



Finance & Operations Committee

February 2018

February 8, 2018

7:45 a.m. - 10:45 a.m.

Boardroom, McNamara Alumni Center

FIN - FEB 2018

1. Annual Report on Employee Compensation
 - Docket Item Summary - Page 5
 - Presentation Materials - Page 7
 - Report on Employee Compensation - Page 41
 - Report on Faculty Compensation - Page 90
 - Report on Senior Leader Compensation - Page 111
2. FY 2019 Budget Framework
 - Docket Item Summary - Page 134
 - System Campus Tuition Pricing Analysis - Page 139
 - Presentation Materials - Page 145
3. Campus Community Relations Update
 - Docket Item Summary - Page 157
 - Presentation Materials - Page 159
4. Board of Regents Policy: Endowment Fund - Review
 - Docket Item Summary - Page 173
 - Revised Policy - Page 175
5. Board of Regents Policy: Health and Safety - Review
 - Docket Item Summary - Page 178
 - Revised Policy - Page 179
6. Real Estate Transaction: Keeler Apartment Building - Review/Action
 - Docket Item Summary - Page 181
 - Project Narrative and Map - Page 182
7. Capital Budget Amendment: Wrestling Practice Facility Renovation (Twin Cities Campus) - Review
 - Docket Item Summary - Page 185
 - Project Narrative - Page 186
 - Project Location Map - Page 188
 - Presentation Materials - Page 189
8. Collective Bargaining Agreement: Regents of the University of Minnesota and AFSCME 3800 and 3801 - Review/Action
 - Docket Item Summary - Page 194
 - Resolution - Page 196
9. Collective Bargaining Agreement: Regents of the University of Minnesota Graphic Communications Conference of the International Brotherhood of Teamsters Local 1- M - Review/Action

Docket Item Summary - Page 197

Resolution - Page 199

10. Collective Bargaining Agreement: Regents of the University of Minnesota and Teamsters 320 - Review/Action

Docket Item Summary - Page 200

Resolution - Page 202

11. Consent Report - Review/Action

Docket Item Summary - Page 203

Central Reserves General Contingency Allocation

General Contingency - Page 205

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

Purchasing Summaries - Page 206

Schematic Designs

Biological Sciences Center 3rd/4th Floor Renovation (Twin Cities Campus)

Project Narrative - Page 209

Project Location Map and Renderings - Page 211

Golf Practice Facility (Twin Cities Campus)

Project Narrative - Page 212

Project Location Map and Renderings - Page 214

Public Safety Facility (Twin Cities Campus)

Project Narrative - Page 216

Project Location Map and Renderings - Page 218

Appointment of Chancellor, University of Minnesota, Rochester

Carrell Personnel Appointment - Page 220

Carrell Employment Agreement - Page 222

Employment Agreements

Deferred Compensation Agreements for Karen Hanson and Lendley Black - Page 227

12. Information Items

Docket Item Summary - Page 229

Annual Capital Financing and Debt Management Report - Page 234

Annual Risk Management and Insurance Report - Page 249

Emergency Approval: Kaufman Hall Contract - Page 269

Quarterly Purchasing Report - Page 274

Results of the 2017 Employee Engagement Survey - Page 278

State Capital Appropriations Expenditure Report - Page 284



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: Annual Report on Employee Compensation

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS:

Kathryn Brown, Vice President, Office of Human Resources

Kenneth Horstman, Senior Director, Office of Human Resources

PURPOSE & KEY POINTS

The purpose of this item is to discuss the importance of compensation as an integral factor in the employee value proposition, and a significant factor that helps the University meet its priorities through the work of its faculty and staff. Reports on compensation for senior leaders, faculty, and staff are included in the docket materials

The cost of compensating the University's faculty and staff accounts for approximately 60-61 percent of the University's all-funds budget. Efficient compensation management starts with understanding the institutional priorities of each campus, collegiate, and operational unit. That information helps determine the size of the needed workforce, and the skills needed to achieve the priorities.

Historically, the University set a compensation pool for base salary increases based on the budget and funds available. Units and colleges decided how to deliver compensation utilizing very broad parameters.

In 2012, the University implemented a structure that determines salary increases based on merit. That change began ongoing efforts to move compensation from a budget-only discussion to one that starts a strategic conversation about compensation and how it can be an effective tool in the recruitment and retention of faculty and staff.

Over the past few years, the University established an updated job classification system, set market ranges in line with work being performed, and developed sound compensation practices for informed decision making.

BACKGROUND INFORMATION

The Annual Report on Employee Compensation is required by Board of Regents Policy: *Employee Compensation and Recognition*, Section V:

The president or delegate shall:

- (a) monitor the effectiveness of compensation and recognition programs; and
- (b) report annually to the Board of Regents on compensation and recognition programs for all employees, including an annual comprehensive report on compensation provided to senior leaders.

Annual Report on Employee Compensation

Kathryn F. Brown, Vice President, Office of Human Resources

Ken Horstman, Senior Director of Total Compensation,
Office of Human Resources

February 8, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

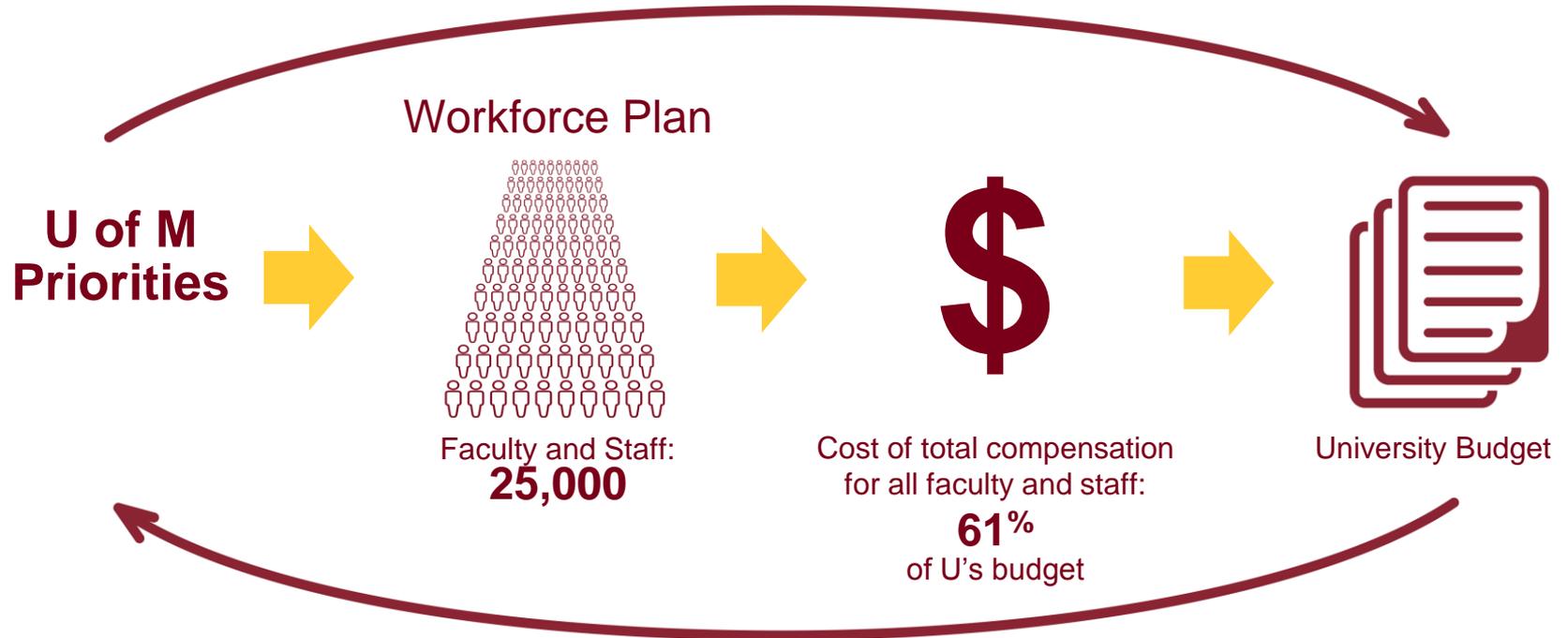


Office of Human Resources

UNIVERSITY OF MINNESOTA

Page 7 of 295

Total compensation is a tool to help the University reach its priorities.



The scope of the compensation tool is written in Regents Policy.

“...a compensation structure that, when combined with benefits and other rewards, is competitive relative to institutional peers and other appropriate labor markets and serves to attract and retain a high-performance workforce.”

Board Policy: *Employee Compensation and Recognition*, Section III (a).

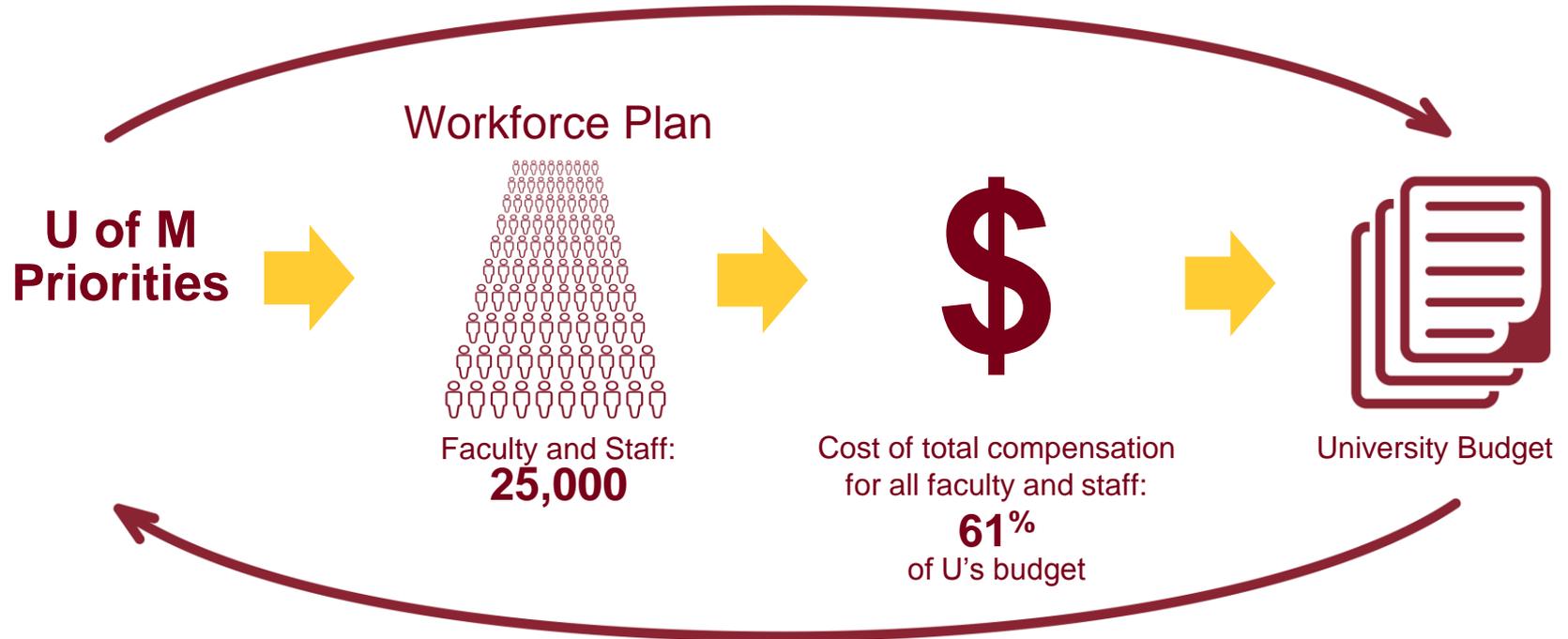


There are two lenses used to appraise compensation.

- Expense: Budget decision—How much can we afford?
- Investment: Compensation strategy—What do we want to pay and who do we want to pay to be competitive and excellent?



Moving decision-making toward the goals maximizes the impact of compensation.



How does higher education compare to private sector?

Private Sector

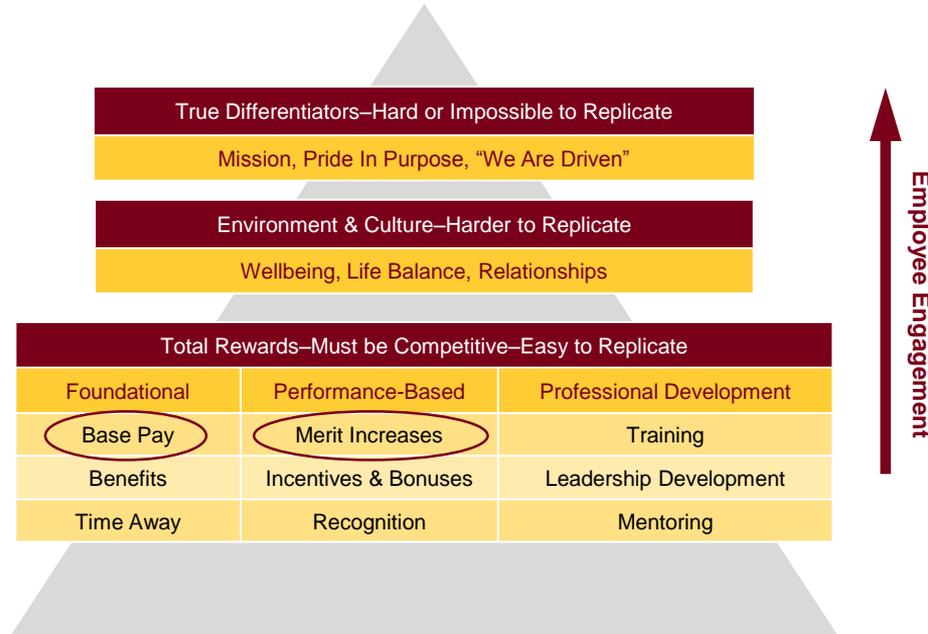
- More levers
- Nimble levers
- Often very centralized decision-making

Higher Education

- Two primary revenue levers: tuition and state funding
- Not nimble levers
- Decentralized decision-making, function of culture and scale and because of highly disparate missions



Total compensation is an integral part of the employee value proposition, which supports the University's ability to recruit and retain talent.



A key management decision is setting base compensation at the point of hire, and monitoring it throughout employment.

Guided by Regents Policy, the following factors must be considered:

- Work responsibilities
- Internal equity
- Experience and expertise
- Past demonstrated accomplishments
- Market



The relevant market is different for different employee groups and jobs.

- Faculty
 - Professional & Administrative
 - Civil Service
 - Union-Represented
 - Graduate Assistant
- 19 Job Families



To determine the relevant market understand:

- Where do we hire from?
- Where do departing employees go?

Look at:

- Geographic region
- Industry

For example: The market in which we compete for talented Civil Service and Professional & Administrative employees (excluding Senior Leaders) varies by job family, but is most frequently defined as all industries within the Twin Cities metro area.



Different employee groups have different markets:

IT Employees

Come from:
Private industry

Go to:
Private industry

Geographic region:
Twin Cities

Faculty

Come from:
Academic programs
Universities

Go to:
Universities
Metro area hospitals

Geographic region:
International

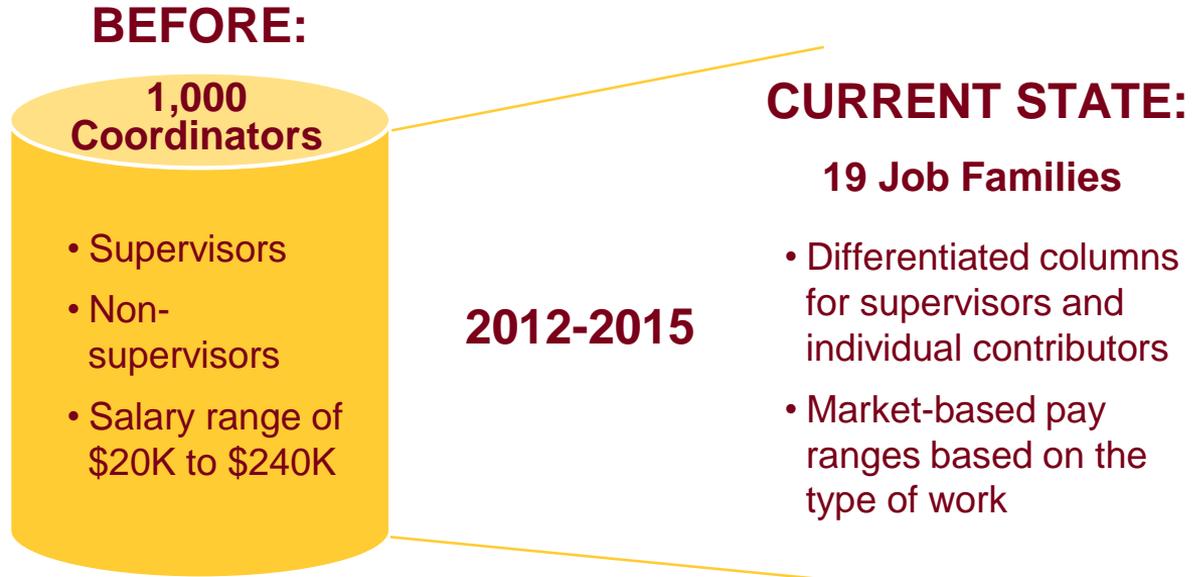


The job family work helps us manage to relevant market by defining the salary range of each job family, the average annualized U of M base salary, and the midpoint for each range for the Civil Service and P&A employee groups.

Administration	Audit	Development	Health Care	Libraries & Museums
Alumni Relations / Advancement Operations	Business Development	Education	Human Resources	Purchasing
Animal Health	Campus Ops	Finance	IT	Recreation
Athletics & Recreation	Communications	Grants	Legal	Student Services



Example of a Single Job Classification



Compa Ratios

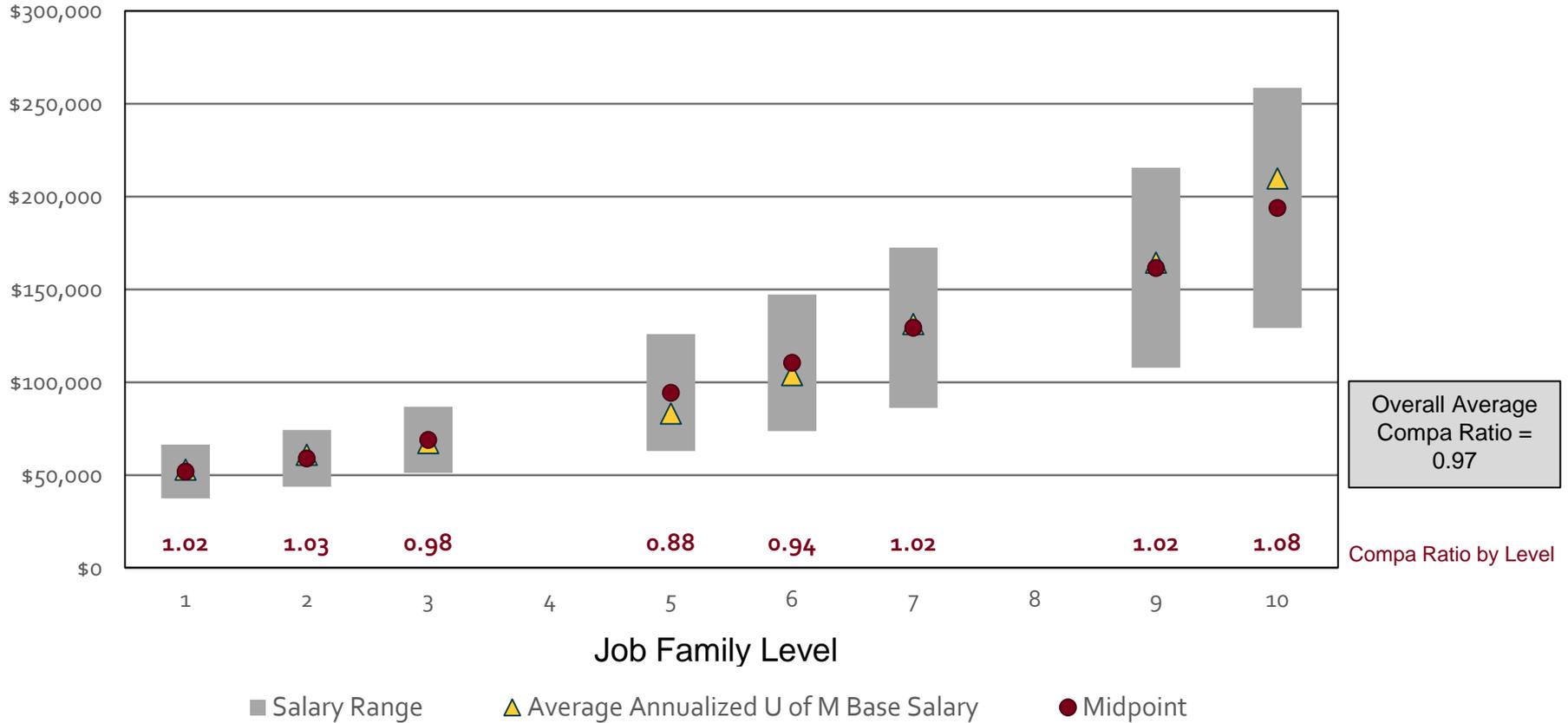
- Compa ratio: Measure of how closely an individual's salary, or group of salaries, compares to the market median
- Calculated by taking an employee's actual salary divided by the salary range midpoint
 - Example: \$65,000 salary/\$60,000 midpoint = 1.08. The person is paid 8% higher than market median.

Compa Ratio	Relation to Market Median
1.0	Exactly matches market
0.8	20% behind market
1.2	20% ahead of market

- It is important to note that a job family can have a healthy overall compa ratio but have levels within it that are not paid to market. Likewise, a level within a job family can have a healthy overall compa ratio but have jobs or people in that level who are not paid appropriately to market.
- To know if a compa ratio is competitive, you need to know the skills and experience of the employee group. Their degree of job mastery is what warrants higher or lower payment relative to market.



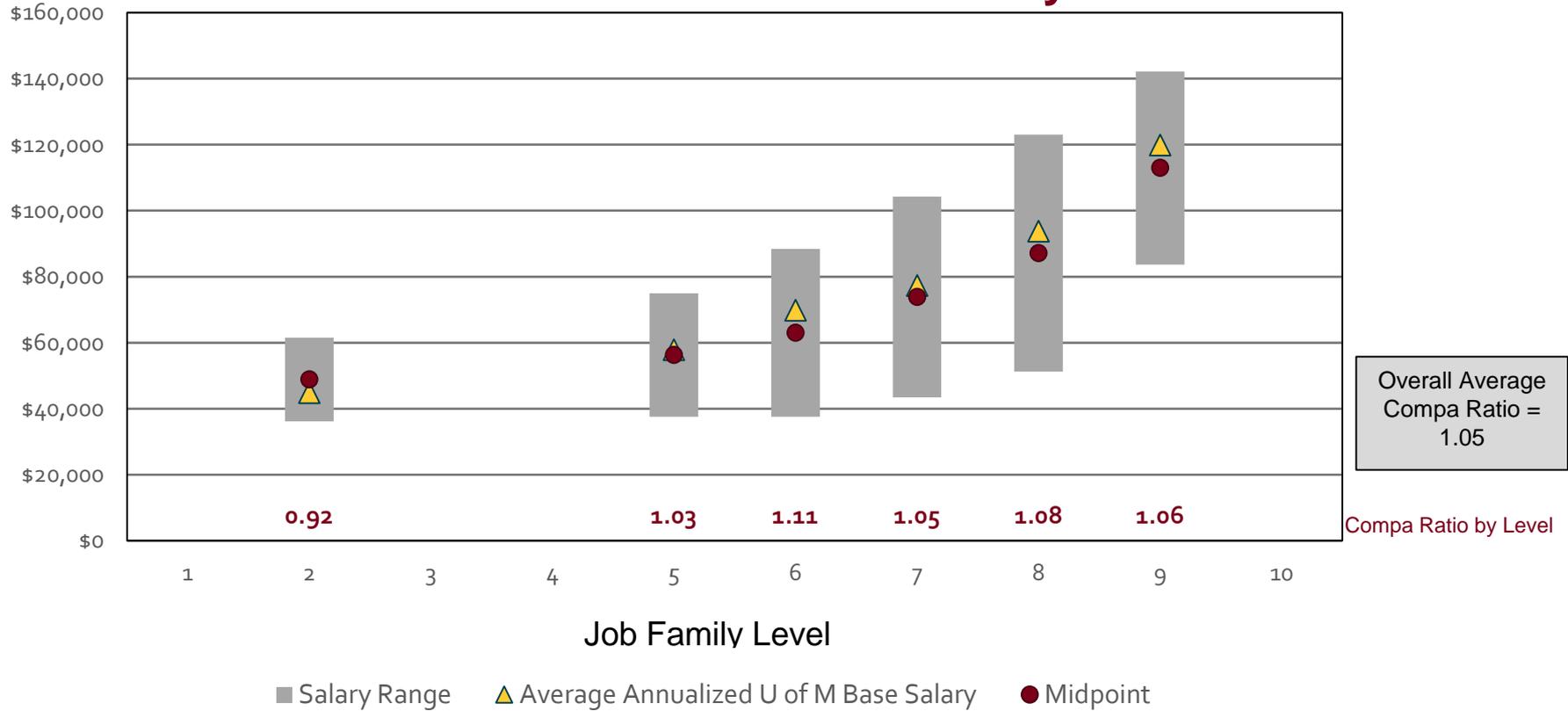
Administration Job Family



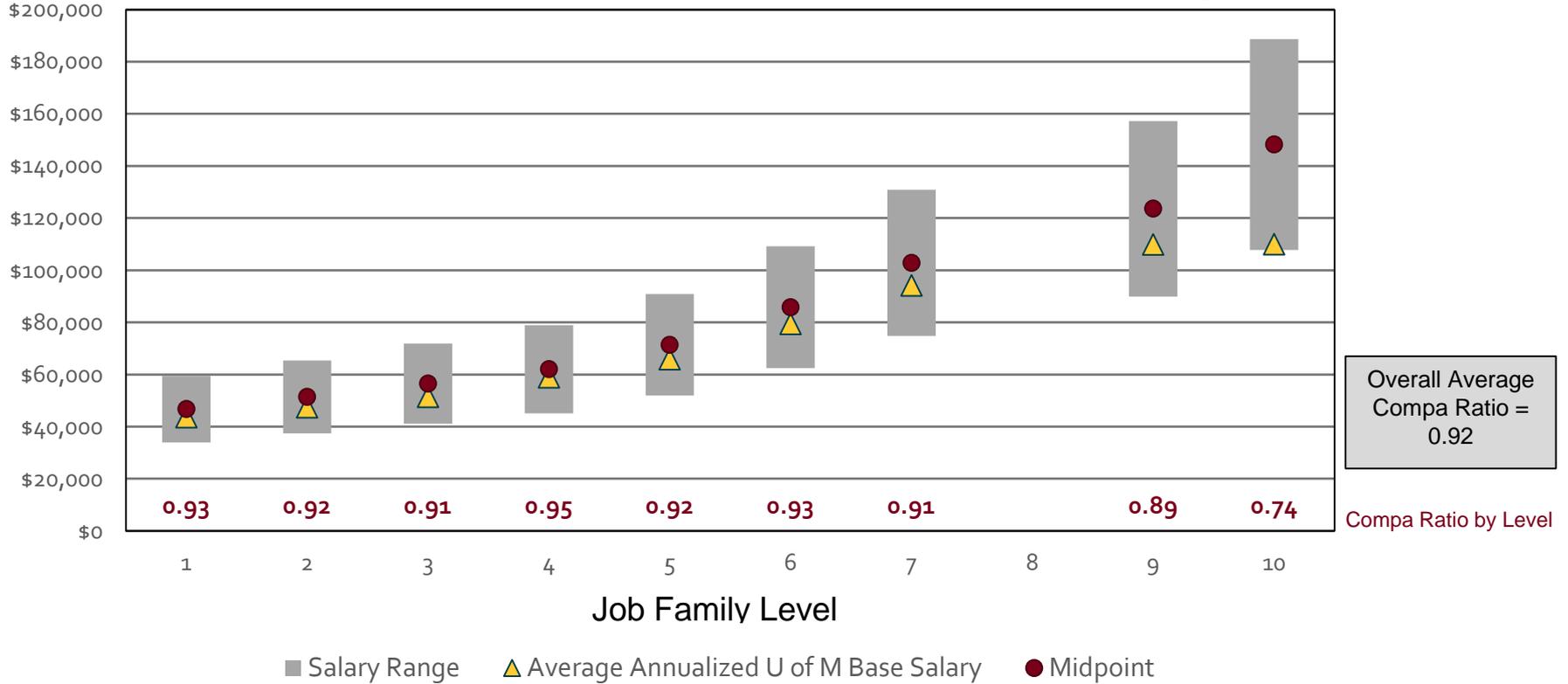
Athletics Job Family



Education: General Job Family



Student Services: All Others Job Family



Ongoing Work: Continue to Differentiate Work and Markets

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

Ongoing Work

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



More differentiation improves management.

