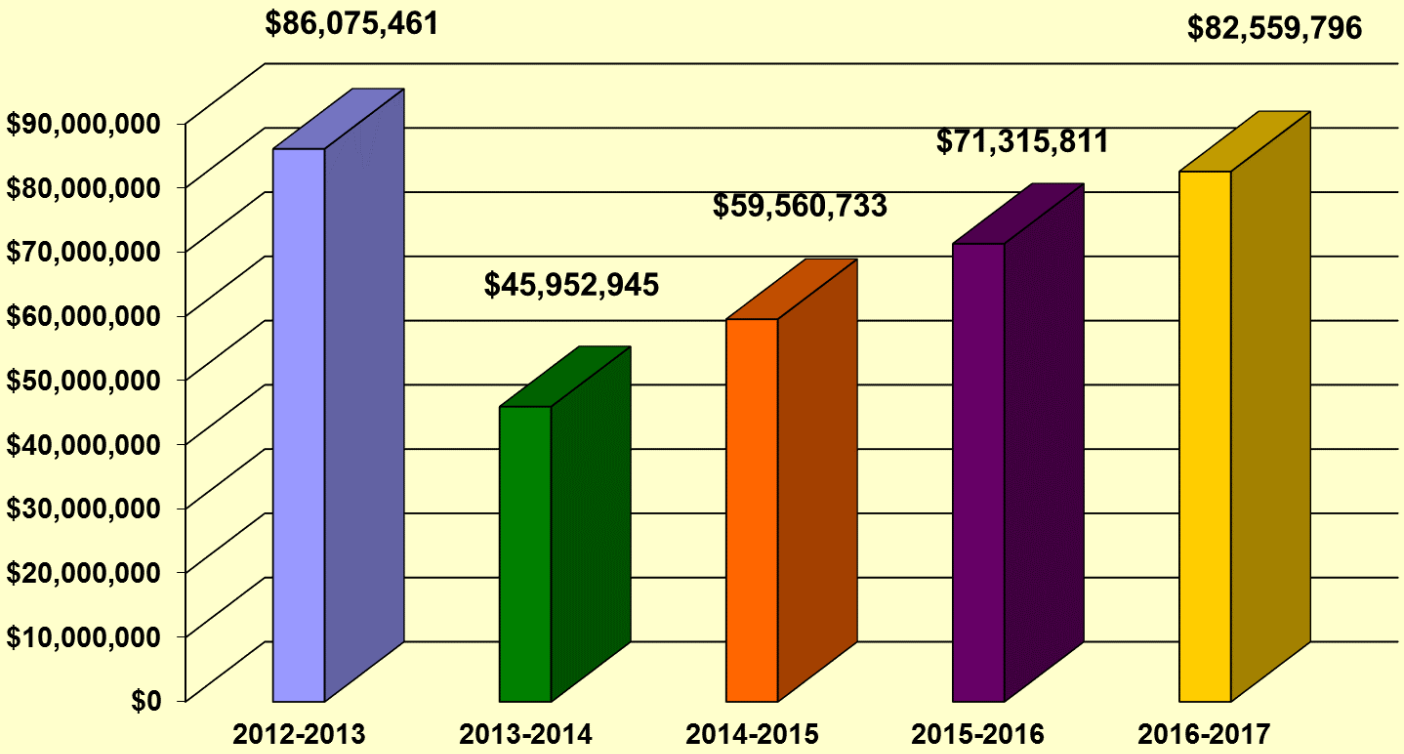
UNIVERSITY OF MINNESOTA

Driven to Discover℠

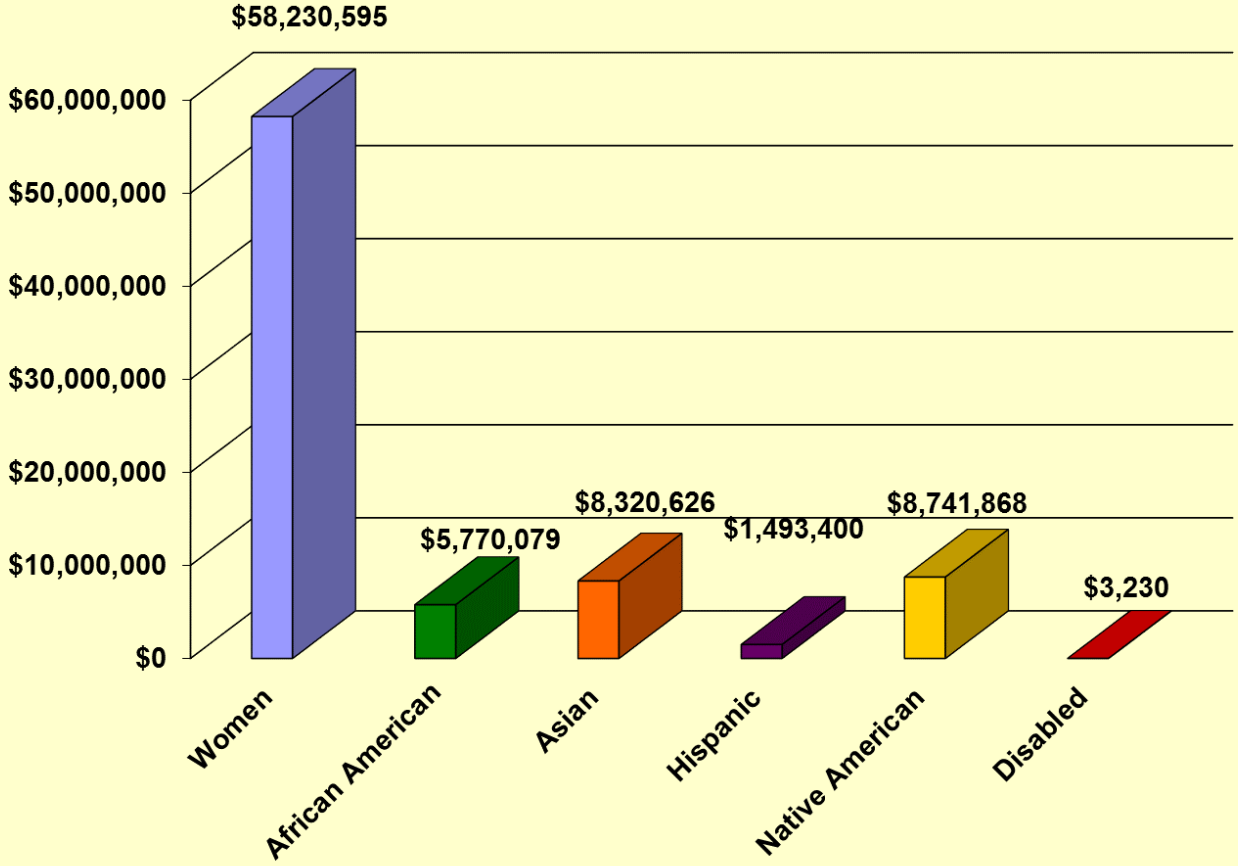
Supplier Diversity Report for Small and Targeted Businesses Fourth Quarter FY 2016/2017 July 1, 2016 – June 30, 2017

Darryl A. Peal, Executive Director
Office for Business and Community Economic Development

SMALL BUSINESS REPORT
EXPENDITURES WITH WOMEN, MINORITY AND DISABLED BUSINESSES (WMDB)
2012-2017 4TH QUARTER CUMULATIVE TOTAL COMPARISONS



SMALL BUSINESS REPORT
EXPENDITURE BREAKDOWN BY PROTECTED CLASS GROUP
2016-2017 4TH QUARTER CUMULATIVE TOTALS



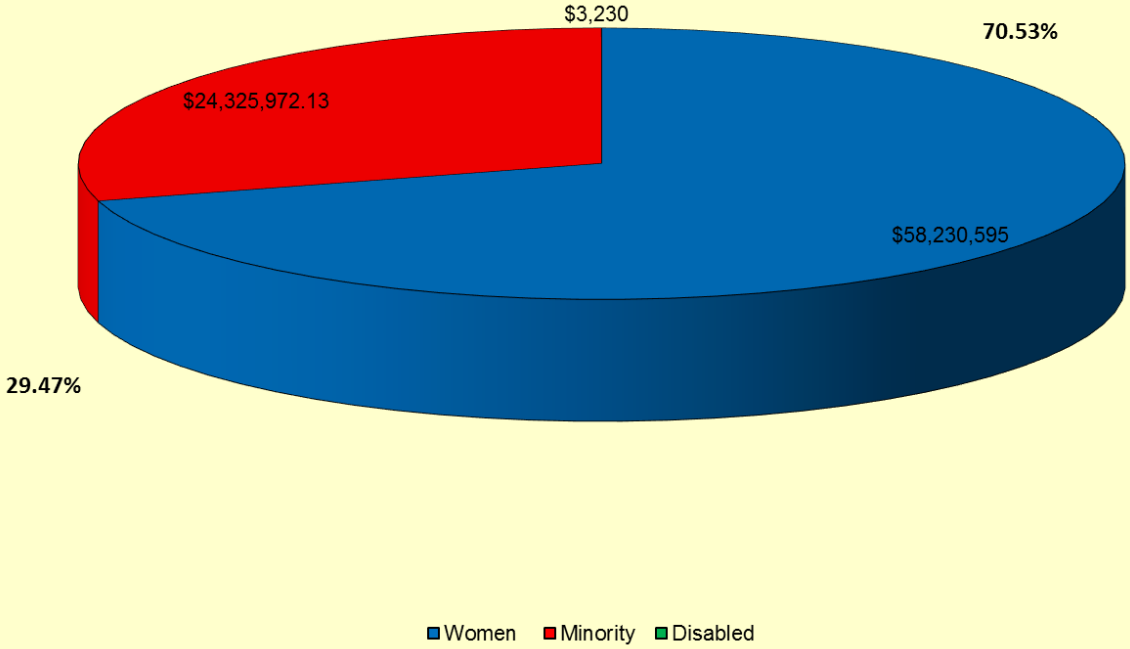
SMALL BUSINESS REPORT
BREAKDOWN BY GROUP
2016-2017 4TH QUARTER CUMULATIVE TOTALS