- Understand and manage our workforce
- Prioritize greatest needs
- Respond to skill shortages
- Up-to-date market data
- Move from 260 salary ranges to 32 salary ranges—
increases ease of management and transparency
- Allows data-driven decision-making



Differentiation also supports better identification of areas of high turnover and difficult to fill positions.

Overall Compa Ratio

>5% Above Market	Alumni Relations (1.06)	None
Within 5% of Market (0.95 – 1.05)	Human Resources (1.02) Business Development (1.00) Grants/ Contracts (0.97)	CAMPUS OPS (1.00) IT (0.99) HEALTH CARE (0.98) Administration (0.98) Education (0.97) Communications (0.97)
>5% Below Market (0.84 – 0.94)	Animal Health (0.94) Purchasing (0.94) Audit (0.92) Legal (0.92) Athletics/Recreation (0.91) Libraries / Museums (0.89)	FINANCE (0.93) Student Services (0.93) RESEARCH (0.84)
	Low	High

Turnover

POSITIONS IN ALL CAPS = HARD TO FILL



And priority positions would benefit from salary adjustments due to market and other pressures.

Job Title	Compa Ratio	Turnover	Difficulty to Fill	Mission Critical
Accounts Receivable	.85	Low	Not Difficult	Yes
Cost Accounting	.86	High	Difficult	Yes
Financial Planning & Analysis	1.01	Low	Difficult	Yes

Note: Not real data. Used for illustrative purposes only.



Example:

A Finance manager supervises 10 employees. The cost accounting workload increases in the department. The manager knows the skills of his 10 employees, determines he needs another cost accountant, and identifies what must be budgeted for that position.

Other factors also must be considered:

- Does this job class have high turnover?
- Is this a job for which there is high demand?
- Have we had difficulty filling this type of position?



The Human Resources Management System helps by providing desktop information for supervisors and managers through the portal.

The screenshot displays the MyU portal interface. At the top, the University of Minnesota logo and name are visible, along with the tagline "Driven to Discover". Navigation links for various campus locations (Crookston, Duluth, Morris, Rochester, Twin Cities) and a search bar are present. Below the header, a navigation menu includes "MyU", "Key Links", "Campus Info", "Resources", and "Favorites".

The main content area is divided into several sections:

- NEWS**: A sidebar menu with options like ACADEMICS, MY FINANCES, MY TIME, MY PAY, MY BENEFITS, MANAGER INFO, PURCHASING, and MY INFO.
- UMN is Making a Move Moodle >>> Canvas**: A featured announcement for a "Jan. 9 - Discover Canvas: Basics Workshop". The text reads: "New to Canvas? Starting to think about moving from Moodle to Canvas? If so, plan to attend an online 90 minute, 'Canvas Basics' workshop."
- Technology Advisory Council**: A section titled "Need to make a technology decision?" with the subtext: "Making the decision to purchase, build, or implement a technology can be daunting. The University's technology ecosystem is vast and complex." It includes the URL z.umn.edu/getadvice.
- leadership**: A section for the "Leadership Development Program for Individual Contributors" with the subtext: "Discover your leadership potential through the Leading on All".
- GOOGLE CALENDAR**: A section titled "SEE WHAT'S NEW" with the subtext: "New interface for Google Calendar" and "Google Calendar's updated interface will be available at the University of Minnesota beginning Tuesday, November 28."



Local units or colleges invest in their faculty and staff through annual pay increases:

- **Merit**
 - Non-discriminatory
 - Annual compensation pool
- **Equity/ In-range/ Market Adjustment**
 - Similar pay for similar work
 - Periodic review
 - Set aside pool within the budget of a unit or college.



Local units and colleges can award merit within the compensation pool.

Example:
30 employees might look like this.

Merit Increase	Number of People
.5	1
1.0	4
1.5	5
2.0	10
2.5	5
3.0	4
3.5	1

$60 \div 30 = 2\%$ pool

Note: The above graphic is for illustration only. It does not contain real data.



Ongoing Challenges to Good Compensation Decision-making

- Continue to move toward strategic decisions while managing the budget
- Data integrity
 - All data is entered at the local unit and college level, which naturally results in variability
- Meaningful reports
 - What is most helpful to managers?
 - What is most helpful for fiduciary oversight?
- Ongoing review of markets and equity





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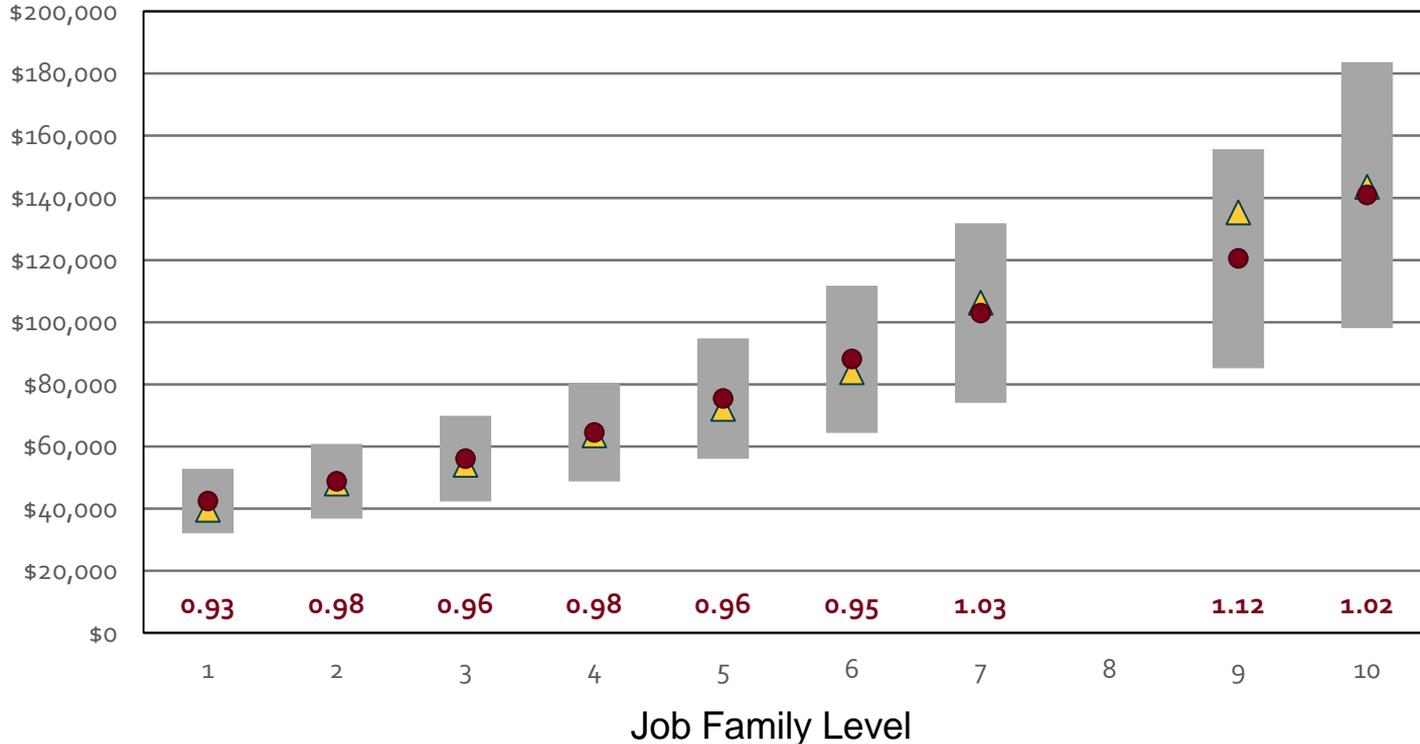
The University of Minnesota is an equal opportunity educator and employer.



Backup Slides



Campus Operations and Protection Job Family



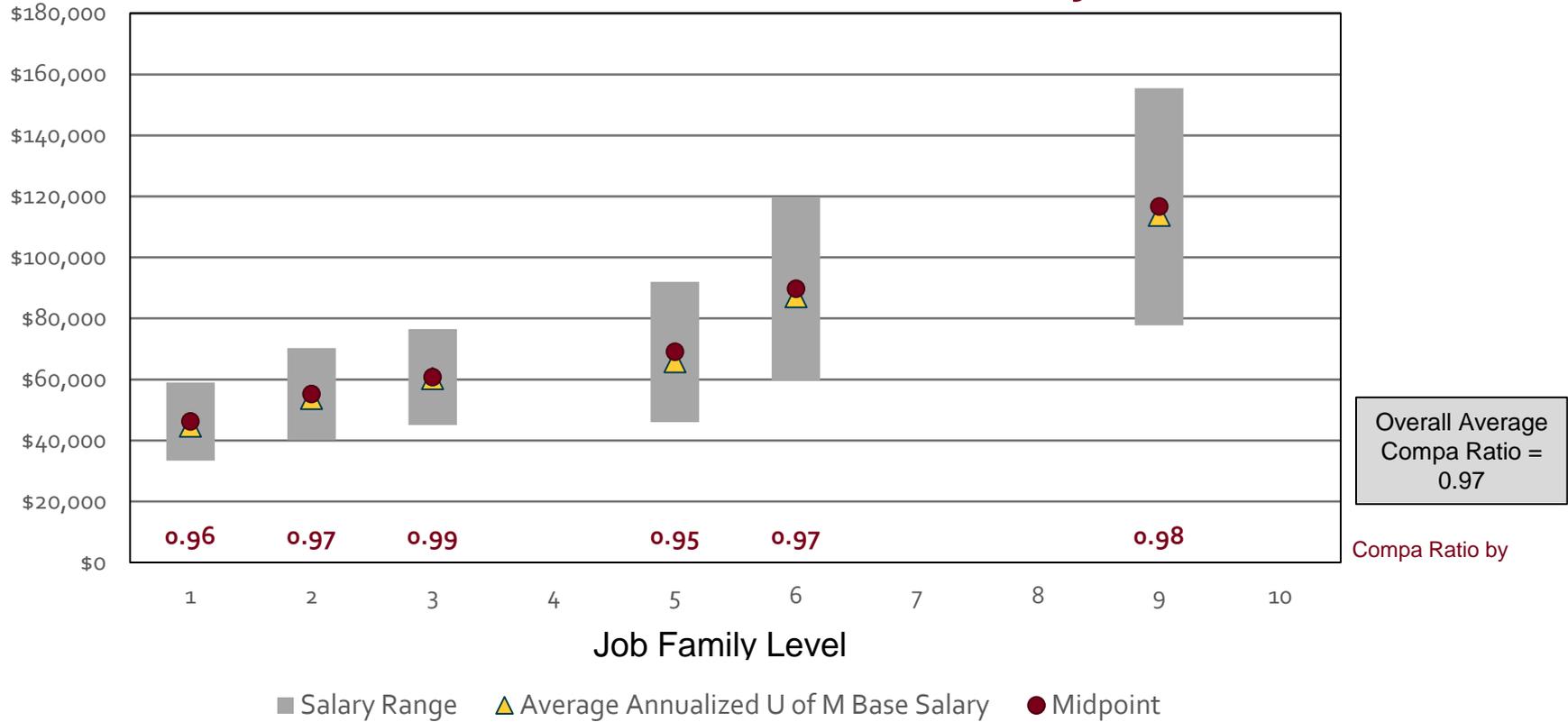
Overall Average Compa Ratio =

Compa Ratio by

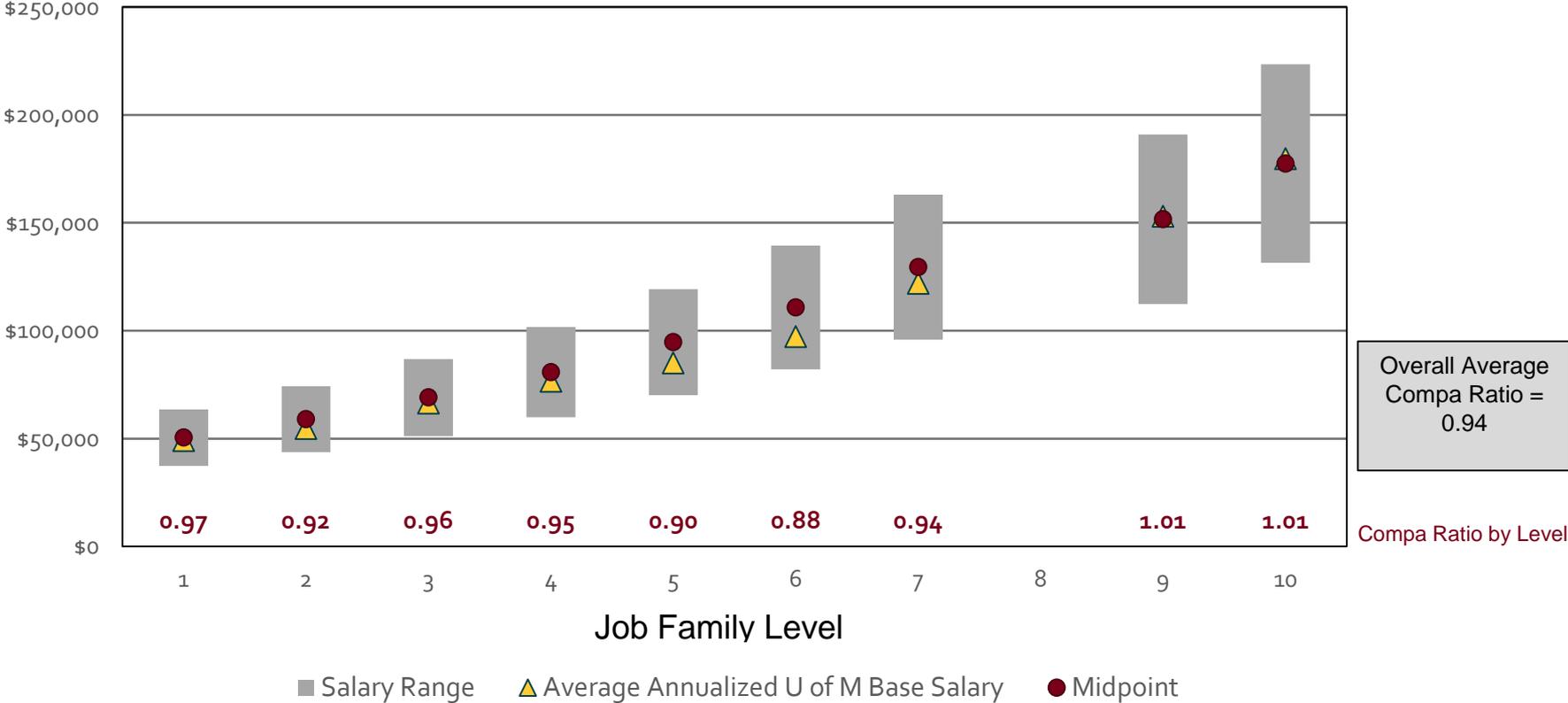
■ Salary Range ▲ Average Annualized U of M Base Salary ● Midpoint



Communications Job Family



Finance Job Family



Human Resources Job Family

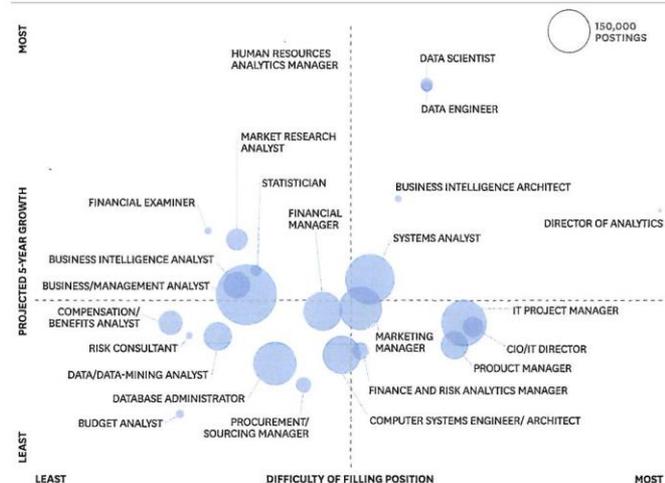


Future Considerations: Keeping our Job Classifications up to Date with the Changing World of Work

CAREERS HOW DATA SCIENCE IS DISRUPTING THE JOB MARKET

It's no secret that jobs involving data science and analytics are growing quickly, leading to talent shortages. But nuances exist within that broad category, according to a study by IBM, Burning Glass, and the Business-Higher Education Forum. Researchers plotted job titles on a two-by-two matrix (shown below) according to the difficulty of filling each position and the number of new positions expected in the United States in the next five years. Data scientist, data engineer, and director of

analytics are the fastest-growing and hardest-to-fill positions (with high costs to hire). The researchers hope their work will boost awareness among employers, educators, and workforce development officials of the looming "analytical capabilities divide"—and prompt those groups to train more people for the positions in greatest demand. ■



THE DATA SCIENCE/ANALYTICS LANDSCAPE

2,350,000
JOBS WERE LISTED
IN THE U.S. IN 2015.

364,000
ADDITIONAL JOB
LISTINGS ARE
EXPECTED BY 2020.

BY 2020 THE
DEMAND FOR
DATA SCIENTISTS
AND DATA
ENGINEERS IS
PROJECTED TO
GROW BY

39%

JOBS REMAIN OPEN FOR 45 DAYS,
ON AVERAGE—
5 DAYS
LONGER THAN THE MARKET AVERAGE.

OPENINGS ARE ADVERTISED
AT SALARIES OF
\$80,265,
ON AVERAGE. THAT'S
\$8,736
MORE THAN THE AVERAGE FOR
ALL JOBS REQUIRING A BACHELOR'S
OR GRADUATE DEGREE.

81% OF JOBS
REQUIRE AT
LEAST THREE
YEARS OF
EXPERIENCE.

SOURCE "THE QUANT CRUNCH: HOW THE DEMAND FOR DATA SCIENCE SKILLS IS DISRUPTING THE JOB MARKET" (BURNING GLASS TECHNOLOGIES, 2017)

Annual Report on Employee Compensation

Kathy F. Brown, Vice President, Office of Human Resources

February 8, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Human Resources

UNIVERSITY OF MINNESOTA
Page 41 of 295

Introduction

The Office of Human Resources at the University of Minnesota has recently completed the attached annual review of cash compensation for employees who are in the Civil Service and Professional & Administrative employee groups. This review was conducted to assess the degree to which the compensation provided to these individuals is in alignment with the stated objectives of the Board of Regents Policy on Compensation and Recognition.

Specifically, the Board of Regents policy states that:

- The University strives to achieve and maintain a compensation structure that, when combined with benefits and other rewards, is competitive relative to institutional peers and other appropriate labor markets and serves to attract and retain a high performance workforce.
- The University seeks to reward meritorious performance and employee contribution to the success of the University through compensation and other forms of recognition.
- In the setting of initial salaries and subsequent pay adjustments, the University considers the work responsibilities, market, internal equity, experience and expertise, performance, and other criteria as appropriate.
- The University adheres to compensation and recognition practices that are fair and equitable in design, application, and delivery.



Overview

- The University's Civil Service and Professional & Administrative employees are classified within job families.
 - Covers roughly 11,200 employees, or 49% of the University's total payroll
- Job Families are broad distinct functions that contains a group of sub-specialty jobs engaged in similar work that require similar knowledge, skills and abilities. The current job families include:

Administration	Audit	Development	Health Care	Libraries & Museums
Alumni Relations / Advancement Operations	Business Development	Education	Human Resources	Purchasing
Animal Health	Campus Ops	Finance	IT	Recreation
Athletics & Recreation	Communications	Grants	Legal	Student Services



Overview

- Each job family contains roughly 10 levels of jobs that represent a continuum of progressively higher levels of responsibility and impact, and provide for promotional opportunities over time.
- Below, for illustrative purposes, is a picture of the Finance Job Family:

Finance Title	Range Midpoint
FIN Dir 2	\$177,487
FIN Dir 1	\$151,700
N/A	
FIN Analyst 3 / Mgr 3	\$129,520
FIN Analyst 2 / Mgr 2	\$110,737
FIN Analyst 1 / Mgr 1	\$94,713
FIN Pro 4 / Supv 4	\$80,808
FIN Pro 3 / Supv 3	\$69,025
FIN Pro 2 / Supv 2	\$58,999
FIN Pro 1	\$50,419



Definition of Market

The market in which we compete for talented Civil Service and Professional & Administrative employees (excluding Senior Leaders) varies by job family, but is most frequently defined as all industries within the Twin Cities metro area.

Occasionally there are positions where a national or global search is required, with a focus on what is being paid by higher education institutions. An example of this type of position would be a very prestigious and high-level researcher.



Compa Ratios

- Compa ratio: Measure of how closely an individual's salary, or group of salaries, compares to the market median
- Calculated by taking an employee's actual salary divided by the salary range midpoint
 - Example: $\$65,000 \text{ salary} / \$60,000 \text{ midpoint} = 1.08$. The person is paid 8% higher than market median.

Compa Ratio	Relation to Market Median
1.0	Exactly matches market
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- It is important to note that a job family can have a healthy overall compa ratio but have levels within it that are not paid to market. Likewise, a level within a job family can have a healthy overall compa ratio but have jobs or people in that level who are not paid appropriately to market.
- To know if a compa ratio is competitive, you need to know the skills and experience of the employee group. Their degree of job mastery is what warrants higher or lower payment relative to market.



Limitations of Compa Ratio Statistics

- The compa ratio statistics contained within this report are not as accurate as we would like because:
- Each level within a job family has a salary range midpoint which was derived from market data pulled in 2012/13 and aged by 2% per year.
 - We would expect that the market for some job families has moved more aggressively than 2% per year, and the market for others may have moved less than 2% per year. Although we do not know the magnitude of change from year to year, we know that some degree of error is certainly present in our assessment of how we are paying to market.
- Each level in a job family currently only has one midpoint, which is shared by jobs across many different specialties that have very different rates of pay in the market. The midpoints are therefore aggregate averages, and don't reflect the market for any one job in the level.
 - Example: The salary range midpoint for Finance Pro Level 2 (highlighted in green on a previous slide) is \$58,999 but this level and range midpoint are shared by people working in Cost Accounting (market of \$63,000), Accounts Payable (market of \$50,000), Investment and Banking (market of \$85,600), and Financial Planning and Analysis (market of \$68,000). For this report, the salaries of people in these roles will be compared to the overall market midpoint of \$58,999.



Compa-Ratio By Job Family

Family	# of Employees	Average Hourly Rate	Average Annualized U of M Base Salary	Average Compa Ratio*
Research-Researchers	1680	\$28.13	\$59,490	0.79
Legal-SLS	10	\$34.17	\$72,885	0.87
Recreation	33	\$26.57	\$66,384	0.87
Education-Extension	360	\$26.61	\$59,514	0.87
Libraries/Curators	139	\$33.96	\$73,666	0.89
Libraries/Museums	89	\$31.08	\$81,948	0.90
Athletics	40	\$39.09	\$82,359	0.92
Student Svcs-Res Life	32	\$20.01	\$53,693	0.92
Student Svcs-Most	1001	\$27.48	\$73,395	0.92
Audit	17	\$36.56	\$76,055	0.93
Animal Health	122	\$27.63	\$57,479	0.94
Finance	598	\$35.59	\$74,021	0.94
Health Care-Mental Health	107	\$29.22	\$67,764	0.94
IT-End User	267	\$28.65	\$66,332	0.95
Development-Major Gifts	139	\$47.09	\$110,048	0.95
Research-Research Support	661	\$31.20	\$80,325	0.96
Purchasing	30	\$32.54	\$67,691	0.97
IT-Academic Technology	83	\$33.49	\$76,997	0.97
Development-Prospect	24	\$32.61	\$86,274	0.97

*Please see earlier information within this report regarding limitations of this data.
More detail on each Job Family can be found in the appendix of this report.



Compa-Ratio By Job Family

Family	# of Employees	Average Hourly Rate	Average Annualized U of M Base Salary	Average Compa Ratio*
Communications	513	\$29.58	\$61,525	0.97
Administration	1064	\$37.05	\$77,055	0.97
Campus Ops-Ops/Protection	366	\$30.78	\$82,897	0.97
Grants & Contracts	128	\$33.72	\$70,132	0.98
Business Development	56	\$51.02	\$106,120	0.98
Education-Pre-K	27	\$29.50	\$68,340	0.99
Development-Planned Giving	5	\$57.51	\$133,612	0.99
IT-All Other	805	\$38.77	\$91,077	0.99
Research-Research Nurses	55	\$42.18	\$90,151	1.00
Human Resources	206	\$37.06	\$77,087	1.01
Legal-OGC	21	\$58.98	\$121,636	1.01
Campus Ops-PES	202	\$41.30	\$95,748	1.02
Health Care-Allied Health	128	\$34.96	\$87,320	1.02
Health Care-Patient Care	74	\$43.93	\$98,967	1.05
Education-General	354	\$31.70	\$77,221	1.05
IT-Mgmt	112	\$52.22	\$118,365	1.07
Alumni Relations/Adv Ops	55	\$31.80	\$66,137	1.07

*Please see earlier information within this report regarding limitations of this data. More detail on each Job Family can be found in the appendix of this report.



Enhancements to Compa Ratio Stats

- We will be adding additional detail to our job family structure which will result in more exact market midpoints and compa ratios.
- Refreshed market data for 2018 will be brought into the newly updated job family structures and will be updated to match market each January 1st thereafter.
- These enhancements will also allow us to drill down to compa ratio by job title.



Enhancements to Compa Ratio Stats

- We will be adding additional detail to our job family structure which will result in more exact market midpoints and compa ratios.
- Refreshed market data for 2018 will be brought into the newly updated job family structures and will be updated to match market each January 1st thereafter.
- These enhancements will also allow us to drill down to compa ratio by job title and identify job titles in greatest need of adjustment based on low compa ratio, high turnover, high difficulty to fill and mission critical nature of role.

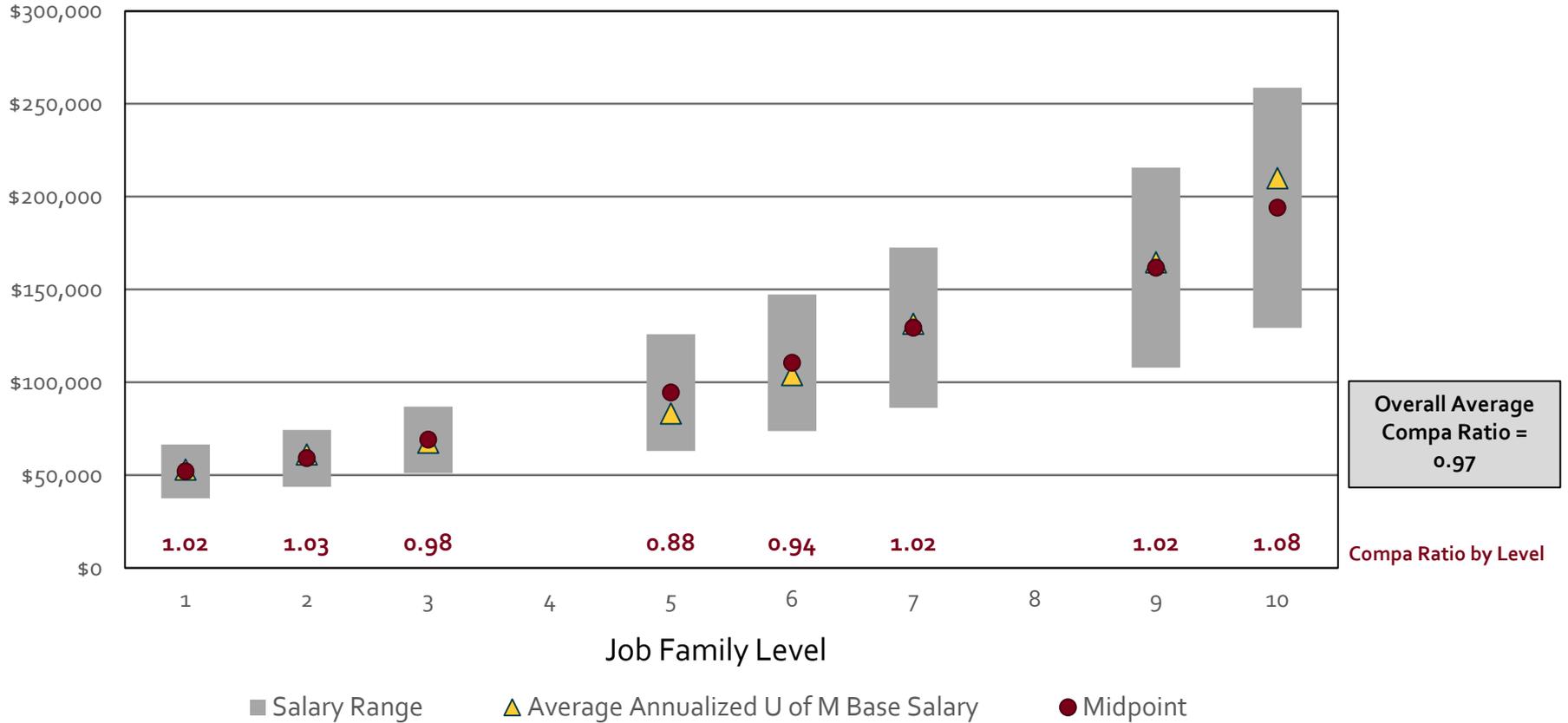
Sample Only

Position	Compa Ratio	Number of Employees
Financial Pro 2 (Analysts) - Financial Planning & Analysis	.84	50
Student Services Pro 3 (Senior Analysts) - Admissions Counselors	.82	200
HR Pro 4 (Consultants) – Leadership & Talent Development	.83	5



Compa Ratios By Job Family

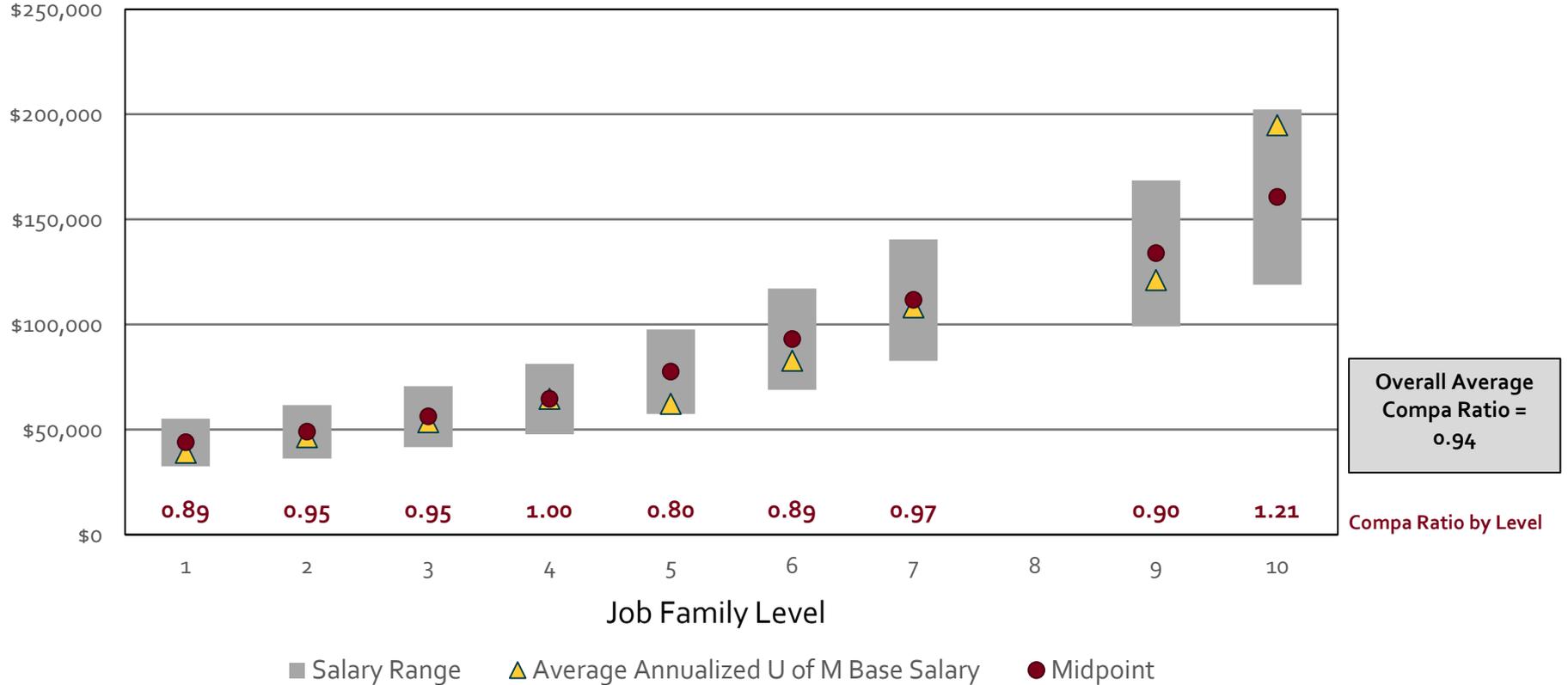
Administration Job Family



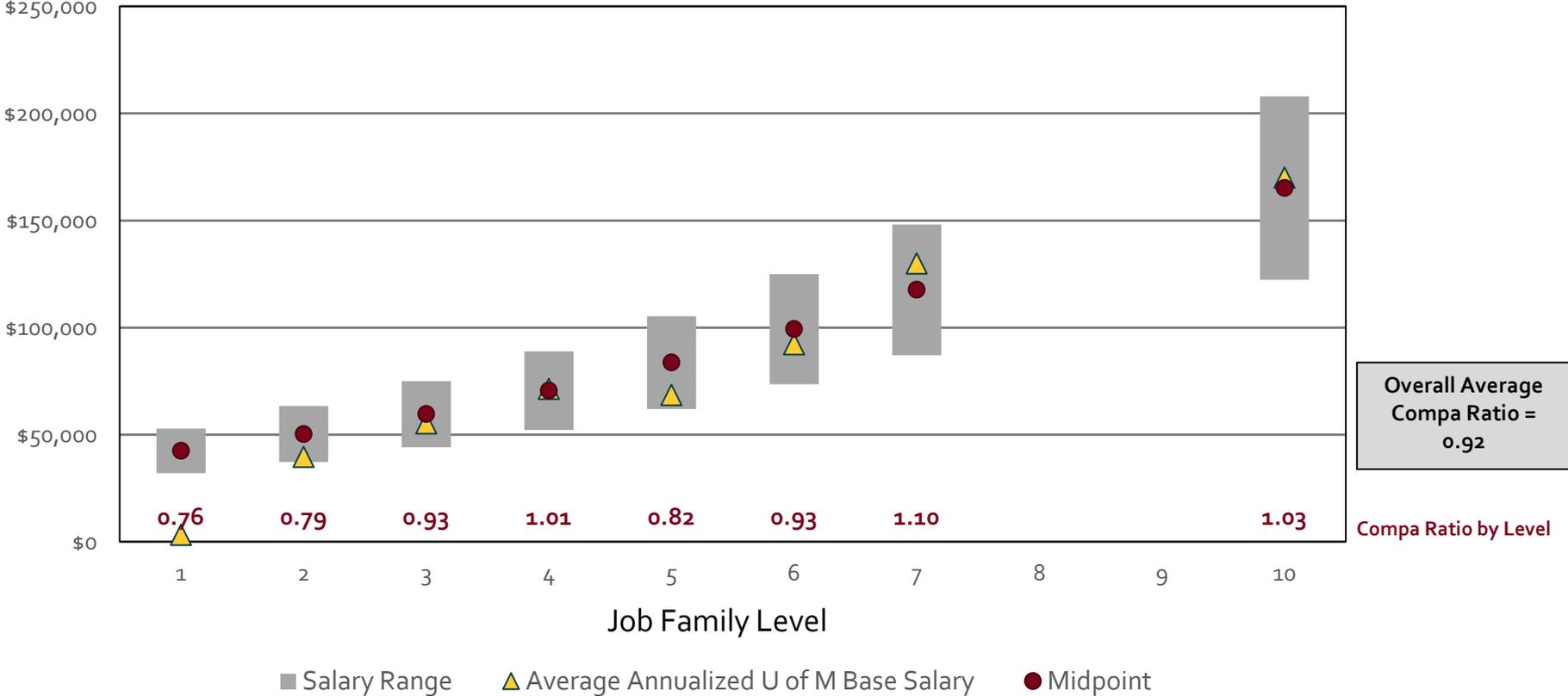
Alumni Relations/Advancement Ops Job Family