Classification	Dollars Awarded	Percent Total WMDB Expenditures
Woman	$58,230,595	70.53%
African American	$5,770,079	6.99%
American Indian/Alaska Native	$8,741,868	10.59%
Asian	$8,320,626	10.08%
Hispanic	$1,493,400	1.81%
Disabled	$3,230	0.00%
Total	**$82,559,797**	**100.00%**

SMALL BUSINESS REPORT
BREAKDOWN BY GROUP
2016-2017 4TH QUARTER CUMULATIVE TOTALS

Classification	Goods and Services	Percent of Total WMDB Expenditures	Construction	Percent of Total WMDB Expenditures
Woman	$22,552,756	27.32%	$35,677,839	43.21%
African American	$593,585	0.72%	$5,176,494	6.27%
American Indian/ Alaska Native	$1,084,426	1.31%	$7,657,442	9.28%
Asian	$1,415,880	1.71%	$6,904,746	8.36%
Hispanic	$688,795	0.83%	$804,605	0.97%
Disabled	$3,230	0.00%	$0	0.00%
Total	**$26,338,671**	**31.90%**	**$56,221,126**	**68.10%**
Total WMDB Expenditures	**$82,559,797**			

SMALL BUSINESS REPORT
BREAKDOWN BY MINORITY, WOMEN AND DISABLED BUSINESSES
2016-2017 4TH QUARTER CUMULATIVE TOTALS



SMALL BUSINESS REPORT
TOTAL PURCHASING & CONSTRUCTION EXPENDITURES
2016-2017 4TH QUARTER CUMULATIVE TOTALS

CONSTRUCTION EXPENDITURES

Total Construction Expenditures	**$189,470,936**
Total WMDB Construction	**$56,221,126**
Percent of Total Construction	**29.67%**

PURCHASING EXPENDITURES

Total Goods & Services Expenditures	**$712,557,116** *
Total WMDBE Goods & Services Expenditures	**$26,338,670** **
Percent of Total Goods & Services	**3.70%**

GRAND TOTAL

Total Goods, Services & Construction Expenditures	**$902,028,052**
Total WMDB Expenditures	**$82,559,797**
WMDB Percent of Totals	**9.15%**

*The UofM expenditures deemed "non-biddable" (Example: This includes but is not limited to Big 10 dues, payments to government agencies (i.e. IRS, Homeland Security, Met Council) and payments to financial institutions, utilities and postage) and not included in the "University Expenditures" figure. (approx. $246,295,000)

**The total WMDBE Goods & Services expenditures includes Major Contracts Tier 2 spend

SMALL BUSINESS REPORT
TOTAL PURCHASING & CONSTRUCTION EXPENDITURES
4TH QUARTER CUMULATIVE TOTALS
2016-2017 COMPARISON

CONSTRUCTION EXPENDITURES

	2016	2017	% change
Total Construction Expenditures	$155,249,663	$189,470,936	22.04%
Total WMDB Construction	$48,242,970	$56,221,126	16.54%
Percent of Total Construction	31.07%	29.67%	-1.40%

PURCHASING EXPENDITURES

Total Goods & Services Expenditures	$636,604,928	$712,557,116 *	12%
Total WMDB Goods & Services Expenditures	$23,072,831	$26,338,670	14.15%
Percent of Total Goods & Services	3.62%	3.70%	0.08%

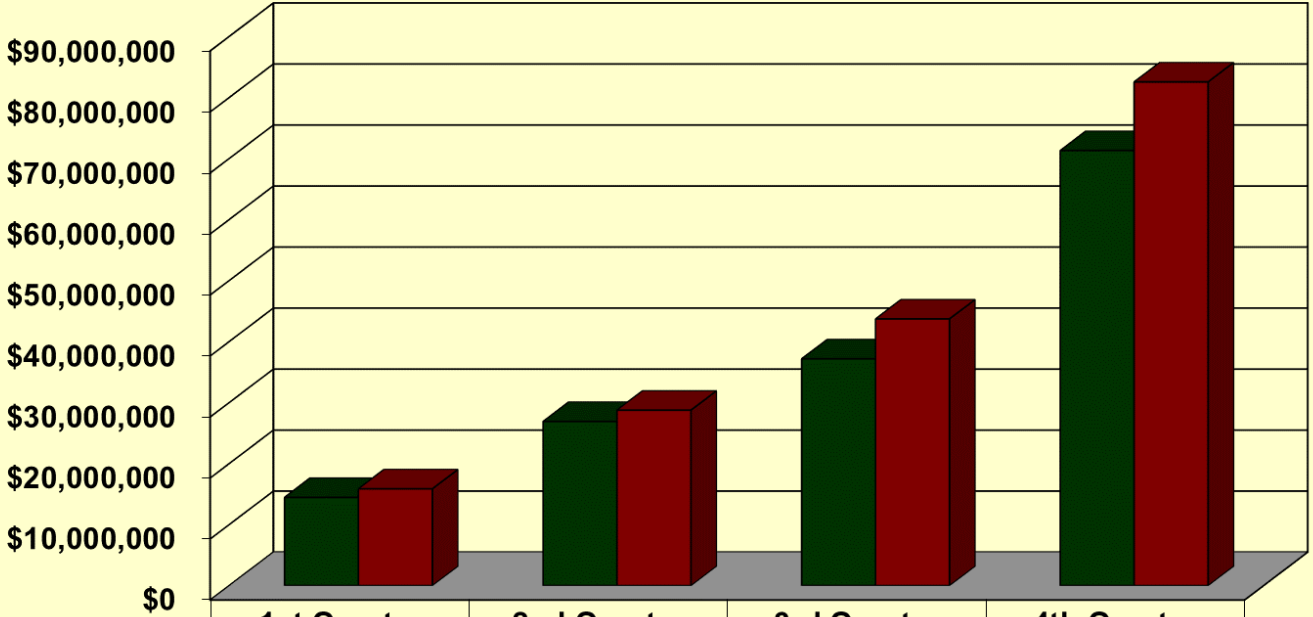
GRAND TOTAL

Total All Expenditures	$791,854,591	$902,028,052	13.91%
Total WMDB Expenditures	$71,227,345	$82,559,797	15.91%
WMDB Percent of Totals	8.56%	9.15%	0.59%

*The UofM expenditures deemed "non-biddable" (Example: This includes but is not limited to Big 10 dues, payments to government agencies (i.e. IRS, Homeland Security, Met Council) and payments to financial institutions, utilities and postage) and not included in the "University Expenditures" figure. (approx. $246,295,000)

SMALL BUSINESS REPORT
WOMEN, MINORITY & DISABLED BUSINESSES LAST YEAR VS. CURRENT

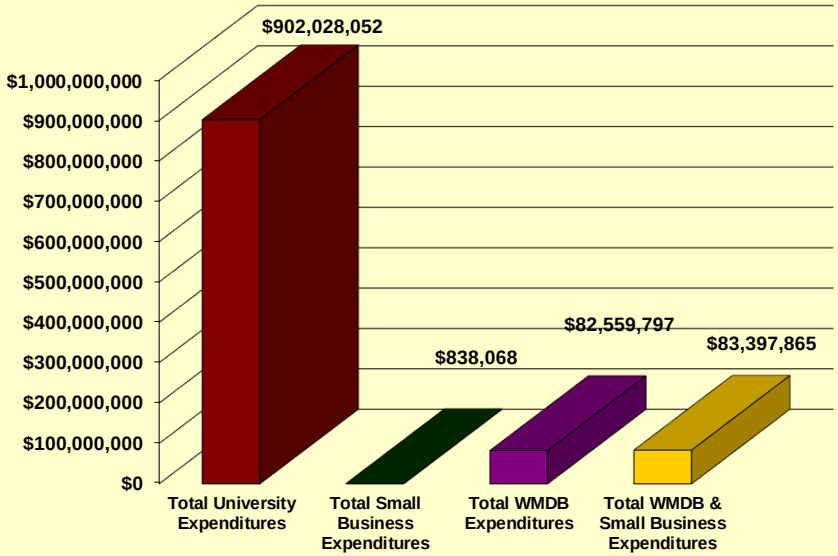
2016-2017 4TH QUARTER CUMULATIVE TOTALS



	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Fiscal 15-16	$14,465,294	$26,910,348	$37,173,337	$71,315,801
Fiscal 16-17	$15,862,309	$28,757,433	$43,717,148	$82,559,796