Animal Health Job Family



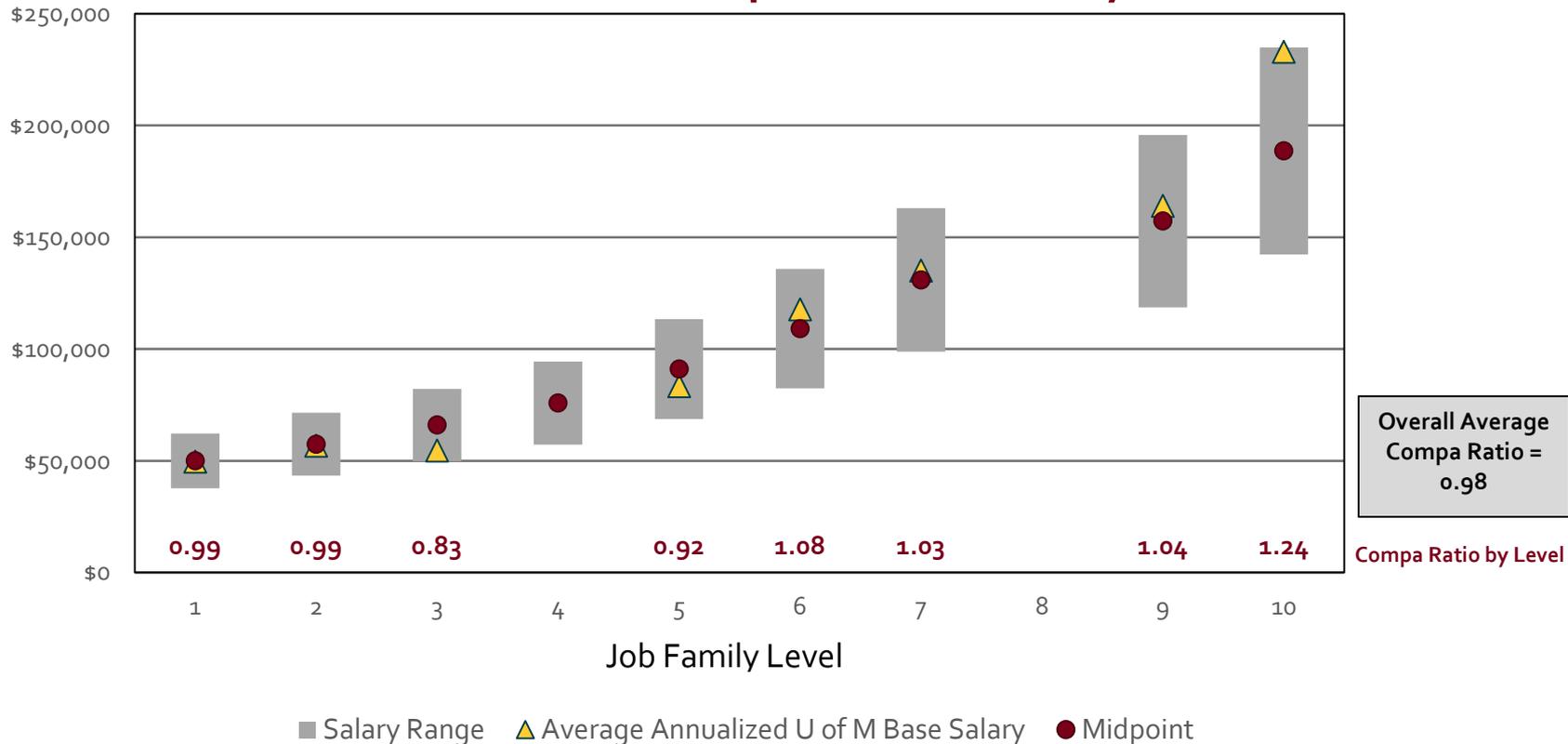
Athletics Job Family



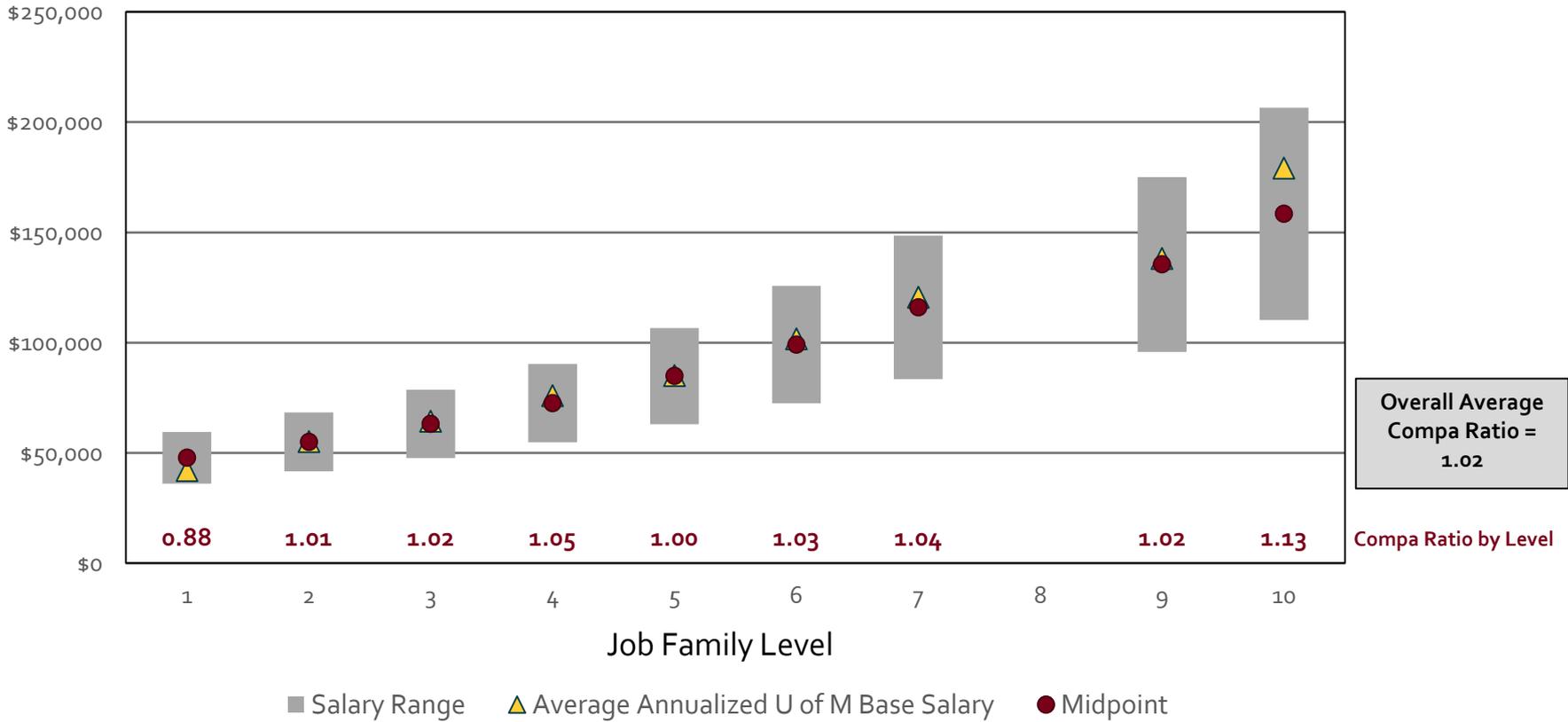
Audit Job Family



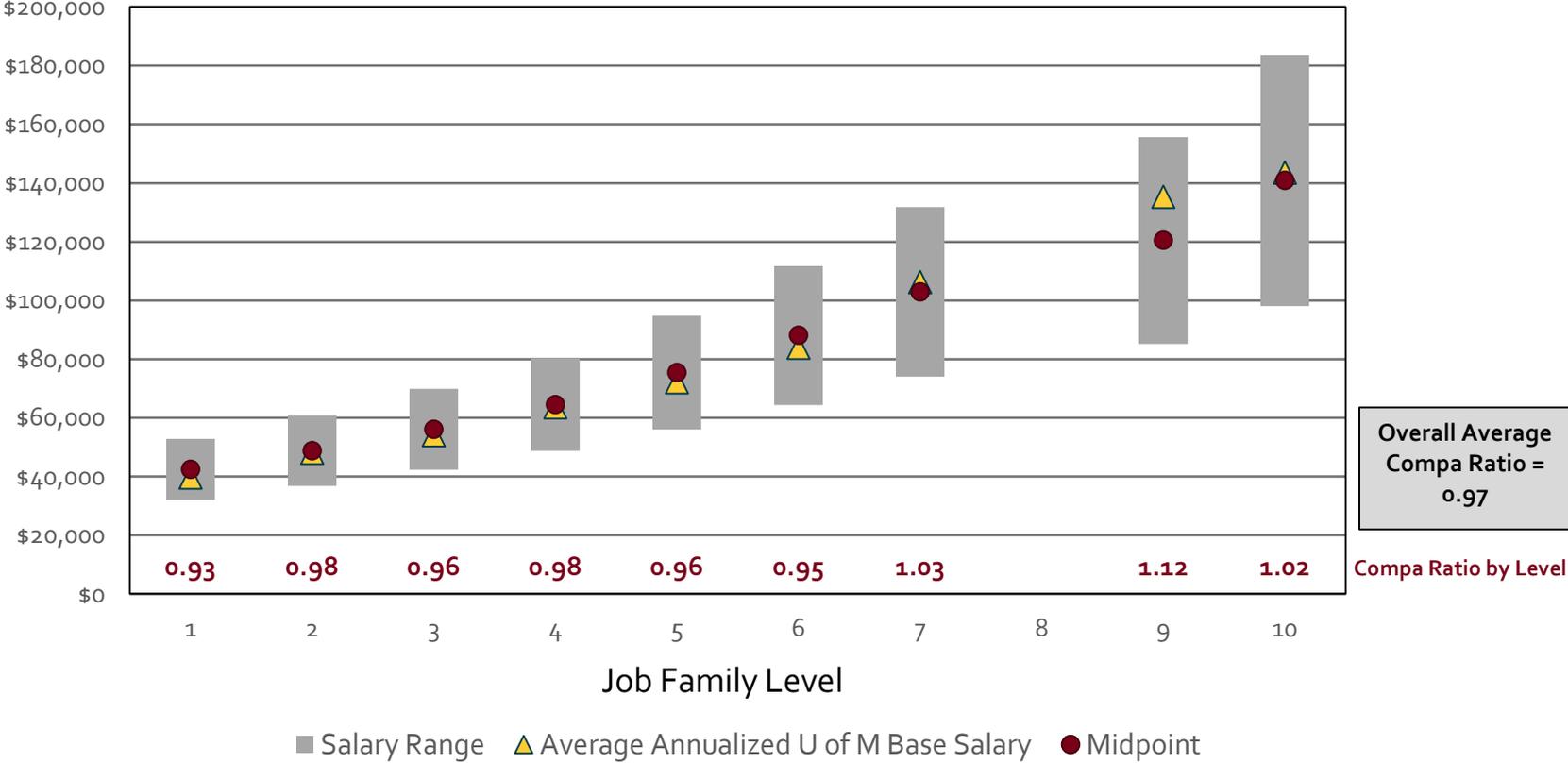
Business Development Job Family



Campus Operations Planning/Engineering/Safety Job Family



Campus Operations and Protection Job Family



Communications Job Family



Development: Major Gifts Job Family



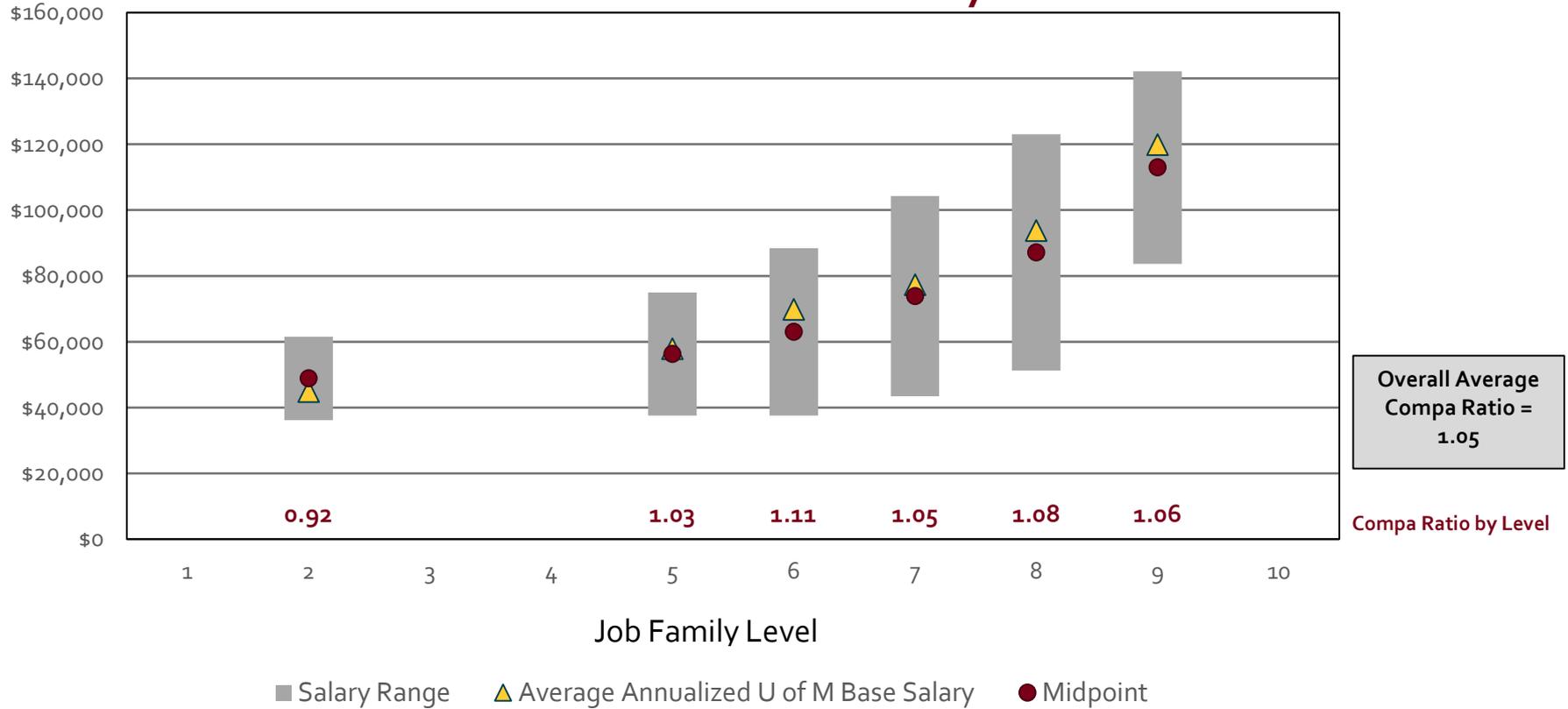
Development: Planned Giving Job Family



Development: Prospect Job Family



Education: General Job Family



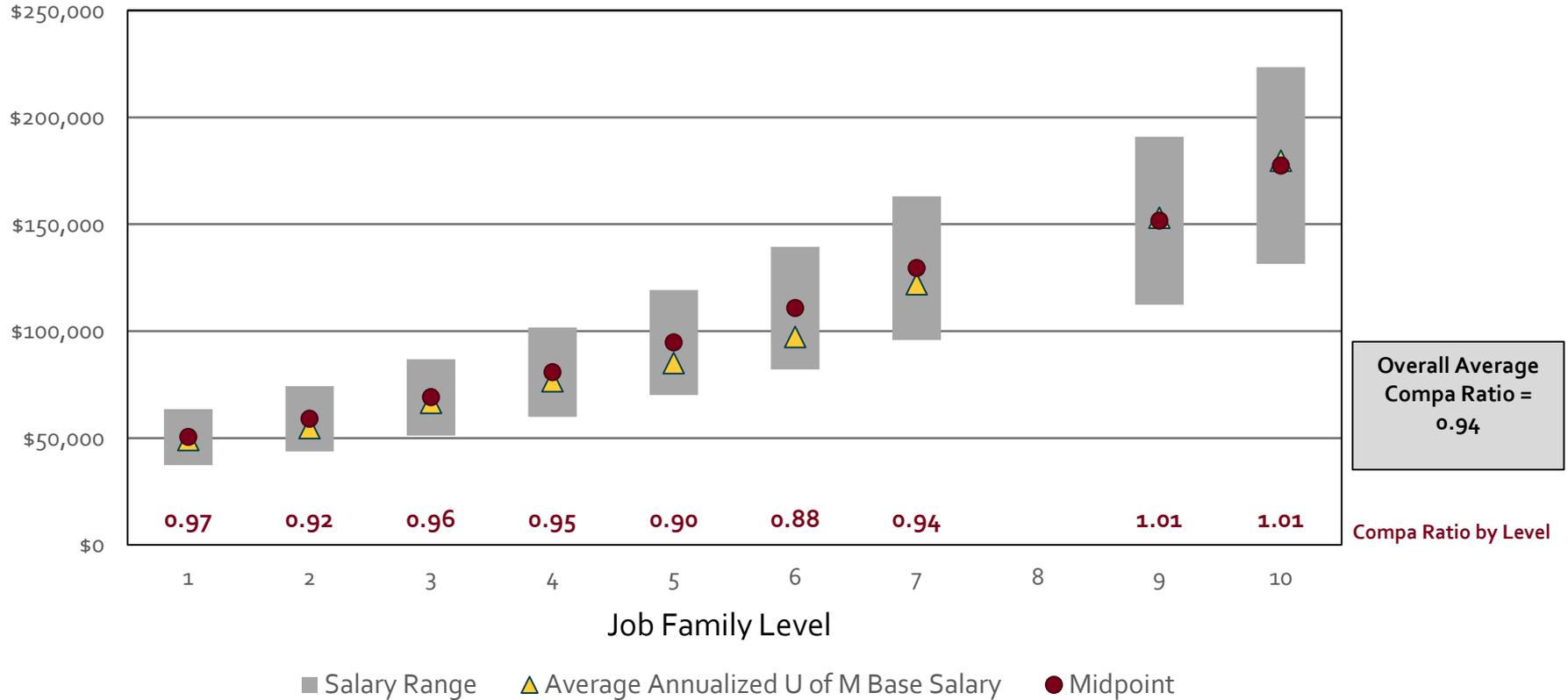
Education: Extension Job Family



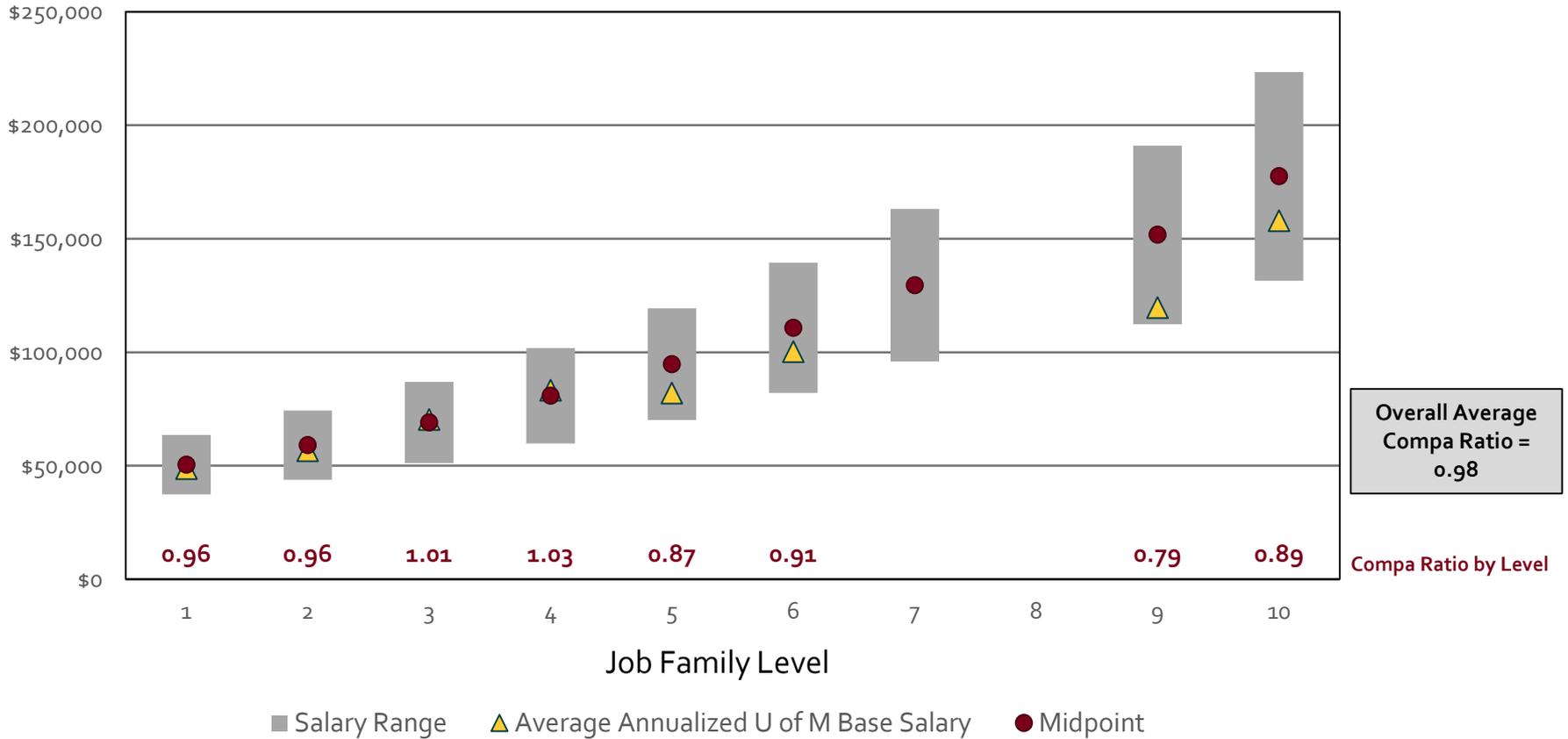
Education: Pre K-12 Job Family



Finance Job Family



Grants & Contracts Job Family



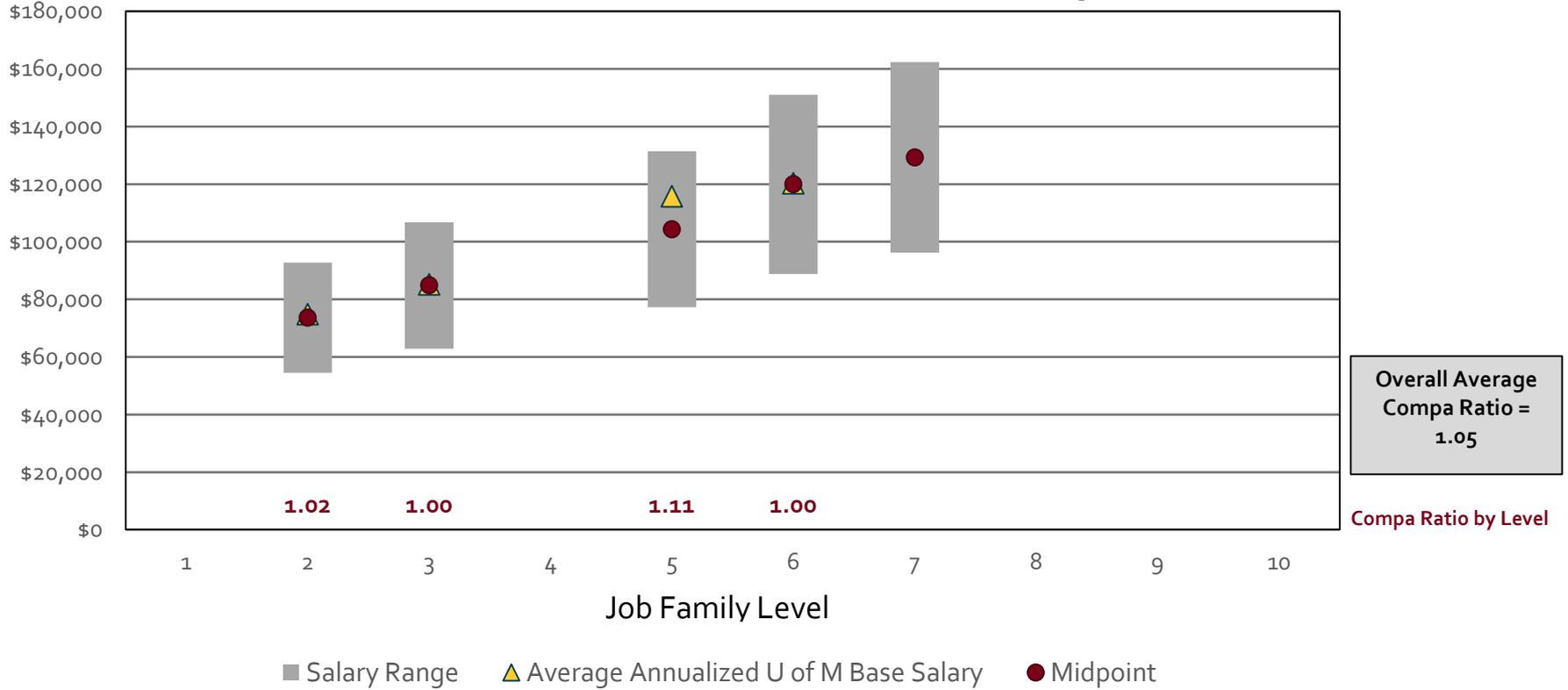
Health Care: Allied Health Job Family



Health Care: Mental Health Job Family



Health Care: Patient Care Job Family



Human Resources Job Family



IT: Academic Technology Job Family



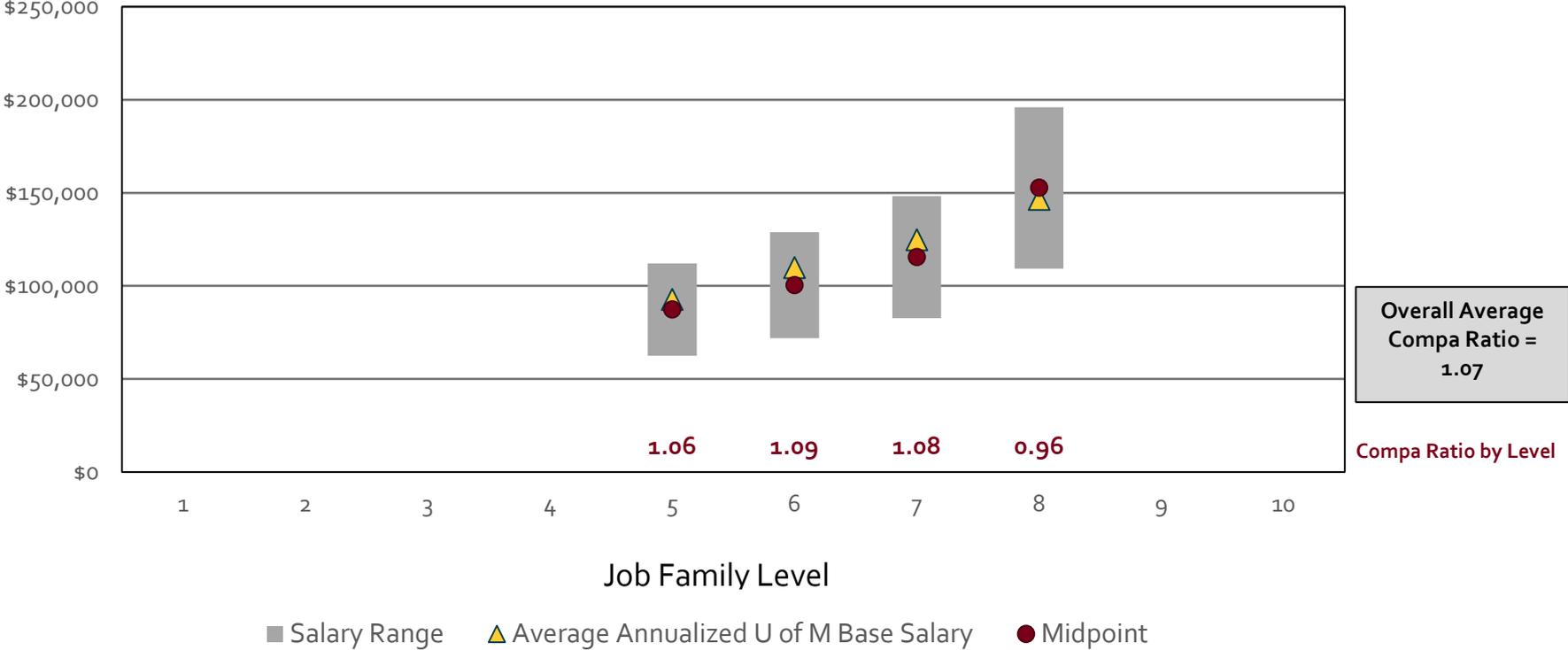
IT: End User Job Family



IT: Other Non-Management Job Family



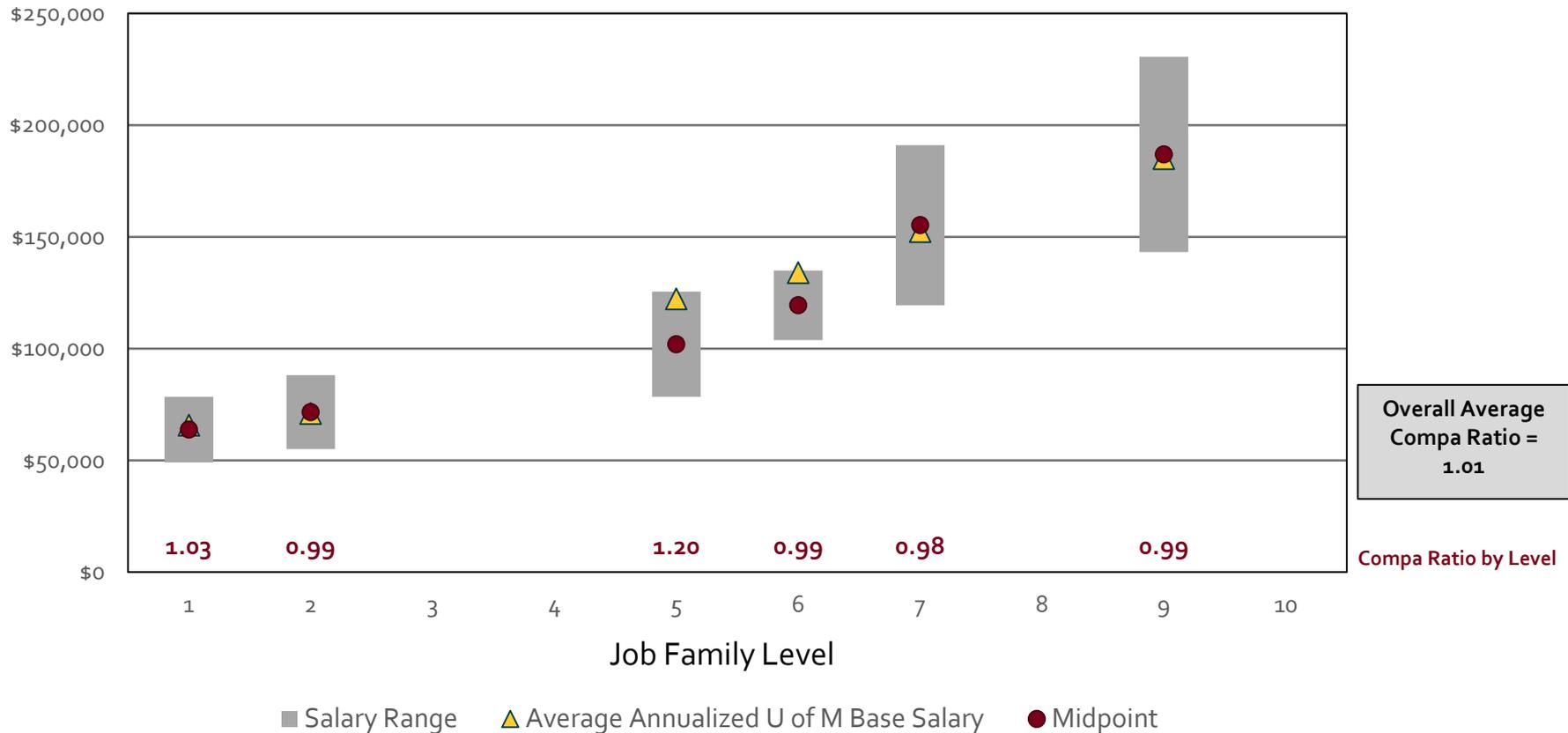
IT: Management Job Family



Legal: Student Legal Services Job Family



Legal: Office of General Counsel Job Family



Libraries & Museums: General Job Family



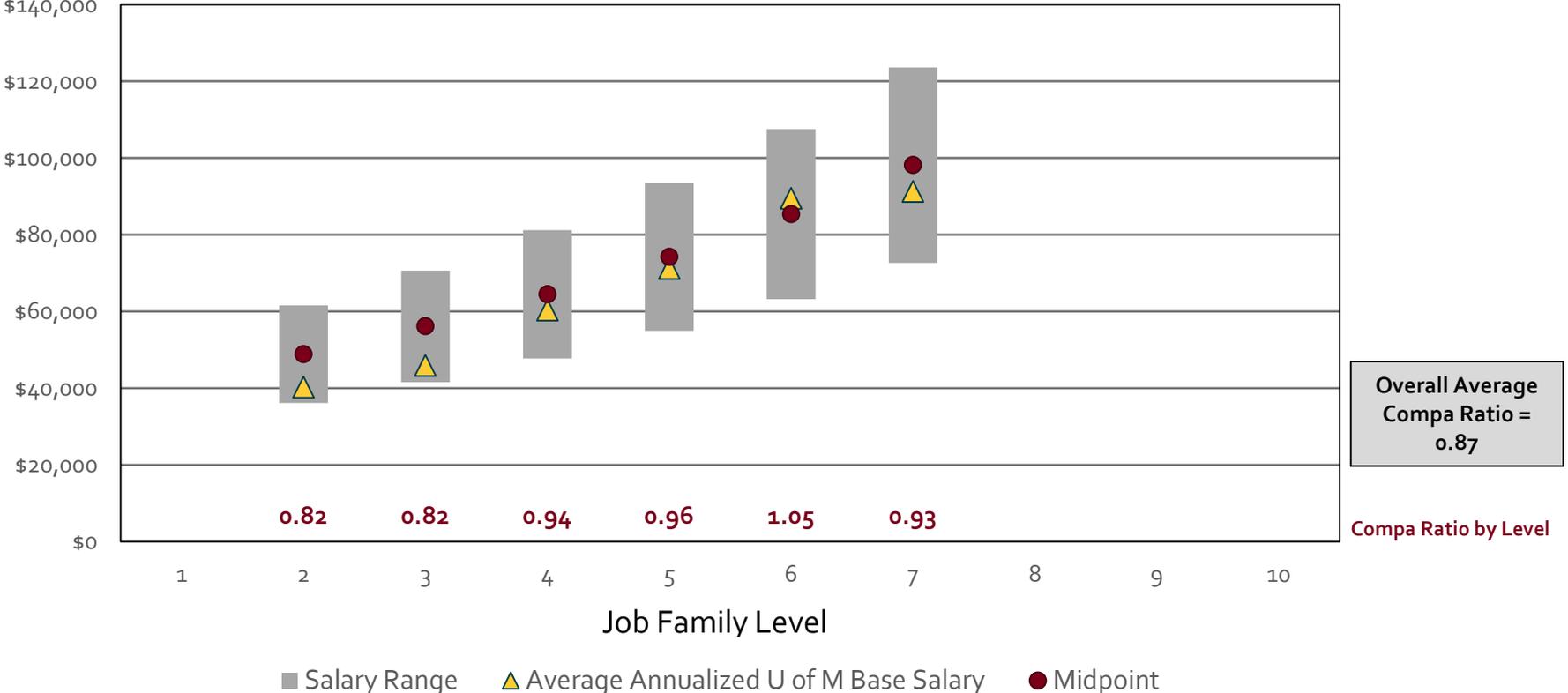
Libraries & Museums: Curators & Librarians Job Family



Purchasing Job Family



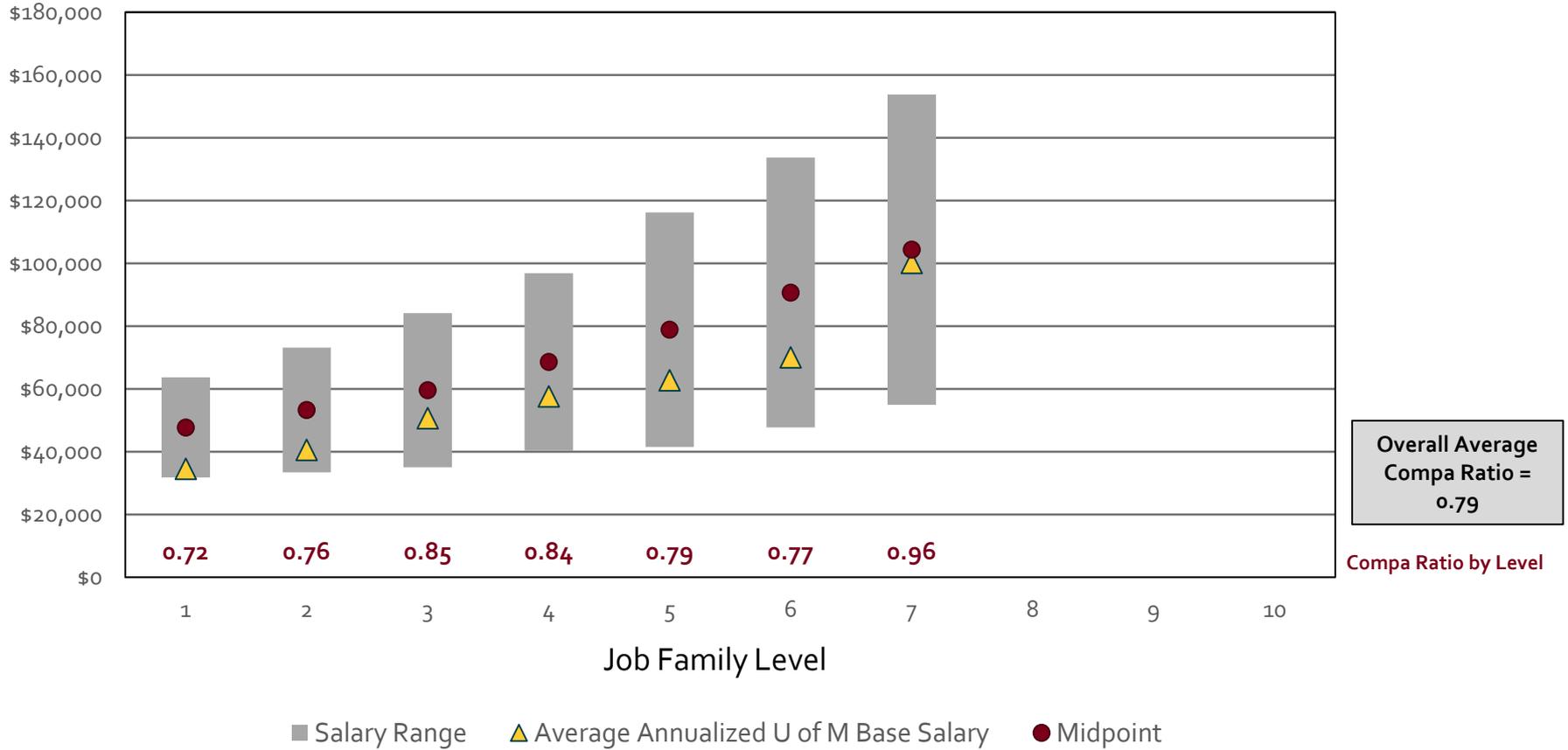
Recreation Job Family



Research: Research Support Job Family



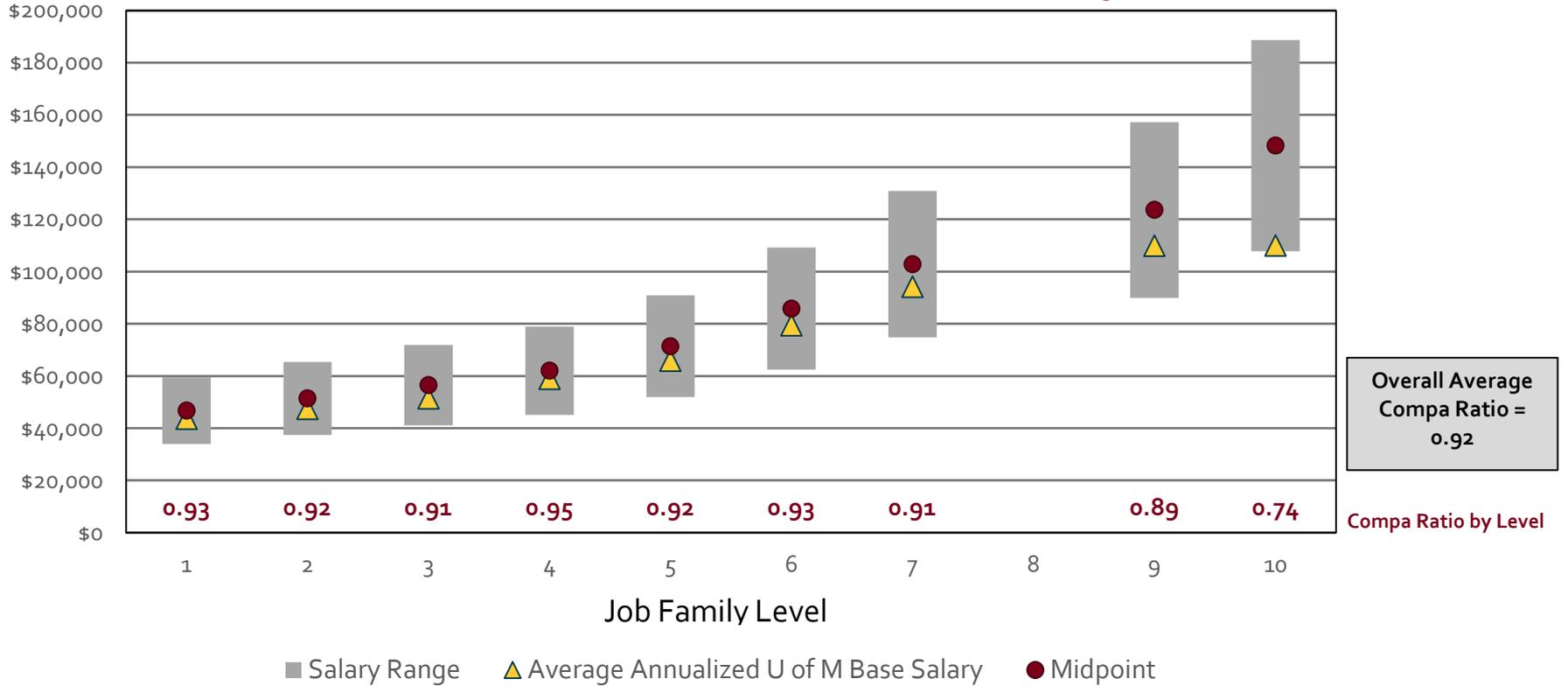
Research: Researchers Job Family



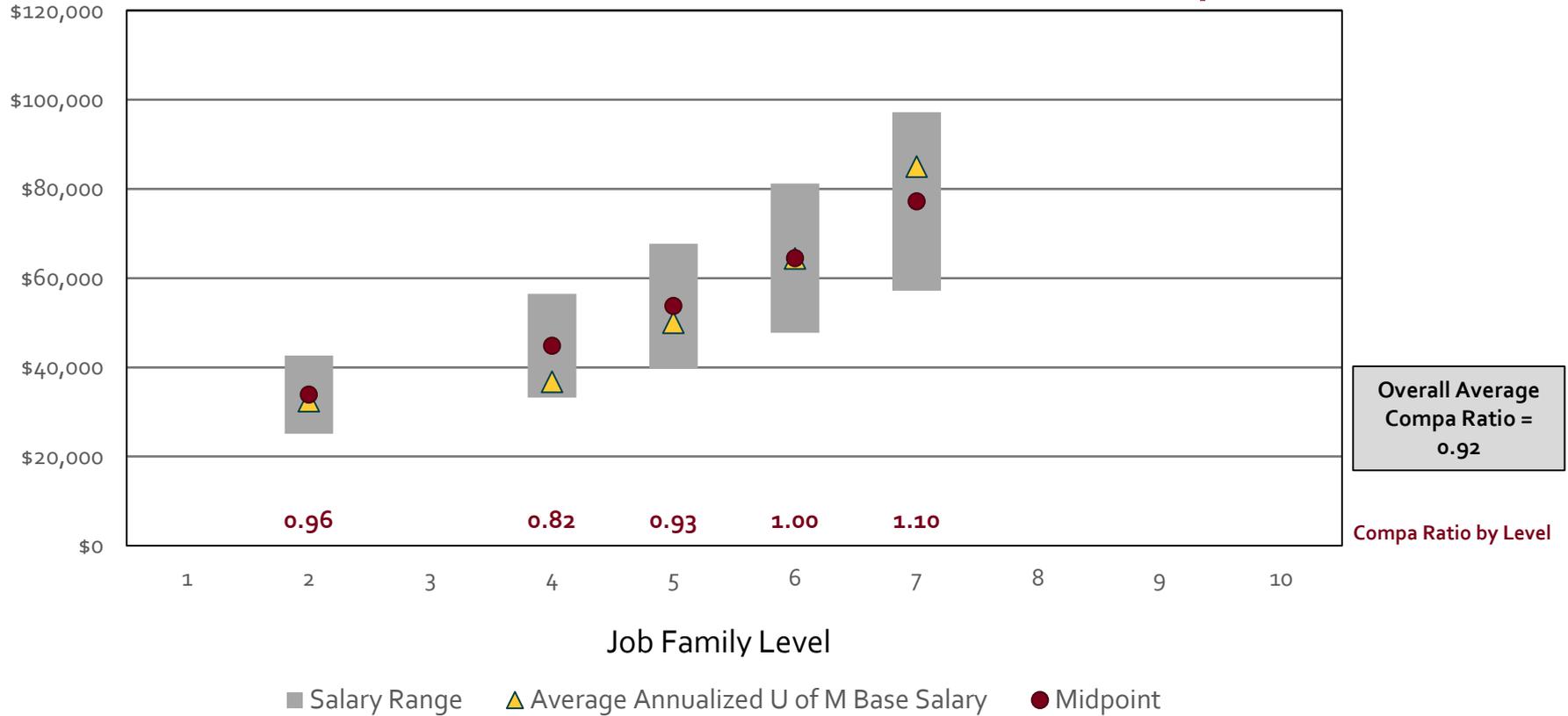
Research: Research Nurses Job Family



Student Services: All Others Job Family



Student Services: Residential Life Job Family





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Annual Report on Faculty Compensation

Kathryn F. Brown, Vice President, Office of Human Resources

February 8, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Human Resources

UNIVERSITY OF MINNESOTA
Page 90 of 295

Introduction

The Office of Human Resources has recently completed the attached annual review of cash compensation for faculty positions within the University of Minnesota. This review was conducted to ensure the compensation provided to these individuals is in alignment with the stated objectives of the Board of Regents Policy on Compensation and Recognition.

Specifically, the Board of Regents policy states that:

- The University strives to achieve and maintain a compensation structure that, when combined with benefits and other rewards, is **competitive relative to institutional peers and other appropriate labor markets** and serves to attract and retain a high performance workforce.
- The University seeks to reward meritorious performance and employee contribution to the success of the University through compensation and other forms of recognition.
- In the setting of initial salaries and subsequent pay adjustments, the University considers the work responsibilities, market, internal equity, experience and expertise, performance, and other criteria as appropriate.
- The University adheres to compensation and recognition practices that are fair and equitable in design, application, and delivery.



Definition of Market

The market in which we compete for talented faculty varies by campus but includes national higher education institutions of comparable size and scope. The institutions selected for comparison are referred to as Peer Institutions.

The listing of Peer Institutions used for each college campus, and the logic for selection, are included in the Appendix of this document.