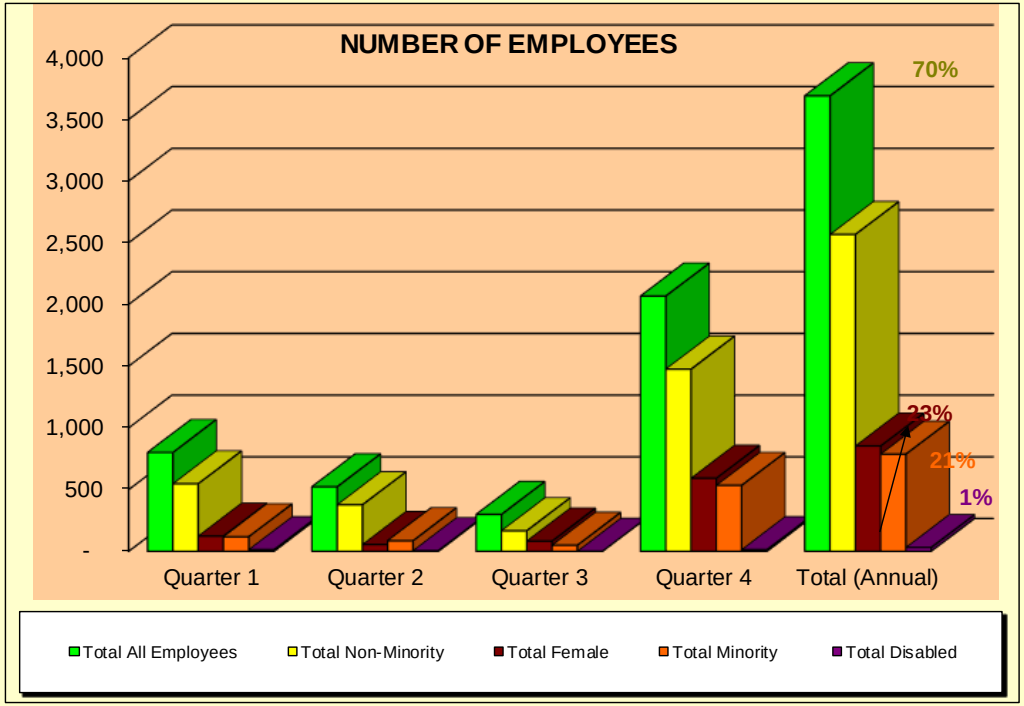
SMALL BUSINESS REPORT
TOTAL EXPENDITURES WITH SMALL BUSINESSES
2016-2017 4TH QUARTER CUMULATIVE TOTALS

Total Small Business Expenditures	$838,068
Total WMDB Expenditures	$82,559,797
Total Expenditures with WMDB & Small Businesses	$83,397,865
Percent of Total University Expenditures	9.25%
Total University Expenditures	$902,028,052



2016-2017 WORKFORCE UTILIZATION REPORT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total (Annual)	% of Total Empl. (Annual)
Total All Employees	**801**	**523**	**299**	**2,068**	**3,691**	**100%**
Total Non-Minority	547	377	167	1,476	**2,567**	**70%**
Total Female	123	55	83	592	**853**	**23%**
Total Minority	118	86	49	534	**787**	**21%**
Total Disabled	13	5	-	13	**31**	**1%**



Univ. Target

92%

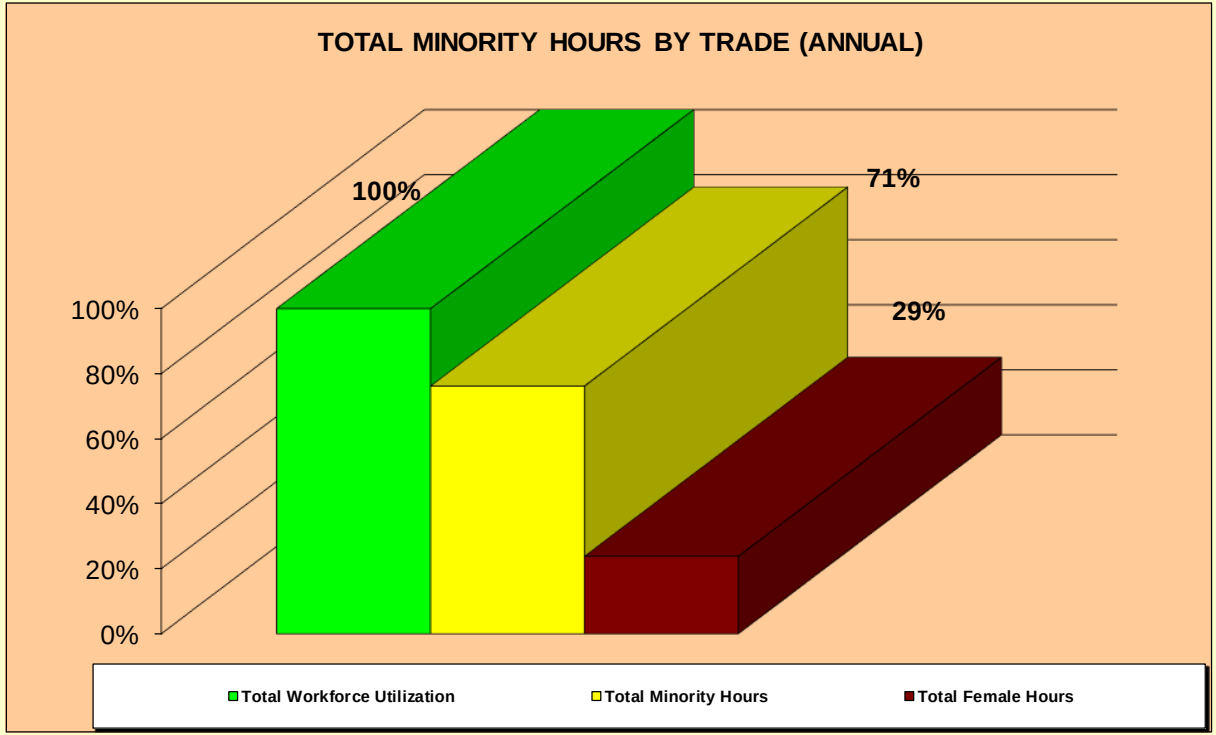
8%

12%

0%

2016-2017 WORKFORCE UTILIZATION REPORT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total (Annual)	Total Hours (Annual)
Total Workforce Utilization	**9,386**	**10,101**	**6,504**	**38,977**	**64,968**	**100%**
Total Minority Hours	6,625	6,964	4,892	30,996	**49,477**	**76%**
Total Female Hours	2,738	3,128	1,612	7,981	**15,459**	**24%**
Total Disabled Hours	23	9		23		**0%**



SUPER BOWL LII PLANNING UPDATE

BOARD OF REGENTS FACILITIES AND OPERATIONS COMMITTEE • DECEMBER 2017

Work is well underway on a number of Super Bowl LII events that will take place in University facilities on the Minneapolis campus. The University is working closely with the NFL, the local Super Bowl Host Committee, and private parties on a variety of events.

An overall planning team with representation from across the University has been meeting on Super Bowl related activities since August 2016, and seven workgroups meet regularly on specific events. This team also has been working to minimize complications and disruption, including scheduling athletic teams for "away" games during the week leading up to the Super Bowl. The University has committed to manage all support events in a way that provides for:

- Continuity of campus programs and operations
- Safety of all students, staff, and visitors
- Covering all of campus costs (including administrative efforts, relocation, and disruption)
- Rates that are comparable to other major events charged to campus staff and visitors

Major events on campus include, but are not limited to:

NFL Honors ..... Northrop
NFL Honors is a nationally televised awards ceremony held on the Saturday before the Super Bowl. More than 2,500 guests will fill Northrop and a television audience of more than seven million is expected for the show that includes the announcement of the NFL's Most Valuable Player, the Man of the Year Award, and the introduction of the new Pro Football Hall of Fame inductees. A large tent will extend down Northrop Mall toward the Scholars Walk as part of this event.

Employee Check-In ..... Fieldhouse
More than 10,000 gameday employees will check-in at the University's Fieldhouse before being transported downtown to U.S. Bank Stadium.

Team Practice ..... Gibson/Nagurski Football Complex
One of the two teams advancing to the Super Bowl will practice on campus at the Gibson/Nagurski Football Complex.

Security Check-In ..... Gateway Lot
A Security Check-In will be established on campus in the Gateway Lot, which is just to the east of TCF Bank Stadium and adjacent to the Green Line Stadium Village Station. Super Bowl attendees will be allowed to go through stadium security check at this remote location and then ride a Green Line train directly to US Bank Stadium.

NBC Nightly News ..... A rooftop on the West Bank
Using U.S. Bank Stadium and the Minneapolis skyline as a backdrop, NBC Nightly News will broadcast live during the week of the Super Bowl from the rooftop of a University building on the West Bank.