Market data is not geographically adjusted. Previous efforts at adjusting did not significantly impact the U of M's rank ordering and were best estimations due to limited cost statistics for rural areas.

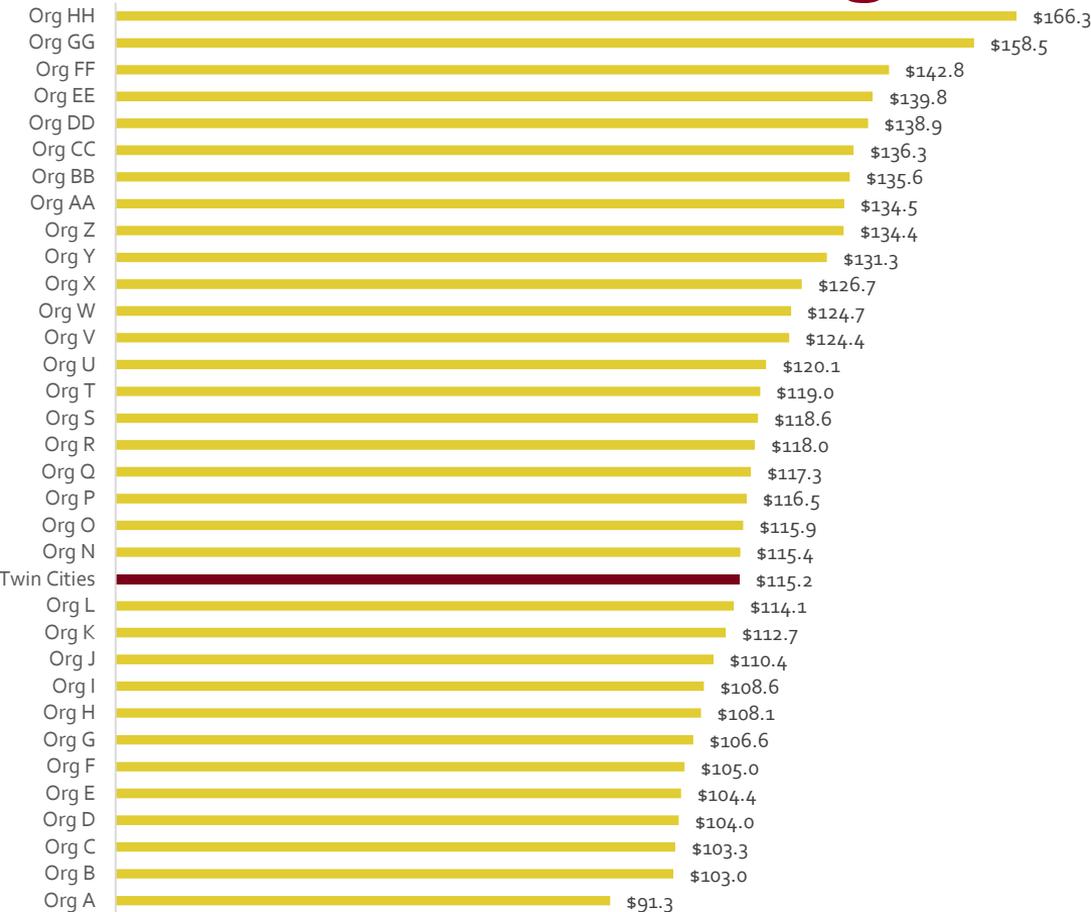


Faculty Compensation

- As a result of data collected by the American Association of University Professors (AAUP), we are able to see how we are paying our entire faculty population relative to our Peer Institutions.
- The limitation of this data and attached charts is that illustrations are based on overall faculty salaries rather than comparisons within each area of academic study.
 - Professors are given salary offers by their college that are competitive for their unique discipline, at the time of hire. Ongoing efforts to ensure market competitive pay by discipline are also conducted at the college level.
- Compa ratios tell you how you are paying an employee, or group of employees compared to the market. They are calculated by taking the actual salary of an employee, or group of employees, and dividing it by the market or salary range midpoint
 - Example: $\$65,000 \text{ salary} / \$60,000 \text{ midpoint} = 1.08$. The person is paid 8% higher than market median.



Twin Cities Ranking of 2016 Faculty Salaries

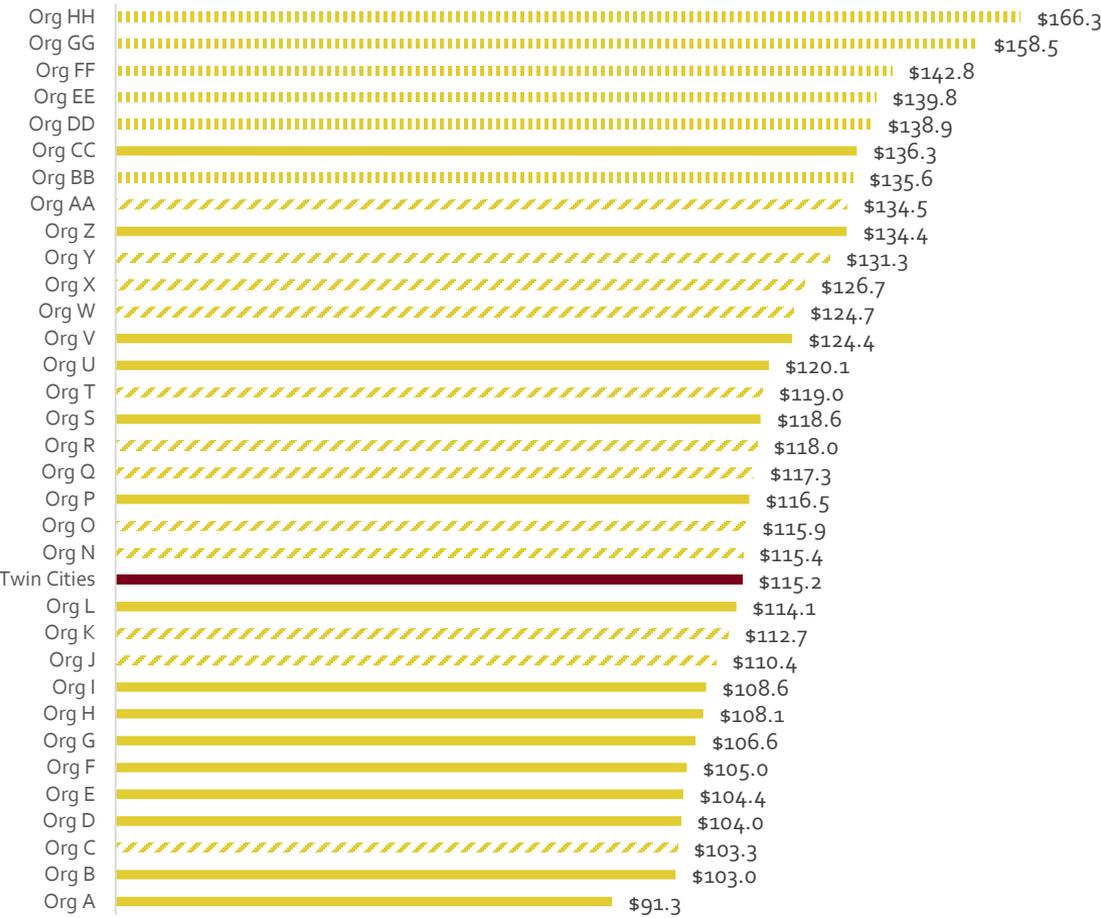


Twin Cities Average = \$115.2
Market Median = \$117.7
Compa Ratio = 0.98

Source: American Association of University Professors (AAUP)
Peer Institutions not providing data: 1



Twin Cities Ranking of 2016 Faculty Salaries



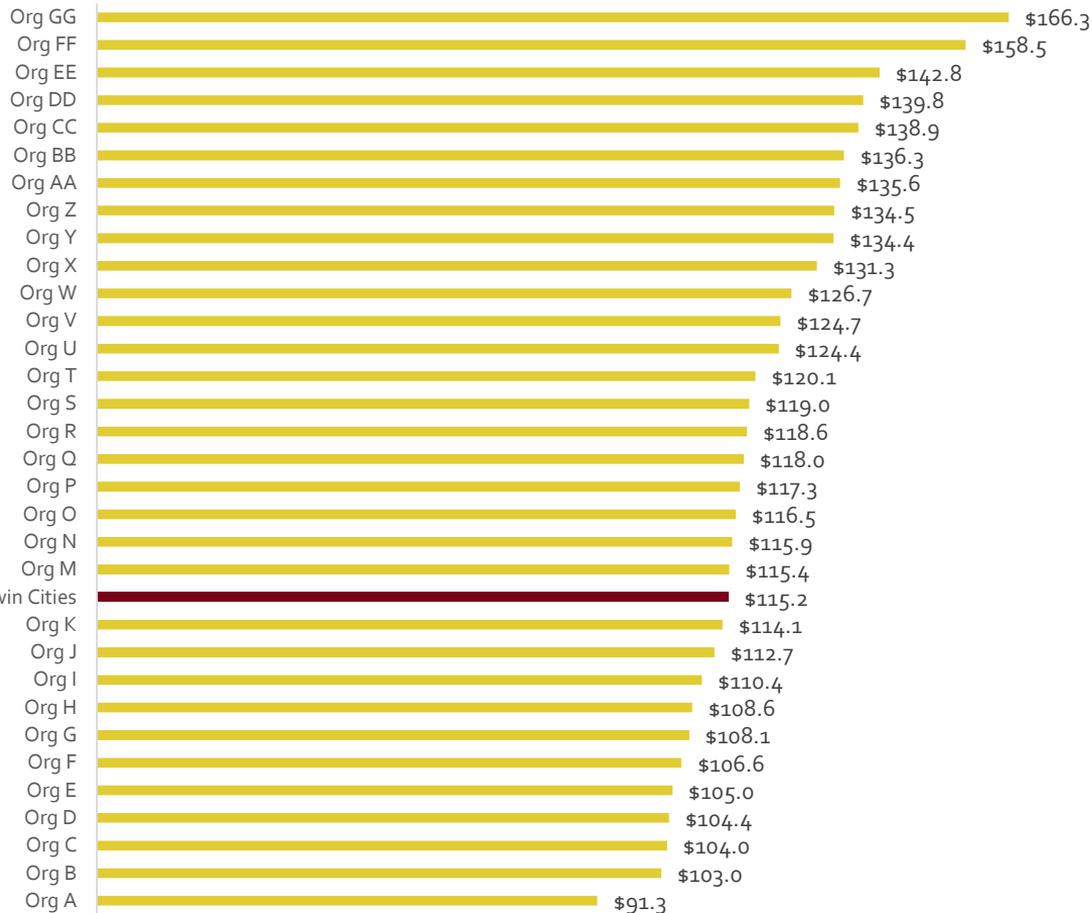
Twin Cities Average = \$115.2
Market Median = \$117.7
Compa Ratio = 0.98

 Big 10 Institution
 California Institution

Source: American Association of University Professors (AAUP)
Peer Institutions not providing data: 1



Twin Cities Ranking of 2016 AAU* Faculty Salaries



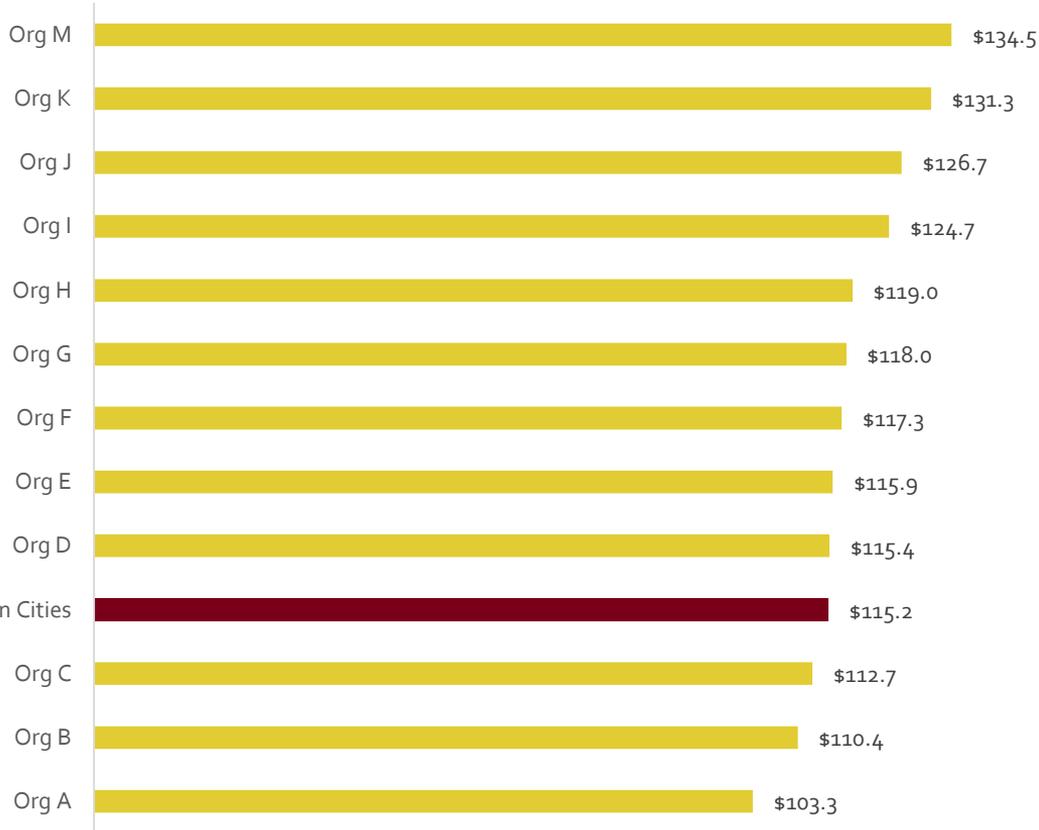
* Includes public AAU institutions located in the United States

Twin Cities Average = \$115.2
Market Median = \$118
Compa Ratio = 0.98

Source: American Association of University Professors (AAUP)
Peer Institutions not providing data: 1



Twin Cities Ranking of 2016 Big 10 Faculty Salaries

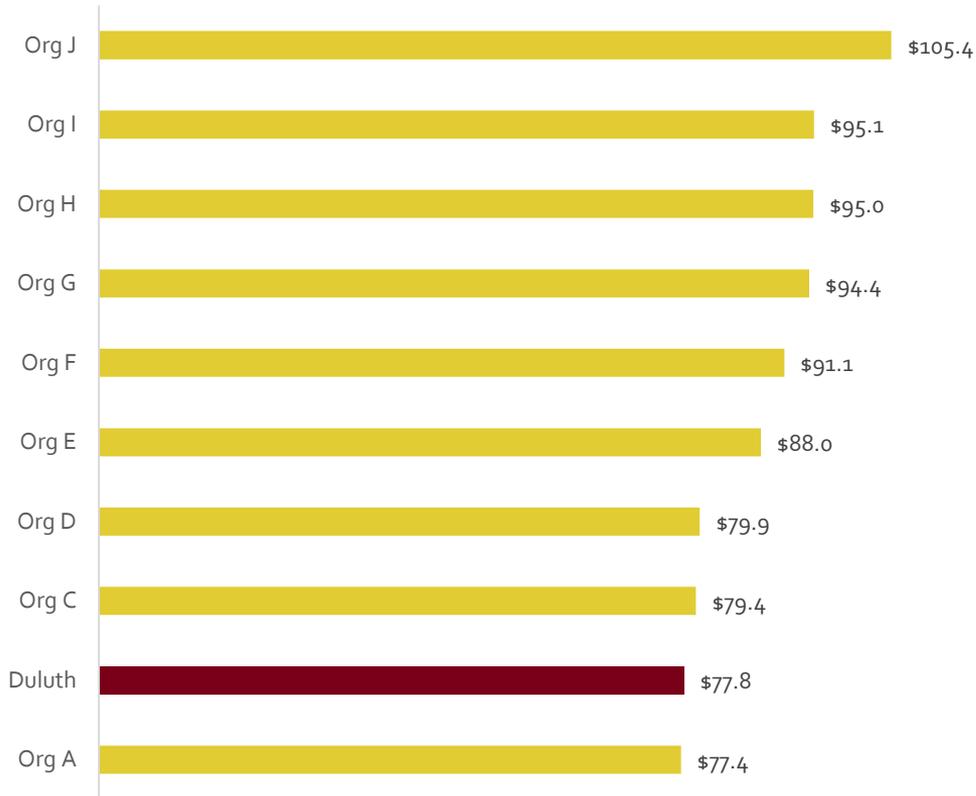


Twin Cities Average = \$115.2
Market Median = \$117.3
Compa Ratio = 0.98

Source: American Association of University Professors (AAUP)



Duluth Ranking of 2016 Faculty Salaries

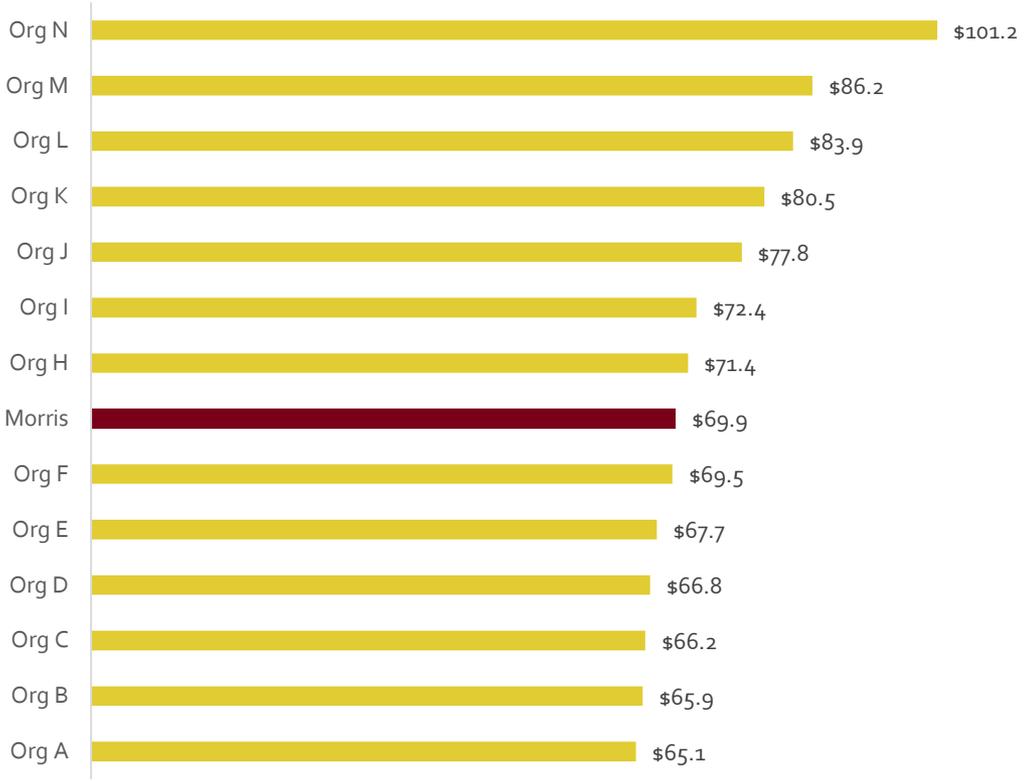


Duluth Average = \$77.8
Market Median = \$89.6
Compa Ratio = 0.87

Source: American Association of University Professors (AAUP)
Peer Institutions not providing data: 2



Morris Ranking of 2016 Faculty Salaries

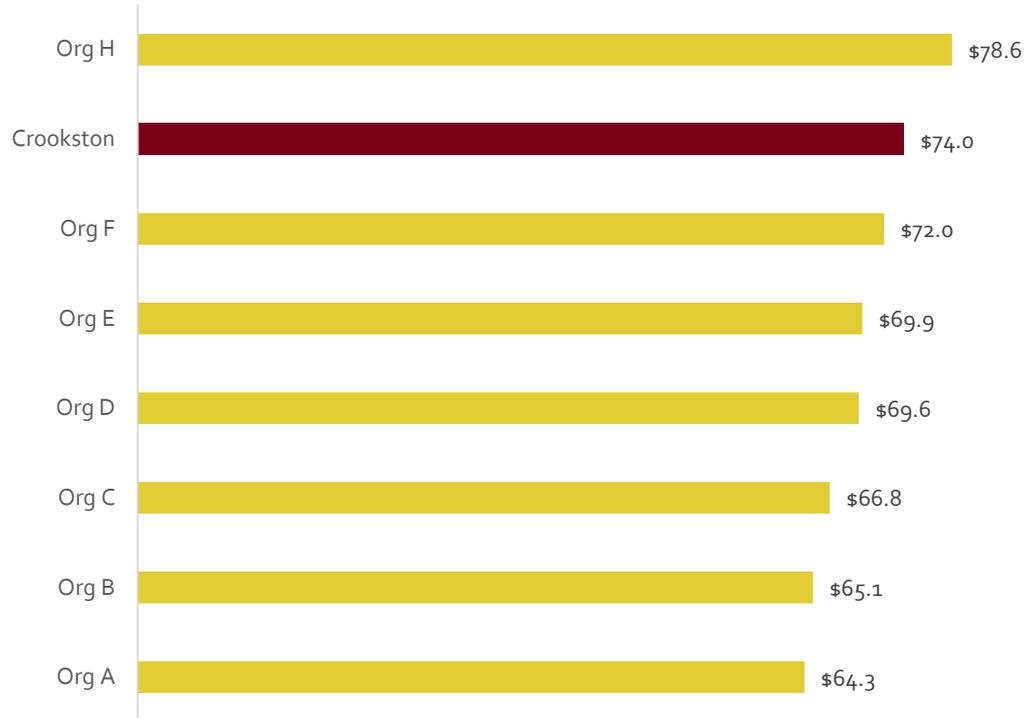


Morris Average = \$69.9
Market Median = \$70.6
Compa Ratio = 0.99

Source: American Association of University Professors (AAUP)
Peer Institutions not providing data: 2



Crookston Ranking of 2016 Faculty Salaries



Crookston Average = \$74.0
Market Median = \$69.7
Compa Ratio = 1.06

Source: American Association of University Professors (AAUP)
Peer Institutions not providing data: 2



Appendix

Guiding Principles Used by the Office of Institutional Research for Selection of Peer Institutions

- The list of peer institutions should remain very stable from year to year
 - Consistency in peer selection demonstrates that we have carefully identified the market for our faculty positions. This leads to reliability, validity and transparency of our percentile rankings.
- The number of peer institutions should be large enough to ensure an adequate sampling of salaries in the marketplace
- Each campus can have its own unique peer group.
- The same list of peer institutions should be used for the majority of faculty positions on the Twin Cities campus.
 - This will lead to greater equity, less volatility and less administrative burden.



Peer Institutions Used for Twin Cities Faculty Benchmarking

The Peer Institutions identified by the Office of Institutional Research for the UMN Twin Cities campus are listed on the next page and include:

Public U.S. Universities who are members of The Association of American Universities (AAU)

The AAU is comprised of 62 leading public and private research universities in the United States and Canada. Membership in AAU is by invitation and is based on the high quality of programs of academic research and scholarship and education in a number of fields, as well as general recognition that a university is outstanding by reason of the excellence of its research and educational programs. Currently there are 62 schools in this organization, including both public and private universities. We choose not to compare ourselves to private universities within the AAU as this would include Ivy League schools for which the market is much more competitive for top talent. We also removed Canadian universities as comparisons. This leaves the 33 public universities who are AAU members to which we will be comparing faculty compensation.

Big 10 Institutions (Total of 13 comparison universities)

12 of the Big 10 schools are already included in the listing of public AAU institutions. Northwestern and the University of Nebraska are the other members of the Big 10 that could be considered for comparison. Northwestern is a private university so will remain off the comparison list due to their private status. Since the University of Nebraska is a public Big 10 school who is not part of the AAU, we made the decision to include them in our list of peer institutions. This brings our total of comparison universities to 34.

A fair number of the UMTC peer institutions are of similar mission, Carnegie classification and size. These organizations are noted on the chart with the code, "UMTC".



Peer Institutions Used for Twin Cities Faculty Benchmarking

Institution	Peer Comparison Groups
University of Arizona	AAU
University of California-Davis	AAU
University of California-Irvine	AAU
University of California-San Diego	AAU
University of California-Santa Barbara	AAU
University of Colorado-Boulder	AAU
Georgia Institute of Technology	AAU
Iowa State University	AAU
University of Kansas	AAU
University of Missouri-Columbia	AAU
State University of New York-Buffalo	AAU
State University of New York-Stony Brook	AAU
University of North Carolina-Chapel Hill	AAU
University of Oregon	AAU
University of Pittsburgh-Main Campus	AAU
Texas A&M University	AAU
University of Virginia	AAU

Institution	Peer Comparison Groups
University of California-Berkeley	AAU, UMTC
University of California-Los Angeles	AAU, UMTC
University of Florida	AAU, UMTC
University of Texas-Austin	AAU, UMTC
University of Washington-Seattle Campus	AAU, UMTC
University of Illinois at Urbana-Champaign	AAU, Big 10, UMTC
University of Michigan-Ann Arbor	AAU, Big 10, UMTC
Ohio State University-Main Campus	AAU, Big 10, UMTC
Pennsylvania State University-Main Campus	AAU, Big 10, UMTC
University of Wisconsin-Madison	AAU, Big 10, UMTC
Indiana University-Bloomington	AAU, Big 10
University of Iowa	AAU, Big 10
University of Maryland-College Park	AAU, Big 10
Michigan State University	AAU, Big 10
Rutgers University-New Brunswick	AAU, Big 10
Purdue University-Main Campus	AAU, Big 10
University of Nebraska-Lincoln	Big 10



Peer Institutions Used for Morris Faculty Benchmarking

The 15 institutions listed identified by the Office of Institutional Research and Morris leadership as Morris peer institutions are featured on the next page of this report. In identifying their peers list, UMM designated schools as “True Peers” if they had very similar profiles to UMM (size, programming, etc.), or “Aspirational Peers” if they had profiles and characteristics to which Morris aspires to be in direct comparison with in the future. This list includes:

- 5 institutions who are part of the Council of Public Liberal Arts Colleges (COPLAC) and are True Peers to Morris.
- 5 institutions who are not part of the Council of Public Liberal Arts Colleges (COPLAC) but are currently True Peers to Morris.
- 5 institutions who are Aspirational Peers



Peer Institutions Used for Morris Faculty Benchmarking

Institution	Peer Comparison Groups
University of Maine-Farmington	True peer, COPLAC
St. Mary's College of Maryland	True peer, COPLAC
Massachusetts College of Liberal Arts	True peer, COPLAC
University of North Carolina-Asheville	True peer, COPLAC
University of Virginia's College at Wise	True peer, COPLAC
Coe College	True peer
Albion College	True peer
Concordia College-Moorhead	True peer
SUNY at Purchase College	True peer
Lycoming College	True peer
DePauw University	Aspirational peer
Kalamazoo College	Aspirational peer
Gustavus Adolphus College	Aspirational peer
Macalester College	Aspirational peer
St. Olaf College	Aspirational peer



Peer Institutions Used for Crookston Faculty Benchmarking

The following universities have been identified by the Crookston campus, in partnership with the Office of Institutional Research, as peer institutions. Schools listed as COPLAC are part of the Council of Public Liberal Arts Colleges.

Institution	Peer Comparison Groups
Delaware Valley College	True peer
University of Pittsburgh-Johnstown	True peer
Dakota State University	True peer
Northern State University	True peer
University of Wisconsin-Stout	True peer
University of Wisconsin-River Falls	True peer
Bemidji State University	True peer
University of Maine-Farmington	True peer, COPLAC
University of Minnesota-Morris	True peer, COPLAC



Peer Institutions Used for Duluth Faculty Benchmarking

The universities featured in the chart below have been identified by the Duluth campus, in partnership with the Office of Institutional Research as peer institutions.

Institution	Peer Comparison Groups
California Polytechnic State University-San Luis Obispo	True peer
Southern Illinois University Edwardsville	True peer
University of Northern Iowa	True peer
University of Massachusetts-Dartmouth	True peer
University of Michigan-Dearborn	True peer
Western Michigan University	True peer
Minnesota State University-Mankato	True peer
University of North Carolina at Charlotte	True peer
College of Charleston	True peer
South Dakota State University	True peer
Western Washington University	True peer



Peer Institutions Used for Rochester Faculty Benchmarking

- Rochester is a young and unique campus, which has made it difficult to identify true peers.
- A preliminary set of comparison institutions is in development but was not yet available for this analysis.