Quarterly Asset Management Report

Brian D. Burnett, Senior Vice President for Finance and Operations
Stuart Mason, Associate Vice President, Chief Investment Officer

Finance and Operations Committee

December 14, 2017

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

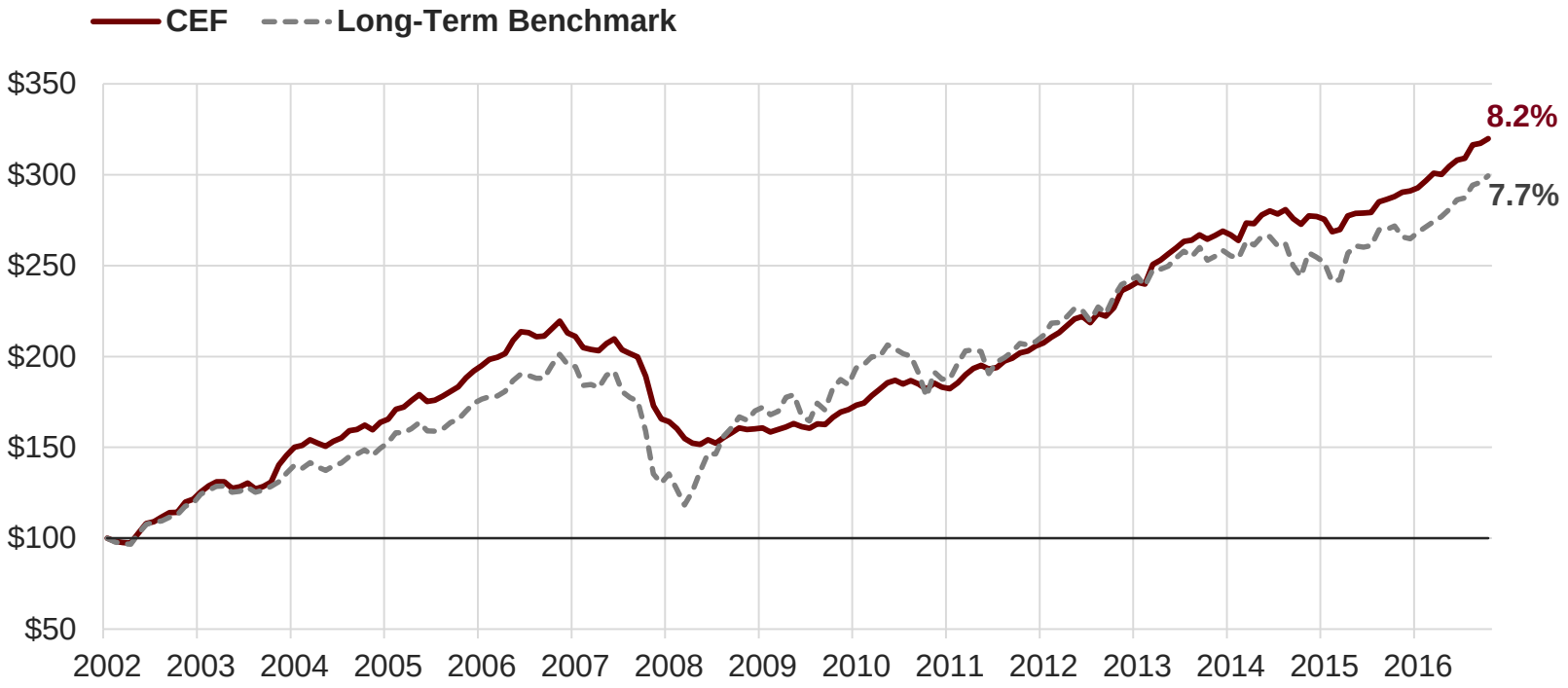
Office of Investments & Banking
University of Minnesota

University Investment Funds

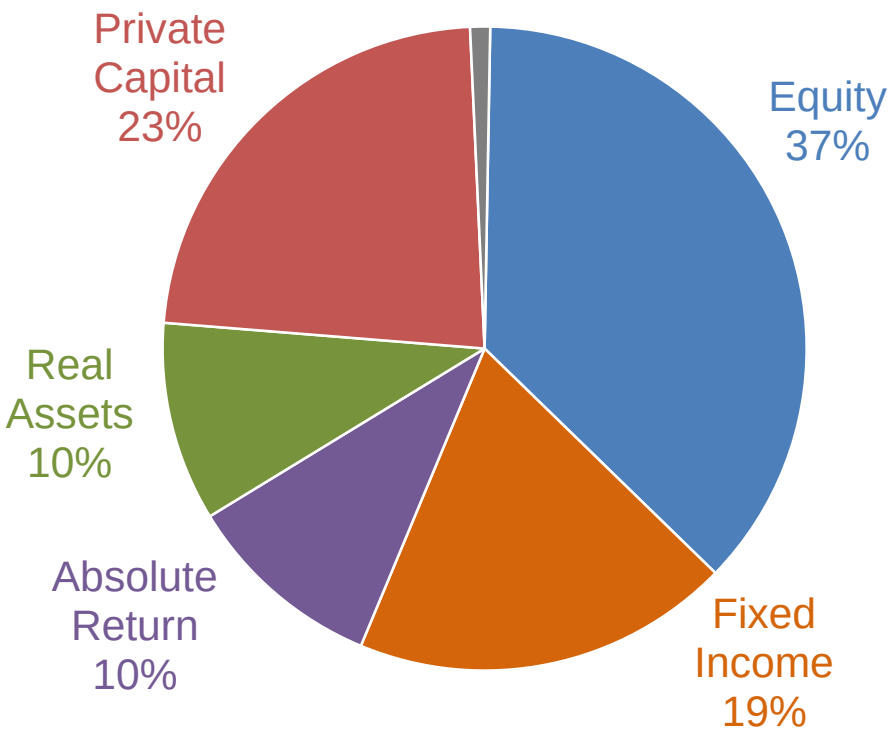
OIB Managed Funds ($ millions)	Q3 2017	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Consolidated Endowment Fund (CEF)	$ 1,384.6	$ 1,351.8	$ 1,258.0	$ 1,293.6	$ 1,272.5	$ 1,079.7
Long-Term Reserves (GIP)	87.1	71.3	65.8	52.7	45.9	46.4
Short-Term Reserves (TIP)	1,087.9	1,113.4	1,101.0	1,050.0	1,054.6	1,031.4
RUMINCO Ltd.	50.8	45.3	40.6	39.6	39.2	35.8
Invested Assets Related to Indebtedness	183.3	48.9	100.9	148.3	66.9	87.0
Total Managed Assets	**2,793.7**	**2,630.7**	**2,566.3**	**2,584.2**	**2,479.1**	**2,280.3**

Our goal is to **preserve** the inflation adjusted value of the endowment

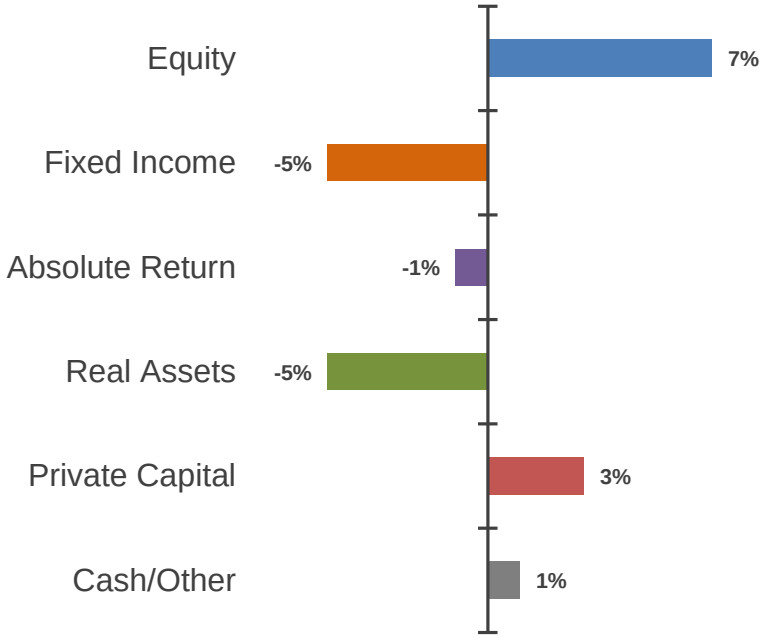
Growth of $100



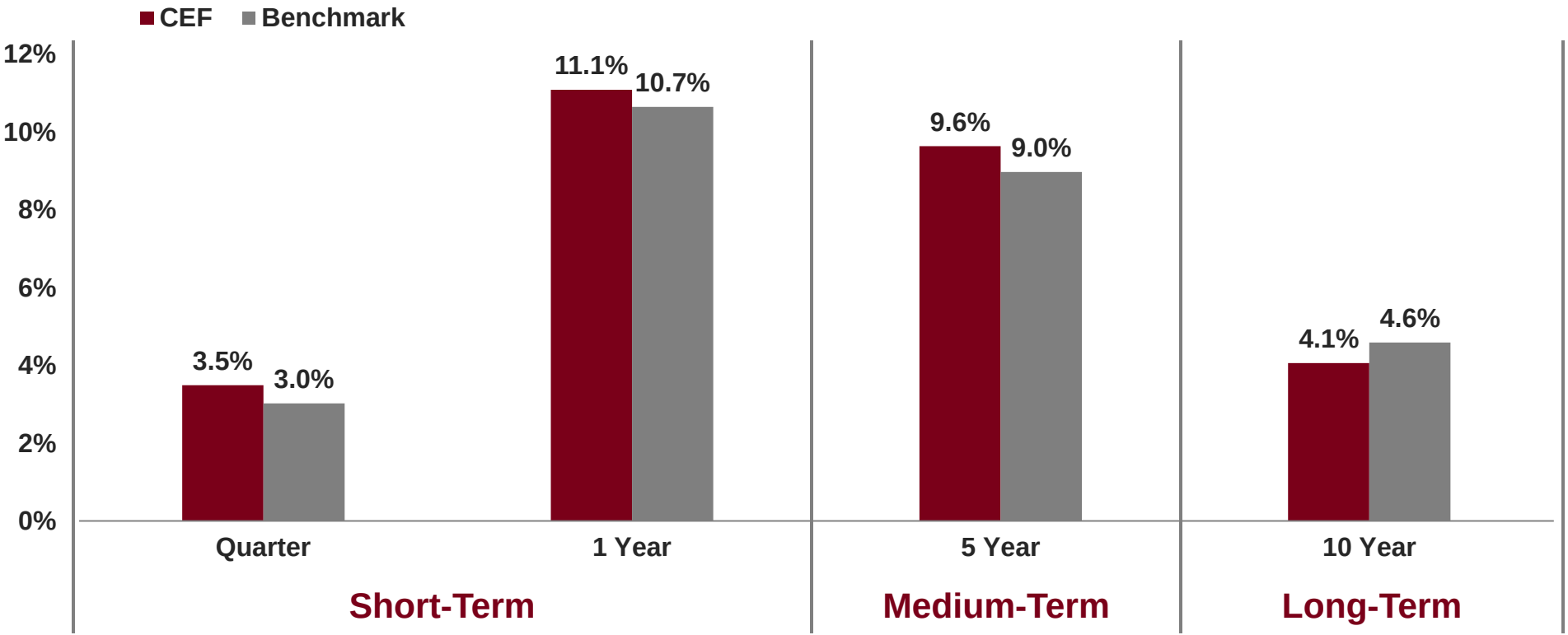
CEF Asset Allocation



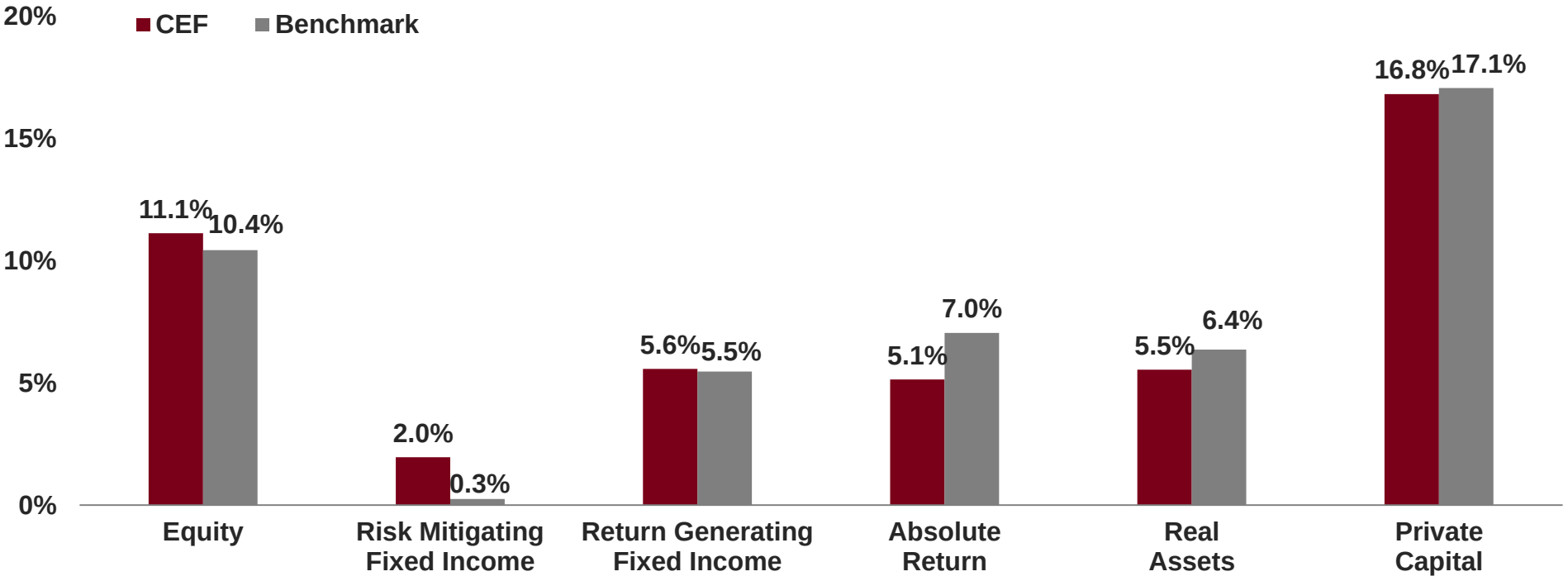
Over/Under Weight vs. Strategic Targets



CEF Performance Summary

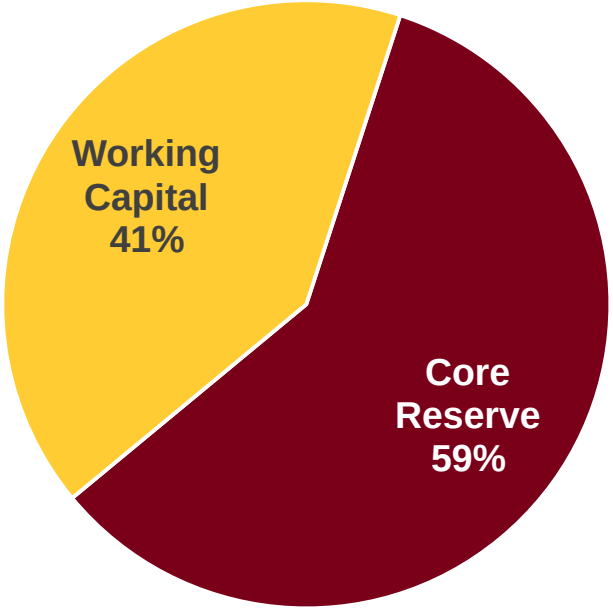


5-Year Returns for CEF Asset Classes vs. Medium-Term Objectives

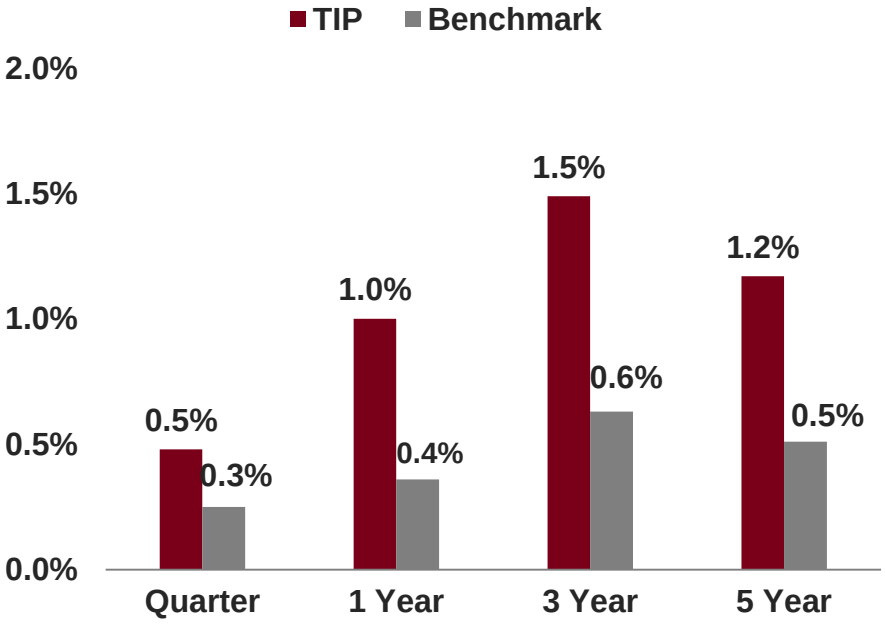


Short-Term Reserves (TIP)