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Annual Report on Senior Leader Compensation

Kathryn F. Brown, Vice President, Office of Human Resources

February 8, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Human Resources

UNIVERSITY OF MINNESOTA
Page 111 of 295

Introduction

The Office of Human Resources has recently completed the attached annual review of cash compensation for executive leadership positions within the University of Minnesota. This review was conducted to ensure the compensation provided to these individuals is in alignment with the stated objectives of the Board of Regents Policy on Compensation and Recognition.

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Definition of Market

The market in which we compete for talented Senior Leaders and faculty varies by campus but includes national higher education institutions of comparable size and scope. The institutions selected for comparison are referred to as Peer Institutions.

The listing of Peer Institutions used for each college campus, and the logic for selection, are included in the Appendix of this document.

Private sector businesses, MNSCU, and the State of Minnesota are not considered our comparison market for senior leader talent:

- Successful candidates generally have a wealth of knowledge about the unique nature of business in higher education, including our tripartite mission, the research we conduct, the role of faculty and the culture of shared governance.
- Although we may occasionally hire a senior leader from, or lose them to, the private sector, we do not seek to match the pay of our senior leaders to the private sector, given the private sector's ability to offer a wider array of compensation offerings.



Senior Leader Compensation Strategy & Scope

The Total Compensation strategy for Senior Leaders should be:

- Competitive
- Market driven
- Performance-Based
- Equitable
- Transparent

The board reserves to itself the authority to appoint all individuals in the following positions and approve the terms of their employment:

- Chancellor
- Dean
- Director of Audits
- Athletics Director, Twin Cities
- Executive Vice President & Provost
- General Counsel
- Librarian
- Provost
- Senior Vice President and Provost
- Vice President
- Such other administrative positions as the Board may specify from time to time



Senior Leader Positions Included in the 2017 Study

The following positions have been included in the 2017 analysis of Senior Leader compensation:

Title	Incumbent
Associate Vice President and Dean International Programs	Meredith Mc Quaid
Athletic Director, Twin Cities Campus	Mark Coyle
Chancellor Crookston	Mary Holz-Clause
Chancellor Duluth	Lendley Black
Chancellor Morris	Michelle Behr
Chancellor Rochester (Interim)	Lori Carrell
Chief Auditor	Gail Klatt
Dean and Vice Provost Graduate Education	Scott Lanyon
Dean and Vice Provost Undergraduate Education	Robert Mc Master
Dean of Students and Vice Provost Student Affairs (Interim)	Maggie Towle
Dean, Carlson School of Management	Sri Zaheer
Dean, College of Biological Sciences	Valery Forbes
Dean, College of Continuing and Professional Studies	Mary Nichols
Dean, College of Design	Carol Strohecker
Dean, College of Education and Human Development	Jean Quam
Dean, College of Food, Agricultural and Natural Resource Sciences	Brian Buhr
Dean, College of Liberal Arts	John Coleman
Dean, College of Pharmacy	Lynda Welage
Dean, College of Science and Engineering	Samuel Mukasa

(continued on next page)



Title	Incumbent
Dean, College of Veterinary Medicine	Trevor Ames
Dean, Hubert H. Humphrey School of Public Affairs	Laura Bloomberg
Dean, Law School	Garry Jenkins
Dean, Medical School and Interim Vice President Health Sciences	Jakub Tolar
Dean, School of Dentistry (Interim)	Gary Anderson
Dean, School of Nursing	Connie Delaney
Dean, School of Public Health	John Finnegan
Dean, UMD College of Education and Human Service Professions	Jill Pinkney Pastrana
Dean, UMD College of Liberal Arts	Susan Maher
Dean, UMD Labovitz School of Business and Economics	Amy Hietapelto
Dean, UMD School of Fine Arts	Robert Kase
Dean, UMD Swenson College of Science and Engineering (Interim)	Andrea Schokker
Dean, University Extension	Beverly Durgan
Executive Vice President and Provost	Karen Hanson
General Counsel	Douglas Peterson
President	Eric Kaler
Senior Vice President Finance and Operations	Brian Burnett
University Librarian and Dean of Libraries	Wendy Lougee
Vice President and Chief Information Officer	Bernard Gulachek
Vice President Equity and Diversity (Interim)	Michael Goh
Vice President Human Resources	Kathryn Brown
Vice President Research (2-Year Contract)	Allen Levine
Vice President University and Government Relations	Matt Kramer
Vice President University Services	Michael Berthelsen



Senior Leader Compensation Surveys Used

Data was pulled from two formal salary surveys including:

- CUPA Administrators in Higher Education Salary Survey 2017
- Sibson Executive Total Compensation Study 2016

Surveys were selected based on the following criteria:

- Professional and timely survey methodology leading to data integrity: Standard definitions, controlled data collection, thorough analysis of market data
- Adequate matches for the majority of our positions
- Comprehensive participant list including our Peer Institutions
- Strong knowledge of the higher education industry and consistent presence allowing for year-over-year comparison of results
- The Office of Human Resources conducted a direct survey of Peer Institutions to gather market data when this information was not available through the CUPA and Sibson surveys
- All external market data was aged to 7/1/18 using an aging assumption of 2.9%. This percentage represents the annual merit pool that is anticipated by Higher Education institutions nationally, and all industries locally and nationally, for calendar year 2019. Applying this aging factor to the external survey data represents the best estimate of salaries that will be paid in the market as of 7/1/18.

Data sources considered that did not meet the criteria above: Chronicle of Higher Education, University Websites.



Definition of Survey Terms

To ensure accurate comparisons of University of Minnesota data against the two published salary surveys, we arrived at the following definitions of Base Salary, Total Cash Compensation and Total Remuneration. These definitions are consistent with how these terms are defined and reported by the two published salary surveys.

Base Salary: The annual base salary paid to incumbents

- Base salaries reported for University of Minnesota Senior Leaders were taken from the Fall Snapshot (9th payroll of FY18) and also includes augments paid during calendar year 2017.

Total Cash Compensation: The sum of base salary and bonus/incentive compensation. Does not include housing allowances or other perquisites (i.e., travel reimbursements, moving expenses, season tickets, etc).

- Incentives and bonuses reported for University of Minnesota Senior Leaders reflect payments made in calendar year 2017. Housing allowances for campus Presidents / Chancellors and perquisites are excluded from Total Cash.

Total Remuneration: The sum of total cash compensation and retirement/deferred compensation.

- Retirement Contributions and Deferred compensation for University of Minnesota Leaders reflect contributions made in calendar year 2017.



Senior Leader Compensation—Overall Distribution & Findings

- Our stated strategy is to be market competitive for Senior Leader Total Remuneration (The sum of base salary, bonus/incentive and retirement/deferred compensation).
- Our Senior Leaders are paid, on average, at the 38th percentile of the market for Total Remuneration.

Distribution of Percentile Rankings							% of Leaders with Insufficient Market Data
	Overall Average Percentile Ranking	<25	25-44	45-55	56-74	>75	
Base Salary	39th	37%	18%	18%	18%	5%	3%
Total Remuneration	38th	26%	13%	21%	8%	5%	26%



Senior Leader Compensation—Change in Overall Distribution & Findings

Base Salary		
	2016	2017
Overall Average Percentile Ranking	45th	39th
<25	23%	37%
25-44	18%	18%
45-55	20%	18%
56-74	25%	18%
>75	10%	5%
ISD	5%	3%

Total Remuneration		
	2016	2017
Overall Average Percentile Ranking	44th	38th
<25	18%	26%
25-44	13%	13%
45-55	20%	21%
56-74	18%	8%
>75	8%	5%
ISD	25%	26%

Overall percentile rankings for base salary and total remuneration are down slightly from 2016. This is most likely because 10 new Senior Leaders have been hired or appointed between December 2016 and October 2017.



Senior Leader Compensation—Findings by Individual Leader

U of MN Working Title	Base Salary from Surveys					Incumbent Data		Total Cash Comp from Surveys					Incumbent Data		Base + Incentive + Retirement + Deferred					Incumbent Data	
	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Base	Percentile Ranking	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Total Cash	Percentile Ranking	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Base+Incent+Retire + Deferred	Percentile Ranking
Associate Vice President and Dean International Programs	\$110.3	\$153.5	\$197.9	\$236.5	\$301.9	\$231.0	71.4	\$126.4	\$157.8	\$200.1	\$237.0	\$310.2	\$231.0	70.9	\$153.1	\$179.9	\$212.4	\$282.4	\$362.8	\$261.0	67.4
Athletics Director, Twin Cities - Big 10 Comparison (2)	\$517.9	\$627.9	\$765.8	\$967.9	\$1,177.2	\$850.0	60.4	isd	isd	isd	isd	isd	\$1,000.0	isd	isd	isd	isd	isd	isd	\$1,027.0	isd
Chancellor Crookston	\$241.7	\$261.6	\$263.1	\$263.1	\$287.8	\$250.0	16.2	isd	isd	isd	isd	isd	\$250.0	isd	isd	isd	isd	isd	isd	\$275.0	isd
Chancellor Duluth	\$196.7	\$328.9	\$378.0	\$402.5	\$470.9	\$297.9	21.5	isd	isd	isd	isd	isd	\$297.9	isd	isd	isd	isd	isd	isd	\$363.0	isd
Chancellor Morris	\$287.5	\$313.3	\$324.4	\$341.2	\$551.3	\$250.0	<Lowest	isd	isd	isd	isd	isd	\$250.0	<Lowest	isd	isd	isd	isd	isd	\$275.0	<Lowest
Chief Auditor	\$137.0	\$153.4	\$189.6	\$221.3	\$268.5	\$211.7	67.4	\$153.0	\$155.1	\$185.4	\$205.5	\$267.6	\$211.7	76.5	\$175.2	\$190.5	\$207.8	\$227.9	\$289.2	\$239.2	77.8
Dean and Vice Provost Graduate Education	\$186.5	\$226.3	\$264.1	\$304.5	\$375.8	\$234.6	30.5	\$197.7	\$235.5	\$266.7	\$290.6	\$321.6	\$234.6	24.6	\$232.6	\$266.3	\$293.8	\$335.4	\$272.4	\$265.1	24.4
Dean and Vice Provost Undergraduate Education	\$177.0	\$199.0	\$239.0	\$253.1	\$371.9	\$244.0	58.8	\$200.7	\$216.0	\$237.1	\$248.4	\$342.0	\$244.0	65.2	\$221.9	\$240.2	\$277.1	\$296.3	\$414.3	\$275.7	49.1
Dean, Carlson School of Management	\$258.9	\$379.2	\$428.4	\$483.6	\$586.9	\$549.0	84.5	\$263.0	\$336.5	\$424.5	\$500.3	\$570.4	\$549.0	85.4	\$307.6	\$397.8	\$465.3	\$582.8	\$646.0	\$584.1	75.3
Dean, College of Biological Sciences	\$250.4	\$287.6	\$331.1	\$343.7	\$392.4	\$271.8	18.6	\$179.7	\$240.3	\$312.1	\$340.2	\$395.3	\$271.8	36.0	\$210.2	\$279.1	\$352.3	\$394.9	\$453.5	\$298.8	31.7
Dean, College of Continuing and Professional Studies	\$160.7	\$196.9	\$211.1	\$261.3	\$308.6	\$228.8	58.8	\$133.1	\$174.7	\$192.7	\$252.9	\$274.2	\$228.8	65.0	\$155.8	\$193.1	\$222.7	\$283.1	\$302.1	\$258.5	64.8
Dean, College of Design	\$149.8	\$224.0	\$248.7	\$287.3	\$340.8	\$240.0	41.2	isd	isd	isd	isd	isd	\$240.0	isd	isd	isd	isd	isd	isd	\$264.0	isd

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U of MN Working Title	Base Salary from Surveys					Incumbent Data		Total Cash Comp from Surveys					Incumbent Data		Base + Incentive + Retirement + Deferred					Incumbent Data	
	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Base	Percentile Ranking	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Total Cash	Percentile Ranking	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Base+Incent+ Retire + Deferred	Percentile Ranking
Dean, College of Education and Human Development	\$203.6	\$243.7	\$273.6	\$304.6	\$369.6	\$265.0	42.8	\$191.1	\$225.8	\$267.9	\$303.6	\$362.5	\$265.0	48.3	\$225.3	\$259.3	\$304.5	\$359.0	\$416.2	\$299.4	47.2
Dean, College of Food, Agricultural and Natural Resource Sciences	\$272.9	\$301.7	\$330.5	\$352.0	\$419.8	\$271.2	<Lowest	\$293.2	\$308.3	\$337.3	\$344.3	\$355.5	\$271.2	<Lowest	\$327.0	\$336.9	\$380.9	\$403.1	\$409.6	\$306.3	<Lowest
Dean, College of Liberal Arts	\$279.8	\$306.8	\$322.3	\$358.8	\$444.3	\$277.3	<Lowest	\$260.3	\$283.7	\$301.2	\$344.6	\$365.4	\$277.3	20.9	\$305.1	\$314.0	\$354.6	\$387.7	\$417.1	\$304.3	<Lowest
Dean, College of Pharmacy	\$249.0	\$301.7	\$329.0	\$345.0	\$364.7	\$300.0	24.5	\$256.6	\$297.9	\$328.5	\$343.5	\$386.4	\$300.0	26.7	\$285.5	\$335.2	\$358.2	\$369.9	\$408.3	\$327.0	22.5
Dean, College of Science and Engineering	\$305.6	\$345.3	\$368.1	\$387.7	\$473.2	\$346.8	26.6	\$316.2	\$339.7	\$361.0	\$386.3	\$447.2	\$346.8	33.4	\$334.4	\$388.1	\$427.6	\$455.7	\$522.2	\$373.8	21.0
Dean, College of Veterinary Medicine	\$201.8	\$269.4	\$295.0	\$320.3	\$381.1	\$279.6	35.0	\$236.6	\$260.7	\$286.8	\$317.3	\$336.9	\$279.6	43.1	\$264.2	\$316.1	\$334.2	\$362.5	\$397.3	\$314.7	24.6
Dean, Hubert H. Humphrey School of Public Affairs	\$246.4	\$308.2	\$325.4	\$352.5	\$362.9	\$240.0	<Lowest	\$287.2	\$316.5	\$332.6	\$354.2	\$359.6	\$240.0	<Lowest	\$326.9	\$352.0	\$361.3	\$399.6	\$400.0	\$271.2	<Lowest
Dean, Law School	\$267.8	\$351.9	\$363.8	\$399.8	\$469.1	\$378.8	60.4	\$273.5	\$360.5	\$364.1	\$378.5	\$450.1	\$378.8	75.0	\$322.7	\$397.5	\$432.9	\$457.7	\$508.6	\$405.8	30.9
Dean, Medical School and Interim Vice President Health Sciences	\$255.1	\$535.2	\$800.5	\$914.7	\$990.5	\$700.0	40.5	\$367.5	\$491.3	\$714.1	\$1,108.4	\$1,349.5	\$700.0	48.4	\$405.3	\$552.1	\$793.9	\$1,218.0	\$1,511.5	\$735.1	43.9
Dean, School of Nursing	\$238.0	\$264.0	\$330.7	\$362.3	\$376.6	\$324.4	45.8	\$260.7	\$290.1	\$318.6	\$343.8	\$355.5	\$324.4	55.7	\$286.8	\$326.6	\$351.2	\$390.5	\$459.7	\$359.5	55.3
Dean, School of Public Health	\$268.7	\$317.7	\$370.6	\$435.4	\$511.0	\$368.1	48.8	isd	isd	isd	isd	isd	\$368.1	isd	isd	isd	isd	isd	isd	\$403.2	isd
Dean, UMD College of Education and Human Service Professions	\$161.2	\$168.1	\$180.9	\$196.3	\$245.2	\$147.6	<Lowest	isd	isd	isd	isd	isd	\$147.6	isd	isd	isd	isd	isd	isd	\$162.3	isd
Dean, UMD College of Liberal Arts	\$175.8	\$194.4	\$223.6	\$245.5	\$251.1	\$150.6	<Lowest	isd	isd	isd	isd	isd	\$150.6	isd	isd	isd	isd	isd	isd	\$170.2	isd
Dean, UMD Labovitz School of Business and Economics	\$198.4	\$201.4	\$242.8	\$281.6	\$350.2	\$219.3	35.8	isd	isd	isd	isd	isd	\$219.3	isd	isd	isd	isd	isd	isd	\$241.2	isd
Dean, UMD School of Fine Arts	isd	isd	isd	isd	isd	\$142.0	isd	isd	isd	isd	isd	isd	\$142.0	isd	isd	isd	isd	isd	isd	\$156.2	isd
Dean, University Extension	\$176.8	\$223.8	\$242.7	\$317.8	\$347.6	\$246.9	51.4	\$176.8	\$223.8	\$242.7	\$318.3	\$347.6	\$246.9	51.4	\$205.9	\$259.7	\$274.1	\$385.7	\$418.9	\$279.0	51.1
Executive Vice President and Provost	\$174.8	\$411.3	\$443.0	\$471.3	\$555.2	\$446.4	53.0	isd	isd	isd	isd	isd	\$446.4	isd	isd	isd	isd	isd	isd	\$473.4	isd
General Counsel	\$179.4	\$270.9	\$306.1	\$369.6	\$507.8	\$350.0	67.3	\$195.6	\$273.0	\$323.8	\$395.7	\$445.1	\$350.0	59.1	\$241.8	\$315.6	\$360.1	\$438.9	\$499.8	\$377.0	55.4
President (1)	\$450.8	\$524.9	\$598.4	\$716.2	\$845.1	\$625.3	55.7	\$465.8	\$540.0	\$637.2	\$716.9	\$834.3	\$625.3	46.9	\$601.5	\$632.5	\$730.4	\$898.1	\$1,097.3	\$835.4	65.7

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U of MN Working Title	Base Salary from Surveys					Incumbent Data		Total Cash Comp from Surveys					Incumbent Data		Base + Incentive + Retirement + Deferred					Incumbent Data	
	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Base	Percentile Ranking	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Total Cash	Percentile Ranking	Lowest or 10th%	25th%	50%	75th%	Highest or 90th%	Base+Incent+Retire + Deferred	Percentile Ranking
Senior Vice President Finance and Operations	\$233.2	\$308.3	\$343.3	\$395.5	\$483.7	\$410.0	77.5	\$288.5	\$321.3	\$361.9	\$422.8	\$461.7	\$410.0	69.7	\$324.9	\$377.5	\$416.6	\$533.2	\$604.2	\$437.0	54.4
University Librarian and Dean of Libraries	\$130.2	\$216.0	\$250.2	\$267.9	\$362.5	\$247.2	47.8	\$161.0	\$208.5	\$251.1	\$255.3	\$300.6	\$247.2	47.7	\$188.1	\$230.6	\$282.1	\$293.6	\$371.6	\$279.4	48.7
Vice President and Chief Information Officer	\$229.8	\$267.4	\$298.6	\$329.4	\$384.0	\$265.0	24.0	\$226.3	\$261.9	\$297.0	\$328.4	\$349.4	\$265.0	27.2	\$255.3	\$299.4	\$343.1	\$385.7	\$410.6	\$299.5	25.0
Vice President Human Resources	\$165.0	\$215.9	\$235.6	\$285.3	\$348.5	\$247.1	55.8	\$196.5	\$223.6	\$235.4	\$289.7	\$309.2	\$247.1	55.4	\$222.8	\$251.2	\$284.7	\$324.5	\$360.6	\$279.2	45.9
Vice President Research	\$201.2	\$318.5	\$339.1	\$394.4	\$447.5	\$250.8	16.3	\$272.6	\$320.4	\$344.7	\$389.5	\$406.0	\$250.8	<Lowest	\$313.4	\$388.0	\$394.7	\$435.7	\$466.8	\$283.4	<Lowest
Vice President University and Government Relations	\$207.6	\$231.2	\$268.6	\$307.3	\$371.7	\$225.0	21.1	\$169.2	\$207.6	\$268.7	\$329.1	\$337.2	\$225.0	32.1	\$195.1	\$242.1	\$334.0	\$359.6	\$376.6	\$254.3	28.3
Vice President University Services	\$243.8	\$265.8	\$284.3	\$320.2	\$370.3	\$265.0	24.5	\$270.0	\$270.0	\$283.2	\$326.4	\$363.9	\$265.0	<Lowest	\$335.8	\$348.7	\$376.4	\$403.7	\$434.8	\$299.5	<Lowest
Chancellor Rochester (vacant, interim leader appointed)																					
Dean of Students and Vice Provost Student Affairs (vacant, interim leader appointed)																					
Dean, School of Dentistry (vacant, interim leader appointed)																					
Dean, UMD Swenson College of Science and Engineering (vacant, interim leader appointed)																					
Vice President for Equity & Diversity (vacant, interim leader appointed)																					

Notes:
 ISD indicates when insufficient data existed within the salary surveys.
 For the purpose of calculating summary data, when percentile ranking was <10 or <Lowest, 10% was used
(1) \$175K 415(m) Retirement Contribution for 2017 will move up each year and reach \$325K by 6/30/2020
 \$200,000 on 6/30/2018
 \$225,000 on 6/30/2019
 \$325,000 on 6/30/2020
(2) Eligible for 415(m) contribution going forward as follows:
 \$400,000 415(m) contribution on 6/30/2020
 \$100,000 415(m) contribution 6/30/2021



Appendix

Guiding Principles Used by the Office of Institutional Research for Selection of Peer Institutions

- The list of peer institutions should remain very stable from year to year
 - Consistency in peer selection demonstrates that we have carefully identified the market for our senior leader positions. This leads to reliability, validity and transparency of our percentile rankings.
- The number of peer institutions should be large enough to ensure an adequate sampling of salaries in the marketplace
- Each campus can have its own unique peer group.
- The same list of peer institutions should be used for the majority of senior leader positions on the Twin Cities campus, with exceptions being made for only one or two roles at most.
 - This will lead to greater equity, less volatility and less administrative burden.



Peer Institutions Used for Twin Cities Senior Leader Benchmarking

The Peer Institutions identified by the Office of Institutional Research for the UMN Twin Cities campus are listed on the next page and include:

Public U.S. Universities who are members of The Association of American Universities (AAU)

The AAU is comprised of 62 leading public and private research universities in the United States and Canada. Membership in AAU is by invitation and is based on the high quality of programs of academic research and scholarship and education in a number of fields, as well as general recognition that a university is outstanding by reason of the excellence of its research and educational programs. Currently there are 62 schools in this organization, including both public and private universities. We choose not to compare ourselves to private universities within the AAU as this would include Ivy League schools for which the market is much more competitive for top talent. We also removed Canadian universities as comparisons. This leaves the 33 public universities who are AAU members to which we will be comparing senior leader compensation.

Big 10 Institutions (Total of 13 comparison universities)

12 of the Big 10 schools are already included in the listing of public AAU institutions. Northwestern and the University of Nebraska are the other members of the Big 10 that could be considered for comparison. Northwestern is a private university so will remain off the comparison list due to their private status. Since the University of Nebraska is a public Big 10 school who is not part of the AAU, we made the decision to include them in our list of peer institutions. This brings our total of comparison universities to 34.

A fair number of the UMTC peer institutions are of similar mission, Carnegie classification and size. These organizations are noted on the chart with the code, "UMTC".



Peer Institutions Used for Twin Cities Senior Leader Benchmarking

Institution	Peer Comparison Groups
University of Arizona	AAU
University of California-Davis	AAU
University of California-Irvine	AAU
University of California-San Diego	AAU
University of California-Santa Barbara	AAU
University of Colorado-Boulder	AAU
Georgia Institute of Technology	AAU
Iowa State University	AAU
University of Kansas	AAU
University of Missouri-Columbia	AAU
State University of New York-Buffalo	AAU
State University of New York-Stony Brook	AAU
University of North Carolina-Chapel Hill	AAU
University of Oregon	AAU
University of Pittsburgh-Main Campus	AAU
Texas A&M University	AAU
University of Virginia	AAU

Institution	Peer Comparison Groups
University of California-Berkeley	AAU, UMTC
University of California-Los Angeles	AAU, UMTC
University of Florida	AAU, UMTC
University of Texas-Austin	AAU, UMTC
University of Washington-Seattle Campus	AAU, UMTC
University of Illinois at Urbana-Champaign	AAU, Big 10, UMTC
University of Michigan-Ann Arbor	AAU, Big 10, UMTC
Ohio State University-Main Campus	AAU, Big 10, UMTC
Pennsylvania State University-Main Campus	AAU, Big 10, UMTC
University of Wisconsin-Madison	AAU, Big 10, UMTC
Indiana University-Bloomington	AAU, Big 10
University of Iowa	AAU, Big 10
University of Maryland-College Park	AAU, Big 10
Michigan State University	AAU, Big 10
Rutgers University-New Brunswick	AAU, Big 10
Purdue University-Main Campus	AAU, Big 10
University of Nebraska-Lincoln	Big 10



Peer Institutions Used for Morris Senior Leader Benchmarking

The 15 institutions listed identified by the Office of Institutional Research and Morris leadership as Morris peer institutions are featured on the next page of this report. In identifying their peers list, UMM designated schools as “True Peers” if they had very similar profiles to UMM (size, programming, etc.), or “Aspirational Peers” if they had profiles and characteristics to which Morris aspires to be in direct comparison with in the future. This list includes:

- 5 institutions who are part of the Council of Public Liberal Arts Colleges (COPLAC) and are True Peers to Morris.
- 5 institutions who are not part of the Council of Public Liberal Arts Colleges (COPLAC) but are currently True Peers to Morris.
- 5 institutions who are Aspirational Peers



Peer Institutions Used for Morris Senior Leader Benchmarking

Institution	Peer Comparison Groups
University of Maine-Farmington	True peer, COPLAC
St. Mary's College of Maryland	True peer, COPLAC
Massachusetts College of Liberal Arts	True peer, COPLAC
University of North Carolina-Asheville	True peer, COPLAC
University of Virginia's College at Wise	True peer, COPLAC
Coe College	True peer
Albion College	True peer
Concordia College-Moorhead	True peer
SUNY at Purchase College	True peer
Lycoming College	True peer
DePauw University	Aspirational peer
Kalamazoo College	Aspirational peer
Gustavus Adolphus College	Aspirational peer
Macalester College	Aspirational peer
St. Olaf College	Aspirational peer



Peer Institutions Used for Crookston Senior Leader Benchmarking

The following universities have been identified by the Crookston campus, in partnership with the Office of Institutional Research, as peer institutions. Schools listed as COPLAC are part of the Council of Public Liberal Arts Colleges.

Institution	Peer Comparison Groups
Delaware Valley College	True peer
University of Pittsburgh-Johnstown	True peer
Dakota State University	True peer
Northern State University	True peer
University of Wisconsin-Stout	True peer
University of Wisconsin-River Falls	True peer
Bemidji State University	True peer
University of Maine-Farmington	True peer, COPLAC
University of Minnesota-Morris	True peer, COPLAC



Peer Institutions Used for Duluth Senior Leader Benchmarking

The universities featured in the chart below have been identified by the Duluth campus, in partnership with the Office of Institutional Research as peer institutions.

Institution	Peer Comparison Groups
California Polytechnic State University-San Luis Obispo	True peer
Southern Illinois University Edwardsville	True peer
University of Northern Iowa	True peer
University of Massachusetts-Dartmouth	True peer
University of Michigan-Dearborn	True peer
Western Michigan University	True peer
Minnesota State University-Mankato	True peer
University of North Carolina at Charlotte	True peer
College of Charleston	True peer
South Dakota State University	True peer
Western Washington University	True peer



Peer Institutions Used for Rochester Senior Leader Benchmarking

- Rochester is a young and unique campus, which has made it difficult to identify true peers.
- A preliminary set of comparison institutions is in development but was not yet available for this analysis.
- Rochester senior leader salaries are outlined within this annual report but without percentile ranking statistics.





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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: FY 2019 Budget Framework

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Julie Tonneson, Associate Vice President, University Budget

PURPOSE & KEY POINTS

The purpose of this item is to continue the discussion from the October and December meetings regarding the remaining budget planning assumptions for FY 2019. Development of the FY 2019 operating budget includes six scheduled Finance & Operations Committee discussions:

- June 2017 – Review of the Long-Range Financial Plan (FY18 – FY23)
- October 2017 – Discussion of FY 2019 Budget Variables and Levers
- December 2017 – Discussion of FY 2019 Major Budget Levers and Twin Cities Undergraduate Nonresident/Non-reciprocity Tuition Rates
- **February 2018 – FY 2019 Budget Framework**
- May 2018 – Review President’s FY 2019 Recommended Operating Budget
- June 2018 – Action on President’s FY 2019 Recommended Operating Budget

The February presentation and discussion will revisit information related to the budget framework revenue and expense categories, and will provide current estimates of incremental changes for FY 2019 related to those categories. This is the final committee discussion on the FY 2019 budget variables before the president recommends an operating budget to the Board for review in May.

Budget Framework

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 available to support the maintenance and operations of the University’s core missions: state appropriation and tuition. 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 only a very small component of the budget framework.

In developing the budget framework, there are two fundamental areas of emphasis to guide planning:

- 1) Maintain the Core
- 2) Expand and Enhance Program/Service

There are annual cost increases within any budget related to inflation, maintenance, compliance, vendor contracts, etc. that must be addressed simply to continue current levels of operation.

Examples of these costs include:

- Salary and fringe benefit costs for existing employees.
- Regulatory requirements and fees.
- Software licensing/maintenance agreements.
- Accommodations for students and employees.
- Insurance.
- Facility maintenance.
- Utilities.

Addressing these cost increases each year allows the University to “maintain the core” of operations necessary to continue current work in support of the instruction, research, and outreach missions.

A second goal in any budget is to move beyond maintenance to investment: allocating available resources to expand, enhance, and strengthen existing programs and services. These investments often represent implementation of strategic plans, as well as opportunities to implement best practices or program improvements that will increase reputation and ranking.

The choice to allocate resources for both purposes (maintaining the core and enhancing programs and services) is dependent on the availability of resources.

Resource and Expense Categories - Summary

The resource assumptions previously discussed for the framework include:

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

State Appropriations

For FY 2019, 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.

Tuition

Without an increase in discretionary state funding for FY 2019, the decision on resident undergraduate rates will consider a variety of factors: the trade-offs between stable or minimally increased rates and inflationary costs plus desired investments in excellence; the rank by campus in their various comparison groups; the availability of need-based financial aid for students; and the financial burden placed on all students and families.

For FY 2019, each 1 percent increase in resident undergraduate tuition is equivalent to the following in estimated incremental new tuition revenue:

- Twin Cities Campus = \$3.4 million
- Other System Campuses combined = \$1.3 million

In October, the Board 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 rates on these campuses in the last five years, there have been questions about tuition levels in comparison to competitor schools. Recent analysis in this area provides information related to identifying competitor institutions outside of the other University campuses by determining where they lose students to, as well as sticker and net price comparisons where possible. A summary of these findings is included in the docket materials.

To be more consistent with the resident rate in reflecting the high quality academic experience for students, the University will implement a 15 percent increase in the Twin Cities undergraduate nonresident/non-reciprocity (NRNR) tuition rate for FY 2019 for incoming freshmen, and a 5.5 percent increase for all continuing undergraduate students paying the NRNR tuition rate. Discounting strategies and enhanced national recruiting efforts will be necessary related to these rate increases and will be included in the President's recommended FY 2019 operating budget. The strategy for NRNR tuition rates will 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 zero percent to three percent rate over the last several years. Each one percent increase in these tuition rates is equivalent to an estimated \$3.4 million in new tuition revenue.

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 one percent to two 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.

The President's goal of implementing \$90 million in reduced spending on administrative items will be reached in FY 2019. 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.

Compensation

Over the past 20 years, compensation has accounted for a steady 60-65 percent of University annual spending. 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 represents an average increase across all employees and is established by the University as part of the budgeting process, determined by a variety of factors:

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

For FY 2019 budget planning, the cost related to fringe benefits and each one percent increase in the general salary pool would be as follows:

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

Facilities/Operations/Strategic Choices

In all other categories of spending for FY 2019 there are costs the University must address and there are 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, disability resources etc. will be incorporated into the recommended budget based on known or estimated cost increases.

Recent experience in these costs has been as follows:

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

Scenarios for the FY 2019 Budget

The act of building a budget framework for FY 2019 involves making choices among all the variables just described to result in a budget that reflects the priorities of University leadership; makes each unit as successful as possible given resource constraints; and is responsible and balanced. Estimated increases in revenues and expenditures for each variable are summarized below to aid in considering different framework scenarios.

Incremental Resources – Examples

<u>Tuition – Increase in Rates</u>	0%	1%	2%	Other
TC Resident Undergrad	\$0.0m	\$3.4m	\$6.8m	
Other Resident Undergrad	\$0.0m	\$1.3m	\$2.6m	
TC NRNR Undergrad	\$0.0m			\$8.8m
Other NRNR Undergrad	\$0.0m	\$0.1m	\$0.2m	
Resident Grad & Professional	\$0.0m	\$2.0m	\$4.0m	
NRNR Grad & Professional	\$0.0m	\$1.4m	\$2.8m	
<u>State Appropriation</u>	\$0.0m			
<u>Internal Reallocation - % of Allocations</u>	0.50%	0.75%	1.00%	
Reallocation	\$9.0m	\$13.5m	\$18.0m	

Incremental Expenditures – Examples

<u>Compensation Increase</u>	0%	1%	2%	Other
Fringe Alone				\$8.1m
Salary Increase (assoc. fringe)	\$0.0m	\$11.9m	\$23.8m	
<u>Other Costs</u>	Minimum	Invest	Advance	
Facilities	\$0.0m	\$3.0m	\$5.0m+	
Technology	\$3.2m	\$5.0m	\$7.0m+	
Maintain/Strengthen Core	\$5.0m	\$8.0m	\$15.0m+	
Strategic Program Pool	\$0.0m	\$5.0m	\$10.0m+	

BACKGROUND INFORMATION

The Board previously discussed this topic at the following meetings:

- October 2017: *FY 2019 Budget Variables and Levers*, Finance & Operations Committee
- December 2017: *FY 2019 Major Budget Levers and Resolution Related to FY 2019 Twin Cities Undergraduate Nonresident/Non-Reciprocity Tuition Rate*, Finance & Operations Committee

**System Campus Tuition Pricing Analysis
January 2018**

In response to questions about the pricing strategies for tuition in the context of competing for students on the Crookston, Duluth, Morris and Rochester campuses, the University has been compiling information that will aid in the discussion for defining a set of “competitor institutions”. Recent information is as follows:

1. Where are Crookston, Duluth, Morris and Rochester losing their admitted students to outside the UM system (identified as “competitor institutions” for the remainder of this attachment)?

Most admitted students that do not enroll at Crookston, Duluth, Morris and Rochester actually enroll somewhere else in the UMN system. The Twin Cities campus enrolls the largest number of admitted students for any given UM campus. However, given the size of the Twin Cities campus, it is likely that most other Minnesota four-year institutions lose the largest number of admitted students to the Twin Cities campus as well.

Crookston, Duluth, Morris and Rochester do lose some students to other institutions outside the UMN system. The five top competitor institutions outside the UMN system for Fall 2015, 2016, and 2017 admitted students, with the number of admitted students lost to each, are presented below. Since students applied and were admitted to multiple campuses, the counts below are unduplicated.

Unduplicated Rank	Top Competitor Institutions for Admitted Students	Fall 2015	Fall 2016	Fall 2017	Grand Total
1	University of St. Thomas	162	215	249	626
2	North Dakota State University	153	179	233	565
3	Minnesota State University-Mankato	162	178	158	498
4	University of Wisconsin-Eau Claire	142	129	184	455
5	University of North Dakota	109	151	131	391

UW-Madison (6th) and Iowa State (7th) are the next two top competitor institutions. The top competitor institutions differ for each campus, but NDSU appears in the top five for all four campuses. A detailed list of the top five competitors is listed separately for Crookston, Duluth, Morris, and Rochester admitted students at the end of this attachment.

2. What are the recent tuition and fee prices for the top competitor institutions?

Below is a list of 2017-18 tuition and fee prices for Minnesota residents at each of the system campuses and each of the campuses identified under #1 above. Of the Fall 2017 admitted students to Crookston, Duluth, Morris, or Rochester campuses (that enrolled elsewhere), 1,230 enrolled at a campus with a higher listed tuition and fee price (981 enrolled at the Twin Cities campus and 249 enrolled at the University of St. Thomas), while 706 enrolled at a campus with a lower listed tuition and fee price (see table above for the numbers by campus).

Unduplicated Rank	Campuses and Top Competitor Institutions	2017-18 Tuition & Fees for MN Residents Attending Listed Institution
	Crookston	\$11,814
	Duluth	\$13,344
	Morris	\$13,352
	Rochester	\$13,352
	Twin Cities	\$14,488
1	University of St. Thomas	\$37,872
2	North Dakota State University	\$9,410
3	Minnesota State University Mankato	\$8,164
4	University of Wisconsin Eau Claire	\$8,816
5	University of North Dakota	\$9,281

In addition, Iowa State is the 6th top competitor for admitted Minnesota residents, with a published non-resident tuition and fees total of \$22,472.

3. What share of Fall 2017 admitted Minnesota resident students selected a campus that had a higher advertised tuition price?

Of the Fall 2017 admitted students that went to one of the top 20 competitor institutions or another system campus, most enrolled at an institution with a higher advertised tuition/fee price:

- 69% of admitted Crookston MN resident students enrolled in a campus with a higher advertised tuition and fee price
- 63% of admitted Duluth students enrolled in a campus with a higher advertised tuition and fee price
- 77% of admitted Morris students enrolled in a campus with a higher advertised tuition and fee price
- 71% of admitted Rochester students enrolled in a campus with a higher advertised tuition and fee price

4. How do net cost of attendance prices compare across top competitors?

The best publicly available information on 2015-16 net prices is only available for residents attending an institution in their home state. Thus, we can provide 2015-16 net cost of attendance price information for Minnesota residents attending a Minnesota higher education institution.

When compared to their top five competitor set outside the system, all UMN campuses have the lowest average net cost of attendance prices for 2015-16 in-state new freshman students from

families making less than \$75,000 (attending a Minnesota college/university). In the upper income groups above \$75,000, only a few institutions have lower net cost of attendance prices for Minnesota residents.

Campus	UM System and Top 5 Competitor Insitutions	Average Net Cost of Attendance Price for First-Year Students Receiving Title IV Aid by Family Income				
		\$0-30,000	\$30,001-48,000	\$48,001-75,000	\$75,001-110,000	\$110,001+
Crookston	Morris	\$3,681	\$3,787	\$8,685	\$13,560	\$19,235
	Crookston	\$7,640	\$8,084	\$10,567	\$15,852	\$20,523
	Duluth	\$7,380	\$8,184	\$12,623	\$19,378	\$22,641
	Twin Cities	\$7,694	\$8,246	\$12,781	\$19,554	\$23,807
	Rochester	\$9,004	\$11,088	\$13,854	\$21,840	\$24,919
	1 NORTH DAKOTA STATE UNIVERSITY	N/A	N/A	N/A	N/A	N/A
	2 UNIVERSITY OF ST THOMAS	\$20,910	\$21,838	\$25,188	\$30,832	\$33,511
	3 UNIVERSITY OF WISCONSIN - RIVER FALLS	N/A	N/A	N/A	N/A	N/A
	4 MINNESOTA STATE UNIVERSITY - MANKATO	\$10,868	\$11,624	\$14,274	\$17,661	\$18,471
5 AUGSBURG COLLEGE	\$17,192	\$17,674	\$18,843	\$24,923	\$29,222	
Duluth	Morris	\$3,681	\$3,787	\$8,685	\$13,560	\$19,235
	Crookston	\$7,640	\$8,084	\$10,567	\$15,852	\$20,523
	Duluth	\$7,380	\$8,184	\$12,623	\$19,378	\$22,641
	Twin Cities	\$7,694	\$8,246	\$12,781	\$19,554	\$23,807
	Rochester	\$9,004	\$11,088	\$13,854	\$21,840	\$24,919
	1 UNIVERSITY OF ST THOMAS	\$20,910	\$21,838	\$25,188	\$30,832	\$33,511
	2 NORTH DAKOTA STATE UNIVERSITY	N/A	N/A	N/A	N/A	N/A
	3 MINNESOTA STATE UNIVERSITY - MANKATO	\$10,868	\$11,624	\$14,274	\$17,661	\$18,471
	4 IOWA STATE UNIVERSITY	N/A	N/A	N/A	N/A	N/A
5 UNIVERSITY OF WISCONSIN - EAU CLAIRE	N/A	N/A	N/A	N/A	N/A	
Morris	Morris	\$3,681	\$3,787	\$8,685	\$13,560	\$19,235
	Crookston	\$7,640	\$8,084	\$10,567	\$15,852	\$20,523
	Duluth	\$7,380	\$8,184	\$12,623	\$19,378	\$22,641
	Twin Cities	\$7,694	\$8,246	\$12,781	\$19,554	\$23,807
	Rochester	\$9,004	\$11,088	\$13,854	\$21,840	\$24,919
	1 UNIVERSITY OF ST THOMAS	\$20,910	\$21,838	\$25,188	\$30,832	\$33,511
	2 ST CLOUD STATE UNIVERSITY	\$11,087	\$11,549	\$13,811	\$17,110	\$17,853
	3 GUSTAVUS ADOLPHUS COLLEGE	\$12,707	\$14,040	\$15,979	\$21,848	\$27,946
	4 NORTH DAKOTA STATE UNIVERSITY	N/A	N/A	N/A	N/A	N/A
5 MINNESOTA STATE UNIVERSITY - MANKATO	\$10,868	\$11,624	\$14,274	\$17,661	\$18,471	
Rochester	Morris	\$3,681	\$3,787	\$8,685	\$13,560	\$19,235
	Crookston	\$7,640	\$8,084	\$10,567	\$15,852	\$20,523
	Duluth	\$7,380	\$8,184	\$12,623	\$19,378	\$22,641
	Twin Cities	\$7,694	\$8,246	\$12,781	\$19,554	\$23,807
	Rochester	\$9,004	\$11,088	\$13,854	\$21,840	\$24,919
	1 ST. CATHERINE UNIVERSITY	\$18,958	\$17,931	\$20,704	\$24,282	\$26,097
	2 UNIVERSITY OF ST THOMAS	\$20,910	\$21,838	\$25,188	\$30,832	\$33,511
	3 COLLEGE OF SAINT BENEDICT	\$15,605	\$16,694	\$20,673	\$25,242	\$30,838
	4 UNIVERSITY OF NORTH DAKOTA	N/A	N/A	N/A	N/A	N/A
5 WINONA STATE UNIVERSITY	\$12,482	\$13,481	\$16,314	\$19,977	\$20,566	

Source: IPEDS

Please Note: Average net cost of attendance price is generated by subtracting the average amount of federal, state or local government, or institutional grant and scholarship aid from the total cost of attendance. Total cost of attendance is the sum of published tuition and required fees (lower of in-district or in-state), books and supplies and the weighted average room and board and other expenses. Net pricing information is only available for students submitting a FAFSA and awarded Title IV aid. At public institutions, net prices are reported for on MN Residents only. At private institutions, net prices are reported for resident and nonresidents since tuition prices are not differentiated by residency.

5. What are the system campus peer groups?

The Crookston, Duluth and Morris campuses have each developed a “peer group” for making academic/program comparisons, to gauge how they are performing academically, competing for faculty, etc. The list for the Rochester campus is currently in development. For Crookston, Duluth and Morris, the resident tuition and fee comparisons for FY17 (the most recent year

available) as reported into the Integrated Post-Secondary Education Data System (IPEDS) for these peer groups are as follows:

Crookston Peer Comparison Group

Unitid	Institution Name	2017
211981	Delaware Valley University	\$36,750
215284	University of Pittsburgh-Johnstown	\$13,624
174251	University of Minnesota-Morris	\$12,846
174075	University of Minnesota-Crookston	\$11,700
240417	University of Wisconsin-Stout	\$9,395
219082	Dakota State University	\$8,927
161226	University of Maine at Farmington	\$8,695
173124	Bemidji State University	\$8,394
240471	University of Wisconsin-River Falls	\$7,981
219259	Northern State University	\$7,887

Duluth Peer Comparison Group

Unitid	Institution Name	2017
167987	University of Massachusetts-Dartmouth	\$13,188
174233	University of Minnesota-Duluth	\$13,139
171137	University of Michigan-Dearborn	\$12,032
217819	College of Charleston	\$11,805
172699	Western Michigan University	\$11,493
149231	Southern Illinois University-Edwardsville	\$11,008
110422	California Polytechnic State University-San Luis O	\$9,075
154095	University of Northern Iowa	\$8,309
219356	South Dakota State University	\$8,172
237011	Western Washington University	\$7,903
173920	Minnesota State University-Mankato	\$7,858
199139	University of North Carolina at Charlotte	\$6,763

Morris Peer Comparison Group

Unitid	Institution Name	2017
168546	Albion College	\$41,040
153144	Coe College	\$41,000
213668	Lycoming College	\$37,162
173300	Concordia College at Moorhead	\$36,878
163912	St Mary's College of Maryland	\$14,192
174251	University of Minnesota-Morris	\$12,846
167288	Massachusetts College of Liberal Arts	\$9,875
233897	The University of Virginia's College at Wise	\$9,539
161226	University of Maine at Farmington	\$8,695
196219	SUNY at Purchase College	\$8,298
199111	University of North Carolina at Asheville	\$6,977

Detail Tables

Detailed Information (counts of admitted students are duplicated for each campus).

Campus Specific Top 5 Competitor Institutions Outside UMN System Enrolling Students Admitted Fall 2015, Fall 2016, and Fall 2017

Crookston

Campus	Non-Yield Outside System Rank	Institution of Enrollment Outside System	UM Enrollment Campus	Fall 2015	Fall 2016	Fall 2017	Grand Total
UMNCR		Enrolled in Campus	UMNCR	239	209	206	654
		Enrolled in System	UMNDL	42	51	60	153
			UMNMO	13	9	14	36
			UMNRO	4	10	6	20
			UMNTC	85	152	125	362
	1	NORTH DAKOTA STATE UNIVERSITY		16	15	29	60
	2	UNIVERSITY OF WISCONSIN - RIVER FALLS		17	8	19	44
	3	UNIVERSITY OF WISCONSIN - MADISON		12	12	16	40
	4	MINNESOTA STATE UNIVERSITY - MANKATO		9	17	11	37
	5	UNIVERSITY OF ST THOMAS		7	15	12	34

Duluth

Campus	Non-Yield Outside System Rank	Institution of Enrollment Outside System	UM Enrollment Campus	Fall 2015	Fall 2016	Fall 2017	Grand Total
UMNDL		Enrolled in Campus	UMNDL	1997	2138	2275	6410
		Enrolled in System	UMNCR	7	9	4	20
			UMNMO	44	32	45	121
			UMNRO	13	36	29	78
			UMNTC	662	850	867	2379
1	UNIVERSITY OF ST THOMAS		149	197	227	573	
2	NORTH DAKOTA STATE UNIVERSITY		124	143	188	455	
3	UNIVERSITY OF WISCONSIN - EAU CLAIRE		121	118	165	404	
4	MINNESOTA STATE UNIVERSITY - MANKATO		131	149	119	399	
5	IOWA STATE UNIVERSITY		101	112	115	328	

Morris

Campus	Non-Yield Outside System Rank	Institution of Enrollment Outside System	UM Enrollment Campus	Fall 2015	Fall 2016	Fall 2017	Grand Total
UMNMO		Enrolled in Campus	UMNMO	416	376	356	1148
		Enrolled in System	UMNCR	4	5	3	12
			UMNDL	121	99	117	337
			UMNRO	6	16	14	36
			UMNTC	252	308	259	819
	1	NORTH DAKOTA STATE UNIVERSITY		29	30	34	93
	2	UNIVERSITY OF ST THOMAS		24	36	33	93
	3	UNIVERSITY OF WISCONSIN - MADISON		27	27	32	86
	4	ST CLOUD STATE UNIVERSITY		32	31	20	83
	5	GUSTAVUS ADOLPHUS COLLEGE		26	27	26	79

Rochester

Campus	Non-Yield Outside System Rank	Institution of Enrollment Outside System	UM Enrollment Campus	Fall 2015	Fall 2016	Fall 2017	Grand Total
UMNRO		Enrolled in Campus	UMNRO	88	145	187	420
		Enrolled in System	UMNCR	1	2		3
			UMNDL	8	50	27	85
			UMNMO	2	8	8	18
			UMNTC	33	243	144	420
	1	UNIVERSITY OF WISCONSIN - MADISON		5	29	28	62
	2	ST. CATHERINE UNIVERSITY		6	15	15	36
	3	UNIVERSITY OF WISCONSIN - LA CROSSE		5	16	10	31
	4	UNIVERSITY OF ST THOMAS		2	17	7	26
	5	UNIVERSITY OF NORTH DAKOTA		2	9	14	25

FY 2019 Budget Framework

Julie Tonneson

Finance & Operations Committee

February 8, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



UNIVERSITY BUDGET

UNIVERSITY OF MINNESOTA

In October and December, we discussed the primary components of FY19 budget development

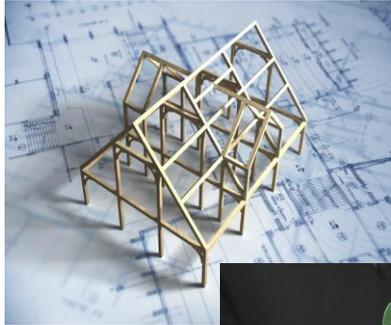
- Timeline
- “Framework Funds” = O&M appropriation and tuition
- Reallocation as an annual resource
- Strategic expense reductions over time
- Compensation – costs and strategies
- Other costs - Facilities/Operations/Strategic Investment Pool

Estimated \$ Equivalencies

Proposed/Approved TC NRNR Rate



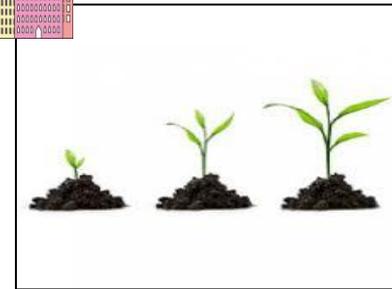
There are two fundamental areas of emphasis in budget development



**Maintain the
core**



**Invest to expand,
enhance &
strengthen**



Constrained by Available Resources

State \$\$

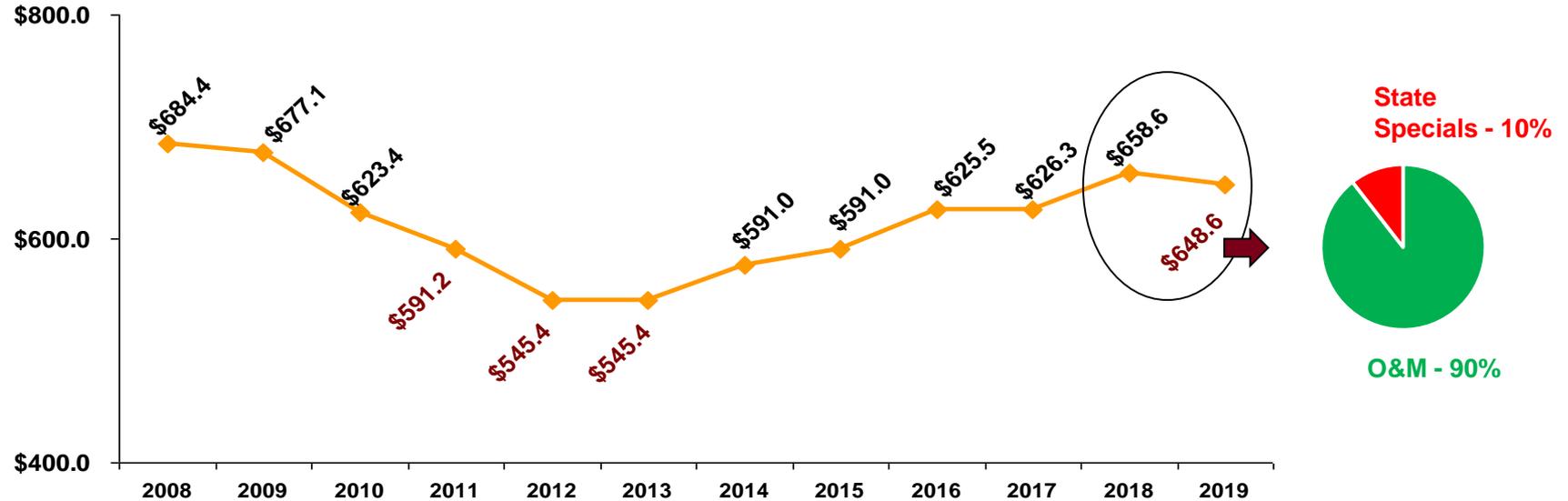
Tuition

Reallocations

State appropriation is declining for FY19

Operations & Maintenance/State Specials

(\$ in millions)



*Excludes Cigarette Tax, MnCare, and nonrecurring project appropriations



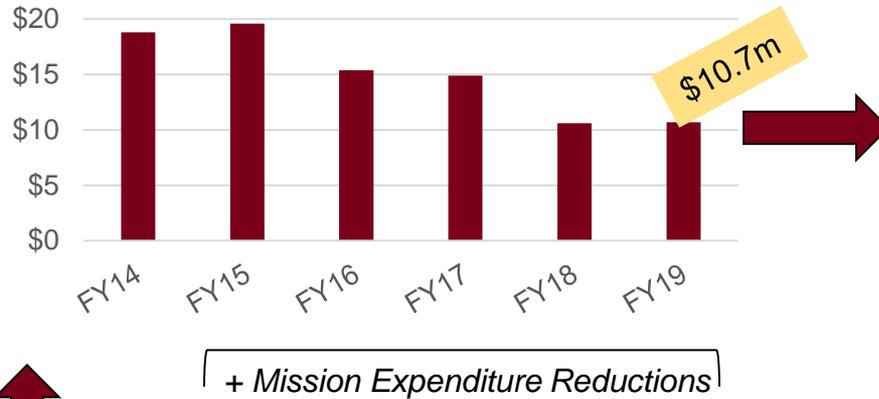
Tuition goals

Estimate/Potential For FY19

- Resident undergraduate TC – *keep within inflation* \$3.4m per 1%
- NRNR undergraduate TC – *Approved 15% for new freshmen and 5.5% for continuing students* \$8.8m gross
- Resident and NRNR undergraduate other campuses – *remain flat* \$0.0m
- Graduate and professional – *keep within inflation* \$3.4m per 1%



Repurposing existing resources



6 years of administrative expenditure reductions to help balance the budget = \$90 million

Prior to FY14 – Annual reallocations to help balance the budget and address reductions in state appropriations
0.5% – 3.0% range

Future goal – continue responsible efforts to reduce costs where possible and gain efficiencies, while remaining competitive nationally and internationally

Maintain the core

Estimate/Potential For FY19 *Framework Funds*

- Base compensation (benefits alone) \$8.1m
- Base compensation (salary) \$11.9m per 1%
- Facility operations and maintenance \$0.0m
- Technology maintenance \$3.2m

- Compliance with federal and state regulations
- Safety – for students, employees and the public
- Negative fluctuations in units' revenue/cost balance

} \$5.0 m



Address strategic plan goals

Academic and support units

- Enhance/strengthen programs and services
- Take advantage of opportunities
- Move in new directions

“Typical” investment pool goal = \$10.0 - \$20.0 m



It's possible to bring the budget together in different ways based on overarching goals

Framework Funds

Incremental Resources - Examples						
<u>Tuition</u>			0%	1%	2%	Other
TC Resident Undergrad			\$0.0m	\$3.4m	\$6.8m	
Other Resident Undergrad			\$0.0m	\$1.2m	\$2.4m	
TC NRNR Undergrad			\$0.0m			\$8.8m
Other NRNR Undergrad			\$0.0m	\$0.1m	\$0.2m	
Resident Grad & Professional			\$0.0m	\$2.0m	\$4.0m	
NRNR Grad & Professional			\$0.0m	\$1.4m	\$2.8m	
<u>State Appropriation</u>			\$0.0m			
			0.50%	0.75%	1.00%	
<u>Internal Reallocation</u>			\$9.0m	\$13.5m	\$18.0m	

Incremental Expenditures - Examples						
<u>Compensation</u>			0%	1%	2%	Other
Fringe Alone						\$8.1m
Salary Increase (assoc. fringe)			\$0.0m	\$11.9m	\$23.8m	
<u>Other Costs</u>			Minimum	Invest	Advance	
Facilities			\$0.0m	\$3.0m	\$5.0m+	
Technology			\$3.2m	\$5.0m	\$7.0m+	
Maintain/Strengthen Core			\$5.0m	\$8.0m	\$15.0m+	
Strategic Program Pool			\$0.0m	\$5.0m	\$10.0m+	



Thoughts, Questions, & Input



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: Campus Community Relations Update

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: J.D. Burton, Chief Government Relations Officer
Erick Garcia Luna, Director of Community and Local Government Relations

PURPOSE & KEY POINTS

The purpose of this item is a discussion regarding expansion of the University’s community relations efforts and how those efforts can lead to a larger campus community strategic plan.