Asset Allocation

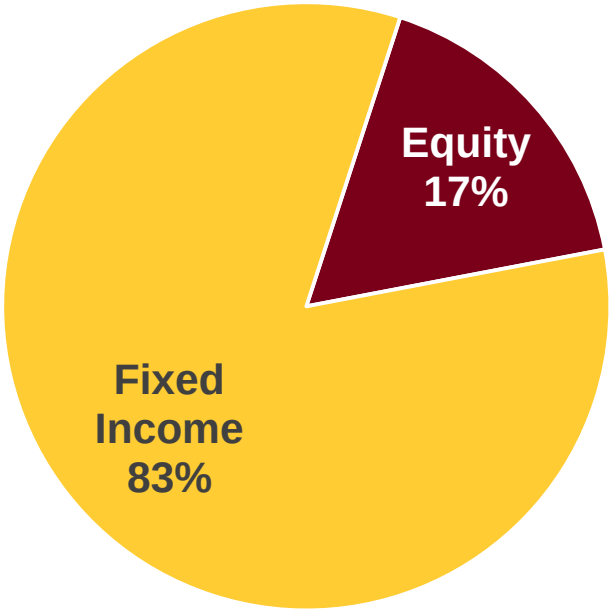


Performance Summary

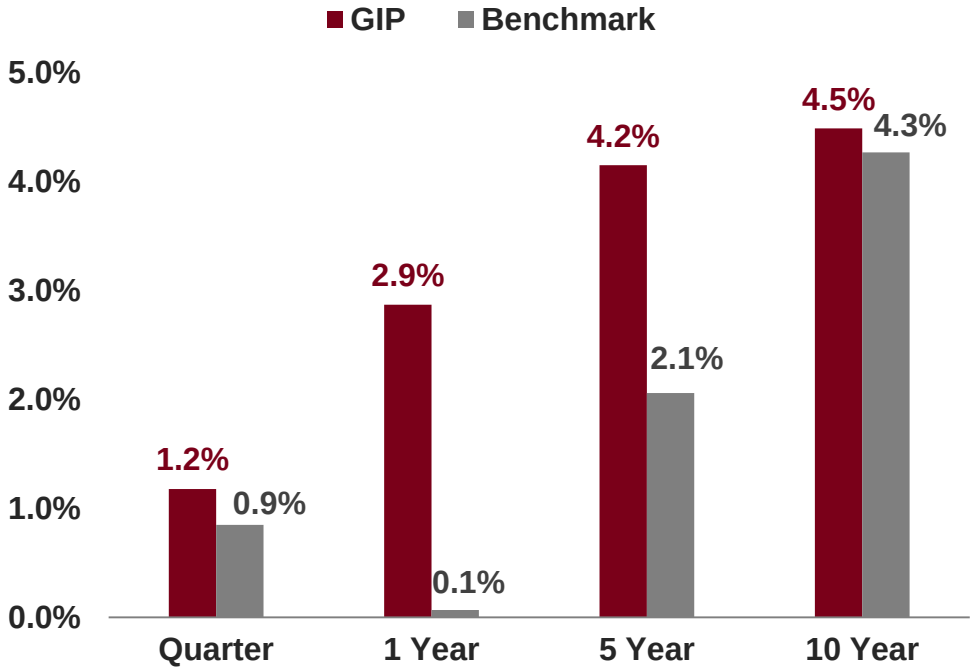


Long-Term Reserves (GIP)

Asset Allocation

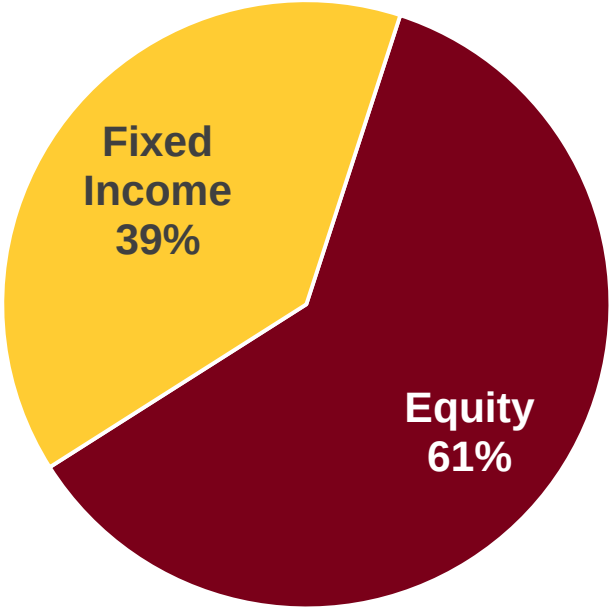


Performance Summary

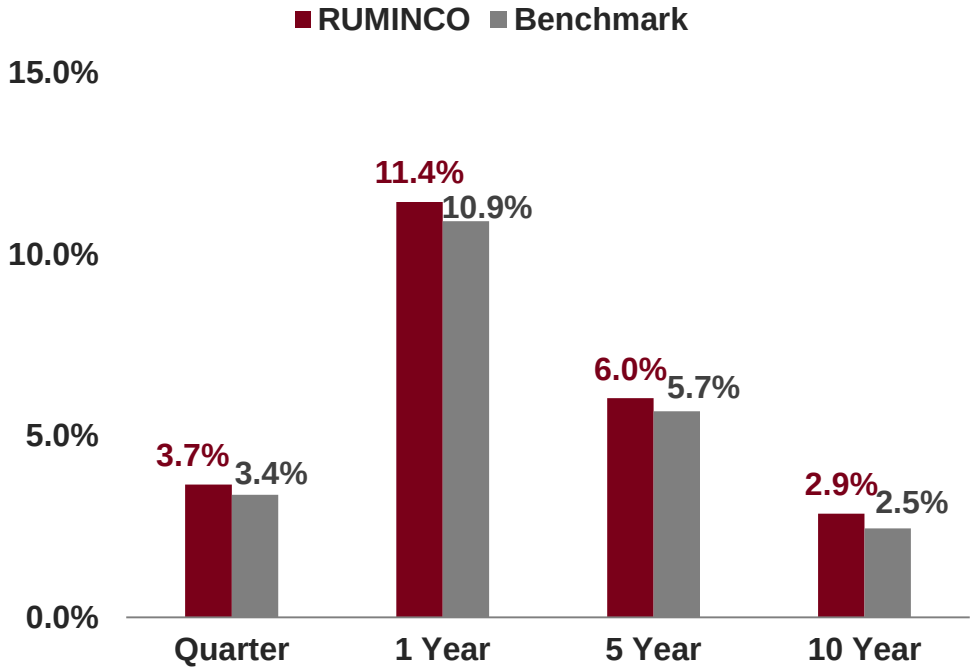


RUMINCO Ltd.

Asset Allocation



Performance Summary



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UNIVERSITY OF MINNESOTA

Twin Cities Campus *Office of the Controller* *205 West Bank Office Building*
1300 S 2nd Street
Minneapolis, MN 55454
Email: controller@umn.edu
Web: http://controller.umn.edu

December 14, 2017

The Honorable Tom Anderson, Chair, Finance & Operations Committee
The Honorable Dean Johnson, Vice Chair, Finance & Operations Committee
The Honorable David McMillan
The Honorable Kendall Powell
The Honorable Richard Beeson
The Honorable Linda Cohen
The Honorable Michael Hsu
The Honorable Peggy Lucas
The Honorable Abdul Omari
The Honorable Darrin Rosha
The Honorable Patricia Simmons
The Honorable Steven Sviggum

Committee Members:

Enclosed are Purchasing Services' reports on purchasing activity for the first quarter, fiscal year '18. Regents policy requires that purchasing activity, including exceptions to competitive purchases, be reported to the Board of Regents. This letter provides explanatory background and brief analysis of the report and attachments that follow.

Background

The enclosed reports and attachments provide statistics, graphics and some detail on four categories of purchasing activity for the one quarter:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to the competitive purchasing process
- Purchases made as Preapproved Exceptions to the competitive purchasing process
- Regents Purchasing Policy Violations

"Total Purchasing Activity" represents the total amount of goods and services purchased for the quarter and year-to-date across all funding sources, including construction projects.

"Approved Exceptions" refers to purchases where, following proper protocol, the supplier was not selected through a Request for Bid or Request for Proposal process. All of the approved exceptions were justified in writing by the requisitioning department, with the justification reviewed and approved by the Director of Purchasing before the purchase took place. Additionally, the appropriate Vice President and the University Controller approved all

exceptions of $250,000 and over, except pre-approved exceptions. Section II provides a listing of the transactions that followed this process and were approved as exceptions.

"Pre-approved Exceptions" are also purchases where the supplier has not been selected through a competitive process. However, they are exceptions that occur routinely with consistent reasons, so that the approval of the justification has become standardized. Refer to Section III of the report for a listing of transactions processed as pre-approved exceptions during the quarter.

"Regents Purchasing Policy Violations" refers to purchase transactions which bypassed the competitive process without following proper protocol and without the necessary approvals. Section IV provides a listing of purchasing violations.

The reports compare dollars spent on purchases in the respective quarter of the current year to dollars spent on purchases in same quarter of the previous year. The same quarter-to-quarter comparison is made for approved exceptions and for preapproved exceptions. With that in mind, the following observations are worth noting:

First Quarter:

- Total dollars spent in Q1 were up 10% because of an increase in construction spending, while the total exception dollars decreased by 34%.

- There were two Regents Purchasing Policy Violations in the first quarter of FY18.

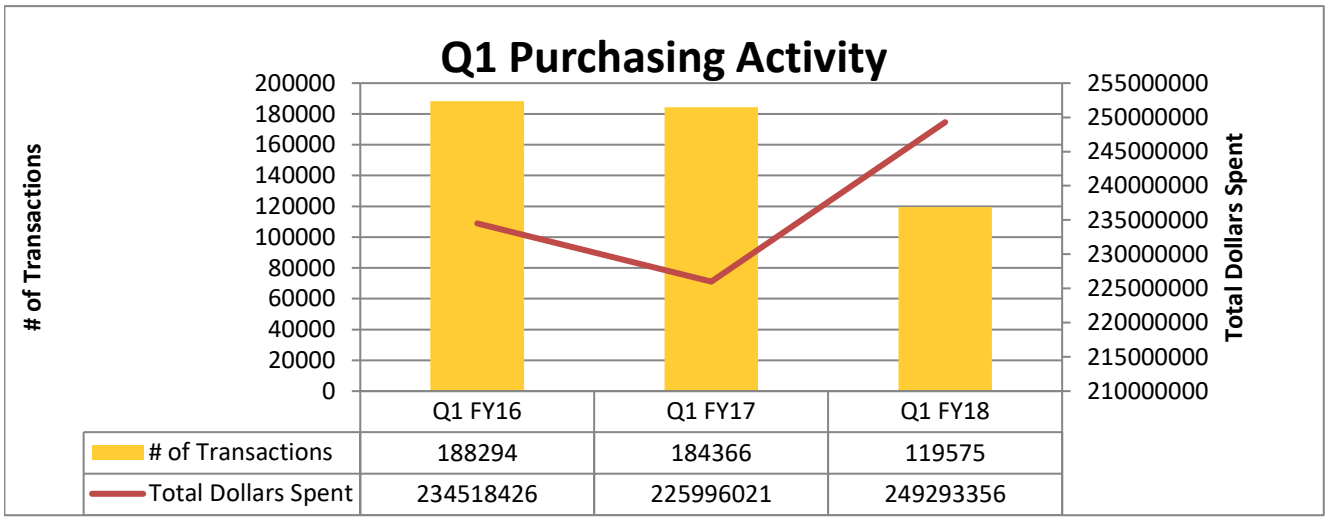
If you have any questions on the report, please do not hesitate to contact Tim Bray, Director of Purchasing, or me.

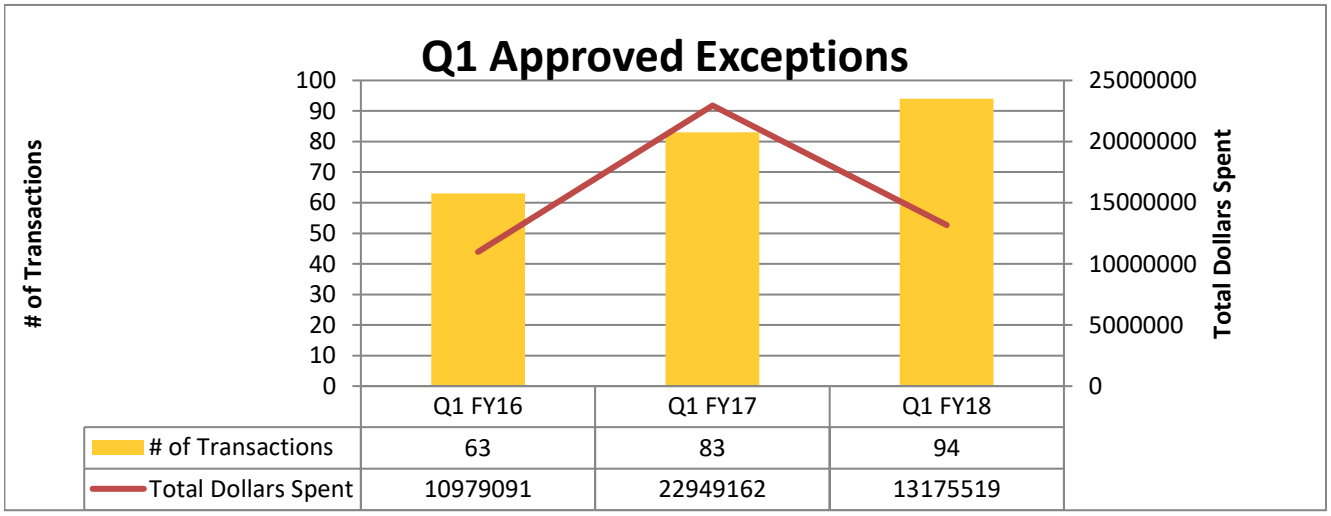
Sincerely,

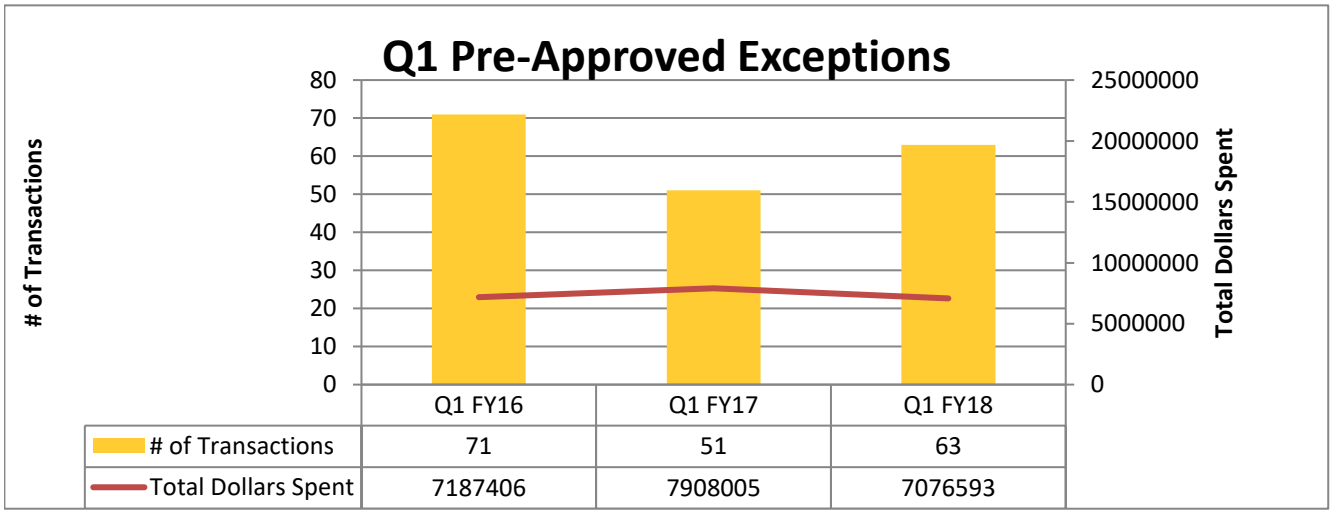
Suzanne Paulson
Assistant Controller

Cc: Michael Volna, Associate Vice President & Assistant CFO
Brian Steeves, Deputy Director, Board of Regents
Tim Bray, Director, Purchasing Services

I. Summary of Purchasing Activity for Q1 FY18







Q1 Exceptions	134	134	157
Q1 Exception Dollars	$18,166,497	$30,857,167	$20,252,112

II. Purchases made as Approved Exceptions to Competitive Purchasing Process Q1FY18

Exception #1:	Total # of Exceptions	Total Dollars
Purchasing of research products (animal feed, serum, test equip/supplies) for clinical trials. Also purchasing from a previous supplier to ensure consistency of research results.	15	$1,544,811

Exception #2:	Total # of Exceptions	Total Dollars
Equipment that requires brand compatibility with existing equipment and is available only from manufacturer or sole source authorized distributor.	34	$4,963,978

Exception #3:	Total # of Exceptions	Total Dollars
Funding source or granting agency specified a single supplier.	7	$932,723

Exception #4:	Total # of Exceptions	Total Dollars
Other	37	$5,653,507

Emergency Exception #1:	Total # of Exceptions	Total Dollars
A threat to health, welfare, safety.	0	$0

Emergency Exception #2:	Total # of Exceptions	Total Dollars
A significant loss to the University.	0	$0

Emergency Exception #3:	Total # of Exceptions	Total Dollars
A failure to provide core services to University students/faculty/staff.	0	$0

Emergency Exception #4:	Total # of Exceptions	Total Dollars
Emergency equipment repairs and parts or emergency facility repairs and parts under $100,000.	1	$80,500

TOTAL Approved Exceptions	**94**	**$13,175,519**

III. Pre-Approved Exceptions to Competitive Purchasing — Q1FY18

Exception #1:	Total # of Exceptions	Total Dollars
Lodging, travel (does not include group airfare or charter air).	6	$478,206

Exception #2:	Total # of Exceptions	Total Dollars
Media advertising, purchase or access to uniquely compiled database information.	9	$970,337

Exception #3:	Total # of Exceptions	Total Dollars
Farm commodities such as grain or livestock.	2	$223,000

Exception #4:	Total # of Exceptions	Total Dollars
Closeout of used items which requestor or Purchasing has verified to be at least 30% below comparable new equipment (does not include refurbished or remanufactured furniture).	4	$530,076

Exception #5:	Total # of Exceptions	Total Dollars
Subcontractors previously arranged by Sponsored Projects Administration (SPA).	1	$182,212

Exception #6:	Total # of Exceptions	Total Dollars
Service (1) available only from another governmental agency or public entity or (2) required by law to be provided by another governmental entity.	5	$819,235

Exception #7:	Total # of Exceptions	Total Dollars
Service/maintenance agreements with the original manufacturer/ developer for equipment and software.	10	$1,018,300

Exception #8:	Total # of Exceptions	Total Dollars
Unique specification research animals purchased under guidelines of the Institutional Animal Care and Use Committee (IACUC).	0	$0

Exception #9:	Total # of Exceptions	Total Dollars
Software license renewals and software upgrades available only from developer. This includes adding licenses to an existing license agreement.	8	$913,925

Exception #10:	Total # of Exceptions	Total Dollars
Development, design and/or creation of original artwork.	2	$320,360

Exception #11:	Total # of Exceptions	Total Dollars
Fairview purchases related to research projects.	2	$208,852

Exception #12:	Total # of Exceptions	Total Dollars
Entertainers, lecturers, speakers and honoraria.	10	$1,038,650

Exception #13:	Total # of Exceptions	Total Dollars
Purchases from University Physicians that are not part of sponsored research activities.	0	$0

Exception #14:	Total # of Exceptions	Total Dollars
Study Abroad Administrators (Does not include group airfares).	2	$183,440

Exception #15:	Total # of Exceptions	Total Dollars
Legal Services for the Office of General Counsel.	1	$100,000

Exception #16:	Total # of Exceptions	Total Dollars
Search Firms that have met pre-defined criteria.	0	$0

TOTAL Approved Exceptions	**62**	**$**	**6,986,593**

IV. Regents Policy Violations Q1FY18

There are two Regents Policy Violations to report.

Department Name	Vendor Name	Total Dollar
College of Pharmacy	Essen Bioscience Inc.	$70,000
Product/Service Description		
Hardware IncuCyte Demo System		
Explanation for Violation		
The Essen order relates to two pieces of equipment. There is the optical platform, which is the base of the equipment. The second piece of equipment is a controller that is configurable. In other words, there are several choices from which to order the controller. Each item costs $35K. Since the two items were each priced under $50K, Dr. David was not aware that the two items should be considered together as one piece of equipment. He only recently joined the U of M and was not aware of the Regents policy that both pieces of equipment needed to be considered as one. The administrative assistant who processed the order on behalf of Dr. David was also new and did not realize that this order should not have been placed without an RFP or exception.		
Action Taken by Department to Prevent Further Violations		
Dr. David is now aware that in the above case, both items should have been considered as one rather than two pieces of equipment. The administrative staff, that orders equipment in the Department and in the College of Pharmacy, has also been advised of the Regent's policy.		

Department Name	Vendor Name	Total Dollar
Veterinary Diagnostic Laboratory	Stericycle, Inc.	$291,690
Product/Service Description		
Waste disposal of infectious (biomedical) waste.		
Explanation for Violation		
Stericycle approached the Administrative Assistant in the Willmar lab to renew long-standing contract. She was unaware that she did not have signature authority and signed. The department became aware of the contract, when she tried to cancel it and they threatened to charge a cancellation fee. Fortunately, Purchasing Services was successful in folding the activity under the Statewide contract with Stericyle, and canceled the contract entered into by the Willmar lab.		
Action Taken by Department to Prevent Further Violations		
VDL leadership has sent a VDL-wide email clarifying roles and responsibilities with regard to contract negotiation and signature. All faculty and staff are aware that the Regents have delegated signature authority to the Chief Operating Officer and Dean only. They are also aware that the accounting staff facilitate contract reviews with OGC.		

Capital Planning and Project Management

Semi-Annual Project Report

December 1, 2017

Projects	Scope	Schedule	Budget	Project Budget	Est. Design Completion
Projects in Design					
Shepherd Laboratories Robotics Lab Remodel, UMTC	●	●	●	$12,203,000	November 2017
Projects in Construction					
Athletes Village, UMTC	●	●	●	$166,000,000	
Bell Museum, UMTC	●	●	●	$64,225,000	
Chemistry and Advanced Material Science Building, UMD	●	●	●	$44,651,000	
Health Sciences Education Center, UMTC	●	●	●	$108,539,000	
Pioneer Hall Renovation, UMTC	●	●	●	$104,500,000	
Recreation Sports Bubble and Track, UMTC	●	●	●	$19,000,000	
Veterinary Isolation Laboratories, UMTC	●	●	●	$29,500,000	
Completed Projects					
AHC Renovation and Relocation Program, UMTC	●	●	●	$13,364,000	
Combined Heat and Power Plant, UMTC	●	●	●	$112,981,000	
John T. Tate Hall, UMTC	●	●	●	$92,500,000	
				$767,463,000	

Projects from $1,000,000 - $5,000,000:	0
Projects from $5,000,000 - $20,000,000:	3
Projects over $20,000,000:	8
Total Project Count:	11

*Bell Museum building substantial completion August 2017; exhibit completion June 2018.

** Trace Metals lab complete March 2018

PROJECTS IN DESIGN

Shepherd Laboratories Robotics Lab Remodel, UMTC

Description

Remodel the first and second floors for laboratory and office space. Open the second floor structure for drone test flights and replace existing mechanical and electrical systems to support the remodeled areas.

Status Design Documents complete. Scheduled completion August 2018.

Scope Schedule Budget

PROJECTS IN CONSTRUCTION

Athletes Village, UMTC

Description

A new 321,000 SF Athletes Village supporting excellence in academics and advance training practices as well as a hub for the entire Athletics Department.

Status All buildings are fully enclosed. Interior finishes taking place throughout the complex. Landscape and final paving in progress. Scheduled completion January 2018.

Scope Schedule Budget

Bell Museum, UMTC

Description

A new museum and planetarium that will provide a center for research, education, and public engagement around Minnesota's natural environments.

Status The construction of the building is complete. Installation of the AV/ Planetarium systems, restoration of the existing dioramas, and installation of the new exhibits are in progress. Scheduled completion June 2018.

Scope Schedule Budget

Chemistry and Advanced Material Science Building, UMD

Description

A new 56,000 SF facility supporting chemical and applied science research and teaching.

Status Groundbreaking was held in July and the building super structure is complete. Interior and exterior wall systems, mechanical, and electrical system rough-ins are in process. Scheduled completion December 2018.

Scope Schedule Budget

PROJECTS IN CONSTRUCTION

Health Sciences Education Center, UMTC

Description

Demolition, renovation, and construction for approximately 202,000 SF of new interdisciplinary health sciences education center on the East Bank campus.

Status

Select demolition and abatement is in process with demolition of VFW/Masonic scheduled to begin March 2018. Construction of the new center will begin in the Summer 2018. Scheduled completion December 2019.

Scope Schedule Budget

Pioneer Hall Renovation and Consolidated Superblock Dining Facility, UMTC

Description

Renovation and expansion of Pioneer Hall to accommodate approximately 756 beds and a consolidated 850 seat dining facility for the Superblock residence halls.

Status

Abatement complete and major demolition in process. Construction of site utilities and building super structure to begin in early 2018. Scheduled completion June 2019.

Scope Schedule Budget

Track and Recreation Sports Bubble, UMTC

Description

A new Track and Field facility at the Athletes Village site and relocation of the existing Recreation and Wellness Sports Bubble and Softball Field.

Status

Construction of the Recreation and Wellness Sports Bubble completed November 2017. With the Sports Bubble complete, the track site demolition will begin in early December with completion in August 2018.

Scope Schedule Budget

Veterinary Isolation Laboratories, UMTC

Description

Demolish and replace three existing facilities with new 31,140 SF bio-containment facility to support the University's growing infectious diseases research initiatives.

Status

Building was substantially complete in October 2017. System start up and commissioning in process, occupant move scheduled January 2018 and completion of site restoration July 2018.

Scope Schedule Budget

COMPLETED PROJECTS

Combined Heat and Power Plant, UMTC

Description

Installation of new combined heat and power equipment in the existing Old Main Utility Building that will reduce the University's carbon footprint.

Status Operational and regulatory testing completed November 2017. The combined heat and power plant is in full "commercial operation."

Scope Schedule Budget (amended)

John T. Tate Hall, UMTC

Description

Renovation of the existing facility and new construction, totaling 229,500 SF. Includes the rehabilitation of the exterior and new infrastructure to support the program.

Status Certificate of Occupancy received and occupants moved into building in August 2017. Trace Metals Lab scheduled to be complete March 2018.

Scope Schedule Budget

AHC Renovation and Relocation Programs, UMTC

Description

Renovation of 54,000 SF in Phillips-Wangensteen and Moos Tower to accommodate decanting VFW and Masonic Memorial Buildings for the Academic Health Center programs.

Status Certificate of Occupancy received and occupants moved into the spaces in November 2017.

Scope Schedule Budget