Success of the University has long been dependent on the strength of the neighborhoods and communities surrounding each of the system’s campuses. The University enjoys strong and long-lasting relationships with community organizations and has worked alongside them to strengthen the community through grants and collaboration. This is exemplified in the University’s high levels of engagement with the community, as well as the major economic and societal footprint the University maintains in system campus regional areas.

Environment and leadership changes at the University and among many of its partner entities have created an opportunity to work in a broader way. Effective and strategic decision-making with the University’s community partners necessitates engagement in a proactive manner with community members as well as local elected officials, department heads and staff at the city and county levels. This applies to all campuses and communities across the system.

BACKGROUND INFORMATION

University District Alliance, 2007

The University District Alliance was established in 2007. The Alliance is governed by a board of leaders from the member organizations. The Alliance board includes representatives from the University, the City of Minneapolis, four neighborhood associations, business associations, student government leaders, and Augsburg College. The discussion will include an update on work to restructure the University District Alliance.

Resolution Related to New Approaches to Neighborhood Engagement

In 2014, the Board approved a Resolution Related to New Approaches to Neighborhood Engagement, which called for a broader strategy of engagement to include the various partners that are part of the Twin Cities community, along with local units of government:

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents supports University of Minnesota strategies and actions to increase external engagement and cooperation with the City of Minneapolis, Hennepin County, and other public and private partners to achieve a vibrant, welcoming, safe and attractive environment in and around the Twin Cities/Minneapolis campus. Furthermore, the Board supports strategies that advance key interests of both the University and the surrounding community, including public safety, transportation, building code enforcement, housing, public-private partnerships, and creating community amenities that will enrich the livability of the neighborhoods around the Minneapolis portion of the Twin Cities campus.

The full Board previously discussed this topic at its February 2017 meeting.

Campus Community Relations Update

Finance & Operations Committee

JD Burton, Chief Government Relations Officer

Erick Garcia Luna, Director of Community and Local Government Relations

February 8, 2018



UNIVERSITY OF MINNESOTA

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Presentation overview

- Increasing visibility among local units of government
- Communication strategies
- Future of the University District Alliance
- System-wide potential



Actions supported by the Board of Regents in the 2014 resolution

Strategies and actions to increase external engagement and cooperation with the City of Minneapolis, Hennepin County, and other public and private partners.

Strategies that advance key interests of both the University and the surrounding community, including public safety, transportation, building code enforcement, housing, public-private partnerships.

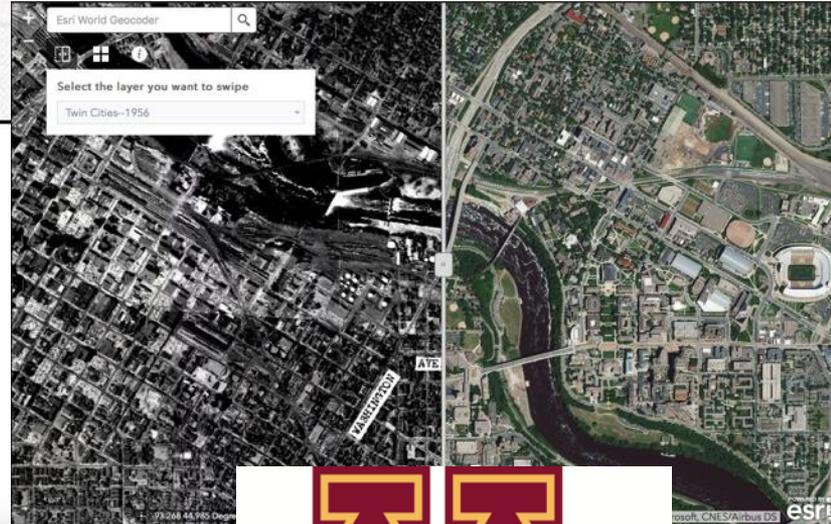
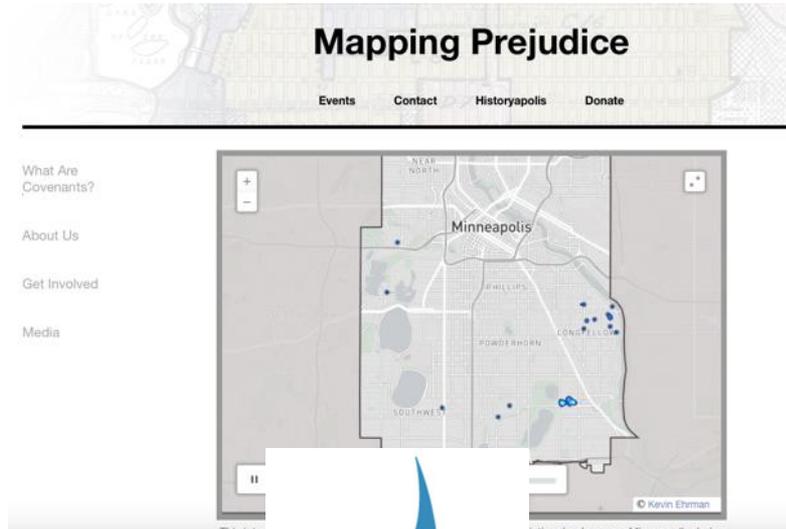


Building stronger relationships with our local units of government





Working with our local partners





Working with our local partners





Communication Strategy

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One Stop MyU For Students, Faculty, and Staff

Government and Community Relations
Crookston Duluth Morris Rochester Twin Cities

About Us
State Relations
Budget Request

Community Relations
Federal Relations
Capital Request

Community Relations

Our office works to strengthen the University's relationships with local and regional partners in order to improve the quality of life in the neighborhoods and communities that are home to the University's Twin Cities campus.

The **University District Alliance** is a University/city/community partnership to make the campus area community a preferred place for people of all ages to live, work, learn, do business, and enjoy.

The **Good Neighbor Fund** is an endowment at the University of Minnesota to improve the beauty, serenity, and security of the communities adjacent to the Twin Cities Campus.

Please [contact us](#) for more information.





Communication Strategy

Government and Community Relations

Crookston Duluth Morris Rochester Twin Cities

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Community Relations

Community and Local Government Relations



With over 67,000 students and 26,000 employees across the U of M system, the impact of the University of Minnesota is felt in every local economy and every community.

U of M excellence attracts students from across the world. It grows our local economies. It makes our communities more vibrant.

Results require partnership. In carrying out our mission of education, research, and public engagement, we not only produce innovative ideas and a skilled workforce; we partner with communities and local units of government.

We are committed to working closely with our many partners for the good of all our communities.

Related Resources



Communication Strategy



Community & Local Government Relations

UofM Community and Local Government Relations
@UMNComRel

Official account of the Office of Community and Local Government Relations at the University of Minnesota

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Erick Garcia Luna @ErickGarciaLuna · 3d
Positive results require strong partnerships and collaboration. At @UMNComRel @UMNGovRelations we are committed to working with you for the benefit and growth of everyone in our communities.

Jonathan Weinhagen @jweinhagen



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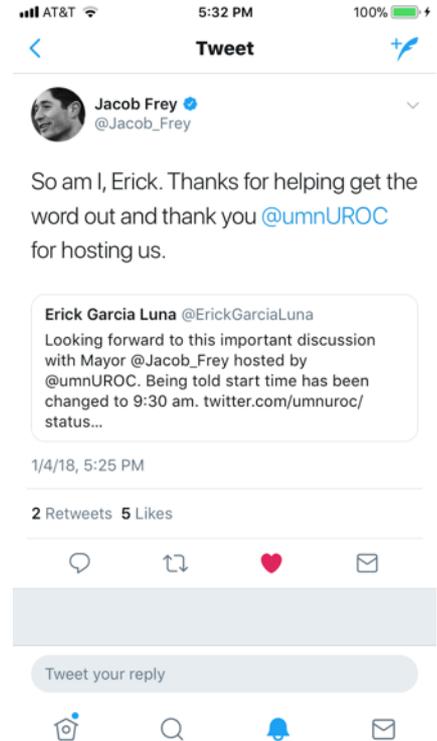
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Erick Garcia Luna @ErickGarciaLuna · Jan 14
Positive results require strong partnerships and collaboration. At @UMNComRel @UMNGovRelations we are committed to working with you for the benefit and growth of everyone in our communities.

Jonathan Weinhagen @jweinhagen
Shout out from @Jacob_Frey to @mayorcenter3 at Inauguration Party "We talk about regionalism and let me tell you, we're going to get it right together!" Me and @BrendaKyle are all in! @MplsChamber @SFACD

Who to follow

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AT&T 5:32 PM 100%

Tweet

Jacob Frey @Jacob_Frey

So am I, Erick. Thanks for helping get the word out and thank you @umnUROC for hosting us.

Erick Garcia Luna @ErickGarciaLuna
Looking forward to this important discussion with Mayor @Jacob_Frey hosted by @umnUROC. Being told start time has been changed to 9:30 am. twitter.com/umnuroc/status...

1/4/18, 5:25 PM

2 Retweets 5 Likes

Tweet your reply



University District Alliance

The University District Alliance is an initiative of communities, learning institutions, and the City of Minneapolis that works to make the area surrounding the University of Minnesota campus in Minneapolis one that:

- capitalizes on its exceptional resources;
- is vibrant, safe, healthy, and sustainable;
- is a preferred place for people of all ages to live, work, learn, do business, and visit.

THE ALLIANCE

A UNIVERSITY DISTRICT PARTNERSHIP

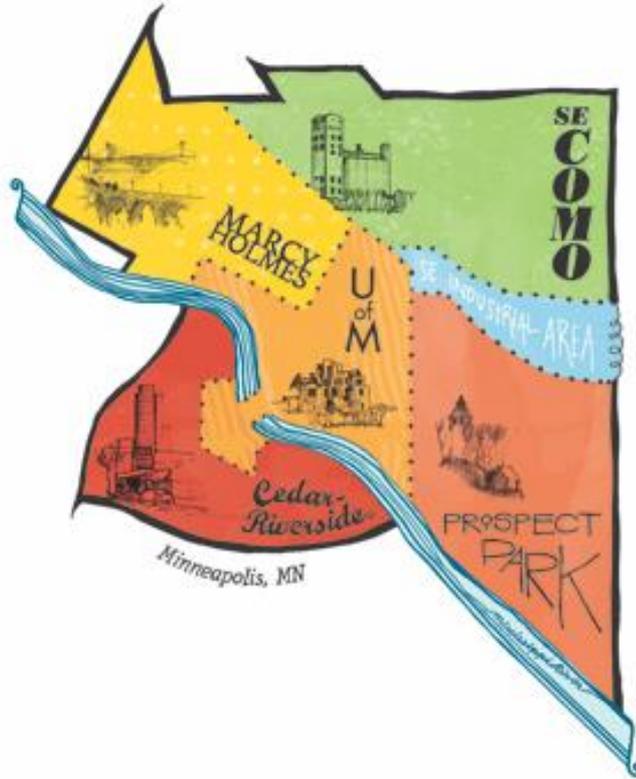


Goals for Achieving the Purpose of the University District Alliance

- Develop the University District Alliance into a professionally run partnership of strong and supportive member organizations.
- Attract and retain enterprises that capitalize on the assets of the District.
- Facilitate communication and cooperation among the residents, businesses, institutions, and public sector entities.
- Cultivate a healthy living and learning environment by bringing together the academic, research, artistic, and municipal resources of the University and the partners.



University District Alliance





System-wide Potential





Questions?



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: Board of Regents Policy: *Endowment Fund*

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Stuart Mason, Associate Vice President & Chief Investment Officer
Andrew Parks, Senior Director, Office of Investments and Banking

PURPOSE & KEY POINTS

The purpose of this item is to review proposed off-cycle amendments to Board of Regents Policy: *Endowment Fund*, which governs the activities of the University’s endowment. The proposed amendments seek to align the policy with the activities and strategies sought to be employed in implementing the new asset allocation framework approved by the Board in October 2017.

The proposed amendments were consulted with both the Senate Committee on Finance and Planning and the Senate Consultative Committee in advance of being presented to the Board. The Investment Advisory Committee was also consulted before drafting the proposed amendments.

Recommended Revisions

Liquidity (Section VI. Subd 2):

The asset allocation strategy relies meaningfully on gaining exposure to the illiquidity and complexity premiums available in the private markets. Modeling was conducted to determine what the appropriate exposure to illiquid investments should be in order to harvest this premium without jeopardizing the liquidity objectives of the fund. If approved, the proposed revisions would allow for up to 50 percent in illiquid assets in normal market environments and up to 75 percent in stressed market environments. Furthermore, the market value of illiquid investments plus undrawn capital commitments to illiquid funds shall not exceed 75 percent in normal market environments and 90 percent in stressed environments. Illiquid investments are defined as those incapable of being converted to cash or cash equivalents within 12 months without material loss of market value.

Leverage (Section VI. Subd 4(a)):

The Office of Investment Banking (OIB) believes having the ability to utilize a modest amount of economic leverage, defined as the portion of an exposure obtained through the derivatives market that is not fully collateralized by cash, will be a useful tool to have as it aims to improve

capital efficiency, enhance flexibility and generate marginally higher returns. If approved, the proposed revisions will allow for up to 110 percent of fund-level gross leverage.

Co-Investments (Section VI. Subd 4(b)):

Co-investments are minority investments made into operating entities alongside a financial sponsor, like a private equity fund, usually through a syndication of equity needed to acquire the asset. Such transactions can provide another tool in the toolkit to reduce fees, eliminate J-curve headwinds, increase exposure to high conviction managers and/or deals, and more effectively manage cash flow. If approved, the proposed revisions would allow for up to three percent of the endowment fund to be invested in such transactions and would require those transactions be executed only through investment managers with whom the endowment fund has invested.

In addition, other non-substantive revisions to the policy are included with the proposed amendments.

BACKGROUND INFORMATION

At its October 2017 meeting, the Board approved revised asset allocation guidelines for the University's approximately \$1.4 billion endowment fund. The approval was the culmination of OIB's year-long review of the endowment fund's strategy and asset allocation framework, a process that involved consultation with the Investment Advisory Committee, Senior Vice President, and the President.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the proposed amendments to Board of Regents Policy: *Endowment Fund*.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 1 of 3

Financial

ENDOWMENT FUND

Adopted: September 8, 1989

Amended: May 11, 1990; July 10, 1992; November 10, 1993; January 14, 1994; April 9, 1998; November 10, 2000; December 13, 2002; March 12, 2004; February 11, 2005; May 13, 2005; July 12, 2006; May 14, 2010; June 10, 2011; May 9, 2014

Supersedes: (see end of policy)

DRAFT for Review

ENDOWMENT FUND

SECTION I. SCOPE.

This policy governs the management of investments in the University of Minnesota (University) endowment fund (endowment).

SECTION II. INVESTMENT OBJECTIVES.

The investment objectives for the University endowment shall be, over the long term, to:

- (a) preserve the inflation adjusted value of the endowment;
- (b) generate investment returns that meet or exceed the annual payout rate plus direct expenses incurred by the investment program after adjusting for inflation as measured by the Consumer Price Index;
- (c) execute the investment program within acceptable risk parameters; and
- (d) provide stable distributions for annual spending purposes.

SECTION III. COMPREHENSIVE PROGRAM REVIEW.

Annually, the president or delegate shall present to the Board of Regents (Board) a comprehensive review of the investment program including a ~~discussion of the role~~ summary of the results of investment strategies employed during the previous year to achieve the investment objectives.

SECTION IV. ASSET ALLOCATION GUIDELINES.

Consistent with Board ~~policies of Regents Policy: Reservation and Delegation of Authority~~, the Board reserves ~~the to itself~~ authority to approve asset allocation ranges. ~~The president or delegate shall recommend asset allocation ranges and the Board shall act on them by resolution. Those ranges shall be:~~

- ~~The long-term allocation for Stability assets shall be 5-15 percent and include Liquid Reserves (5-15 percent) and High Quality Credit (0-6 percent).~~
- ~~The long-term allocation for Diversifier assets shall be 20-40 percent and include Enhanced Stability assets (5-20 percent), Idiosyncratic assets (0-15 percent), and Growth Diversifiers (5-20 percent).~~
- ~~The long-term allocation for Growth assets shall be 50-70 percent and include Equity (45-70 percent) and Extended Credit (0-10 percent). Within Growth assets, the Equity allocation shall have long-term geographic target exposures of United States markets (45 percent), Developed Markets (30 percent), and Emerging Markets (25 percent).~~

SECTION V. REPORTING.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 2 of 3

Financial

ENDOWMENT FUND

Adopted: September 8, 1989

Amended: May 11, 1990; July 10, 1992; November 10, 1993; January 14, 1994; April 9, 1998; November 10, 2000; December 13, 2002; March 12, 2004; February 11, 2005; May 13, 2005; July 12, 2006; May 14, 2010; June 10, 2011; May 9, 2014

Supersedes: (see end of policy)

DRAFT for Review

The president or delegate shall make the following reports to the Board at the specified times or frequencies:

- (a) a quarterly report regarding the status of the endowment containing the following information:
 - (1) the total market value and investment performance relative to selected benchmarks for each asset class and the total portfolio;
 - (2) an attribution analysis of investment performance;
 - (3) an analysis of investment performance relative to investment objectives;
 - (4) ~~an evaluation and discussion a summary~~ of portfolio risk;
 - (5) deviations from asset allocation ranges, if any; and
 - (6) new managers, manager terminations, and any significant changes in investment strategy or allocations ~~to existing managers~~.
- (b) an annual report containing the following information:
 - (1) a comparison ~~to peer institutions~~ of relative performance and asset allocation to peer institutions;
 - (2) steps taken to provide opportunities to emerging, minority-owned, and woman-owned investment management firms; and
 - (3) ~~an evaluation a description~~ of current investments related to sustainability and renewable energy.
- (c) at the next regularly scheduled meeting of the Board a report containing the following information:
 - (1) any significant change in investment strategy and any internal or external event that has ~~the potential to~~ materially affect~~ed~~ the performance of the fund; and
 - (2) any other information requested by the Board.

SECTION VI. INVESTMENT MANAGEMENT GUIDELINES.

Subd. 1. Use of Investment Managers. Except as provided in Subds. 3 ~~and/or 4 below of this section~~, endowment funds shall be invested only through investment managers. The president or delegate shall choose investment managers with demonstrated expertise and engage them by written agreement to execute transactions in their discretion within stated parameters and in accordance with applicable policy. No investment manager may manage more than 20 percent of the endowment for a period of more than 12 ~~consecutive~~ months.

Subd. 2. Liquidity. ~~Between 60 and 70 percent of total endowment assets shall be capable illiquid investments shall be defined as those incapable~~ of being converted to cash or cash equivalents within 12 months without material loss of market value. ~~The sum of illiquid investments by net asset value shall not exceed 50 percent of total endowment assets in normal market environments and 75 percent in stressed market environments. Additionally, T~~ the sum of (a) ~~assets that do not meet this liquidity criterion~~ the net asset value of illiquid investments, and (b) total unfunded commitments to ~~limited partnerships~~ illiquid investments shall not at any time exceed 55 percent shall not exceed 75 percent of total endowment assets in normal market environments and 90 percent in stressed market environments.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 3 of 3

Financial

ENDOWMENT FUND

Adopted: September 8, 1989

Amended: May 11, 1990; July 10, 1992; November 10, 1993; January 14, 1994; April 9, 1998; November 10, 2000; December 13, 2002; March 12, 2004; February 11, 2005; May 13, 2005; July 12, 2006; May 14, 2010; June 10, 2011; May 9, 2014

Supersedes: (see end of policy)

DRAFT for Review

Subd. 3. Rebalancing. The president or delegate shall monitor market value of endowment assets in comparison to the asset allocation ranges approved by the Board. At least quarterly, the president or delegate shall determine whether rebalancing is appropriate and, if ~~necessary~~ so, act in a timely and cost-effective manner. In order to achieve rebalancing, the following investment instruments may be employed with the use of an investment manager:

- (a) futures contracts, only on a net unleveraged basis;
- (b) options contracts for purposes of hedging or the sale of covered options, provided that aggregate option exposure may not exceed 10 percent of the value of the endowment; and
- (c) investments in exchange-traded funds.

Subd. 4 Permissible Activities and Limitations.

- (a) ~~The use of derivatives for speculative purposes is prohibited. Economic leverage, defined as the portion of an exposure obtained through the derivatives market that is not fully collateralized by cash, may be utilized subject to the constraint that gross leverage of the total endowment fund shall not exceed 110 percent. Derivative positions utilized in implementing the rebalancing program, as described in Subd. 3(a) of this section, will not be included in the calculation of gross leverage.~~
- (b) Co-investments are permissible subject to the following constraints: 1) co-investment commitments shall not exceed 3 percent of total endowment assets at time of commitment, and 2) co-investments may only be executed when sponsored by investment managers with whom the endowment has invested.
- (c) No individual investment may be made for the purpose of ~~exercising~~ achieving management control in any company. This provision is not intended to prohibit the use by investment managers of control strategies with respect to portfolio companies.
- (d) A maximum of ten percent of the endowment may be invested in any single fund or account.
- (e) The investment of endowment funds shall comply at all times with the restrictions on investment of amounts comprising the Permanent University Fund that are set forth in Minnesota Statutes Section 11A.24 or its successor.

Subd. 5. Environmental, Social, and Governance Responsibilityies. The University shall consider environmental, social, and governance responsibilityies in its investment decisions.

SECTION VII. PAYOUT RATE.

The endowment payout rate shall be set at a level that supports University operations while enabling the endowment to grow at an inflation-adjusted rate that will provide for future distributions. Distributions shall be made quarterly. The annual payout rate shall be 4.5 percent of the average of the endowment's trailing month-end market values for the prior 60 months.

See Board of Regents Resolution Relating To Board of Regents Policy: Endowment Fund Dated May 13, 2005.

Supersedes: Investment Social Concerns Dated September 13, 1991.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: Board of Regents Policy: *Health and Safety*

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Michael Berthelsen, Vice President, University Services

PURPOSE & KEY POINTS

The purpose of this item is to review proposed amendments to Board of Regents Policy: *Health and Safety*. The proposed amendments reflect items identified during the comprehensive review process. They include:

- Defining “member of the University community,” which is used throughout the policy.
- Removing reference to “monetary resources.” This specific topic is not referenced anywhere in the policy’s principles or implementation, and is inconsistent with other aspects of the policy.

BACKGROUND INFORMATION

Board of Regents Policy: *Health and Safety* was last comprehensively reviewed in 2011. At that time, amendments were made to provide language and formatting consistent with other Board policies. The amendments defined the Board's guiding principles for system-wide health and safety, while clarifying the delegation of authority to the President or delegate in this area.

PRESIDENT’S RECOMMENDATION

The President recommends approval of proposed amendments to Board of Regents Policy: *Health and Safety*.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 1 of 2

Administrative

HEALTH AND SAFETY

Adopted: April 8, 1994

Amended: December 9, 2005; February 11, 2011

Supersedes: (see end of policy)

Draft for Review

HEALTH AND SAFETY

SECTION I. SCOPE.

This policy provides for the health and safety of the University of Minnesota (University) community.

SECTION II. DEFINITIONS.

Subd. 1. Health and Safety. *Health and safety* encompasses personal security; public safety; emergency preparedness; public health; workplace safety; protection of environmental **and** physical **and monetary** resources; and safe and healthful facilities.

Subd. 2. Member of the University Community. *Member of the University community shall mean any:*

- (a) University student;
- (b) University employee; or
- (c) third party who is engaged in any University activity or program, or who is otherwise interacting with the University, including, but not limited to, volunteers, contractors, vendors, visitors, and guests.

SECTION III. GUIDING PRINCIPLES.

The following principles shall guide the health and safety of the University community:

- (a) The University seeks to provide a safe, secure, and healthy environment in which members of the University community can achieve their educational, research, outreach, service, and employment goals.
- (b) The University is committed to providing a safe environment for members of the University community who participate in events or use resources, facilities, and services.
- (c) The University is committed to monitoring and addressing emerging health and safety issues.

SECTION IV. IMPLEMENTATION.

Subd. 1. Mutual Responsibility. Members of the University community shall comply with applicable health and safety policies, procedures, and laws in order to fulfill their mutual responsibilities for achieving excellence in health and safety. Supervisors have responsibility for the activities of those people who report to them.

Subd. 2. Delegation of Authority. The president or delegate shall maintain administrative policies and procedures and implement programs to promote and advance safe, secure, and healthy property and programs.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY**

Page 2 of 2

Administrative

HEALTH AND SAFETY

Adopted: April 8, 1994

Amended: December 9, 2005; February 11, 2011

Supersedes: (see end of policy)

Draft for Review

Subd. 3. Compliance. The University shall comply with all applicable health, safety, and environmental laws, regulations, and requirements.

Supersedes: Emergency Management dated March 12, 1976 and Environmental Health and Safety dated October 8, 1976.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: Real Estate Transaction: Keeler Apartment Building

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Michael Berthelsen, Vice President, University Services
Michael Volna, Associate Vice President, Finance and Assistant Chief
Financial Officer

PURPOSE & KEY POINTS

The purpose of this item is review and action on the purchase of the Keeler apartment building located at 317-331 17th Avenue SE. The University currently leases the subject property under a five-year lease that runs until August 27, 2022, with two options to extend the lease, each for an additional three years. The proposed purchase would give the University control of the property through October 31, 2063, the end date of the associated ground lease.

BACKGROUND INFORMATION

The Board approved the lease for the Keeler apartment building at its July 2016 meeting.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the purchase of the Keeler apartment building at 317-331 17th Avenue SE.

**PURCHASE OF 317-331 17th AVENUE SE (KEELER APARTMENT BUILDING),
MINNEAPOLIS
(TWIN CITIES CAMPUS)**

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to purchase the Keeler Apartment Building at 317-331 17th Avenue SE, Minneapolis, Hennepin County, Minnesota.

2. Location and Description of the Property

The Keeler Apartment Building is 5-story, 44 unit student apartment building providing 164 beds, with a 47-stall underground parking ramp, built in 2003. The Keeler Apartment Building is located at the corner of 4th Street SE and 17th Avenue SE (see attached map).

3. Basis for Request

On July 6, 2016 the Board of Regents approved a five-year lease of the Keeler Apartment Building for student housing purposes. The lease of the subject property commenced on August 30, 2017 and continues through August 27, 2022. Annual rent under the lease is currently \$1,314,140. Rent increases by 2% in year 4 of the lease and during each of the renewal terms (if exercised).

In March 2017 the Wedum Foundation informed the University they were interested in selling the building. Purchasing the building would eliminate the need for further rental payments and ensure a supply of additional student housing in the years to come.

4. Details of Transaction

The seller of the building, the Wedum Foundation's 17th Avenue Housing, LLC, is a ground tenant of the property. The ground lease expires on October 31, 2063, at which time ownership of the building will transfer to the underlying property owner and landlord under the ground lease, University Episcopal Center. At closing, the seller will transfer its ownership of the building and its interest as tenant under the ground lease to the University.

There is one other tenant, University Episcopal Center, leasing approximately 10,000 square feet of space on the first floor of the building pursuant to an office lease that also expires on

October 31, 2063. That space is currently subleased to the University for the Global Programs and Strategy Alliance, formerly known as the Office of International Programs. The purchase of the building will be subject to the lease.

The purchase price is \$12,000,000. The purchase price was arrived at after the University obtained two appraisals and a third party building systems evaluation. The purchase includes all personal property (i.e. bedroom furnishings, monitoring systems, etc.) owned by the seller.

Closing is scheduled for March 29, 2018.

5. Use of Properties

The property will be used for student housing purposes, and managed by the University's Housing and Residential Life Department.

6. Environmental

The University has completed a limited Phase I environmental site assessment, and a limited asbestos assessment, to confirm the property is in acceptable environmental condition.

7. Source of Funding

The University will issue debt to purchase the Keeler Apartment Building at 317-331 17th Avenue SE, Minneapolis. Debt service will be funded by students housing revenue.

8. Recommendations

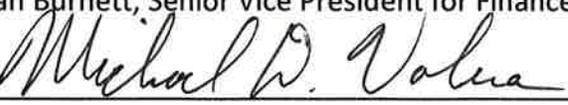
The following officers recommend approval of the above-described real estate transaction:



Karen Hanson, Executive Vice President for Academic Affairs and Provost

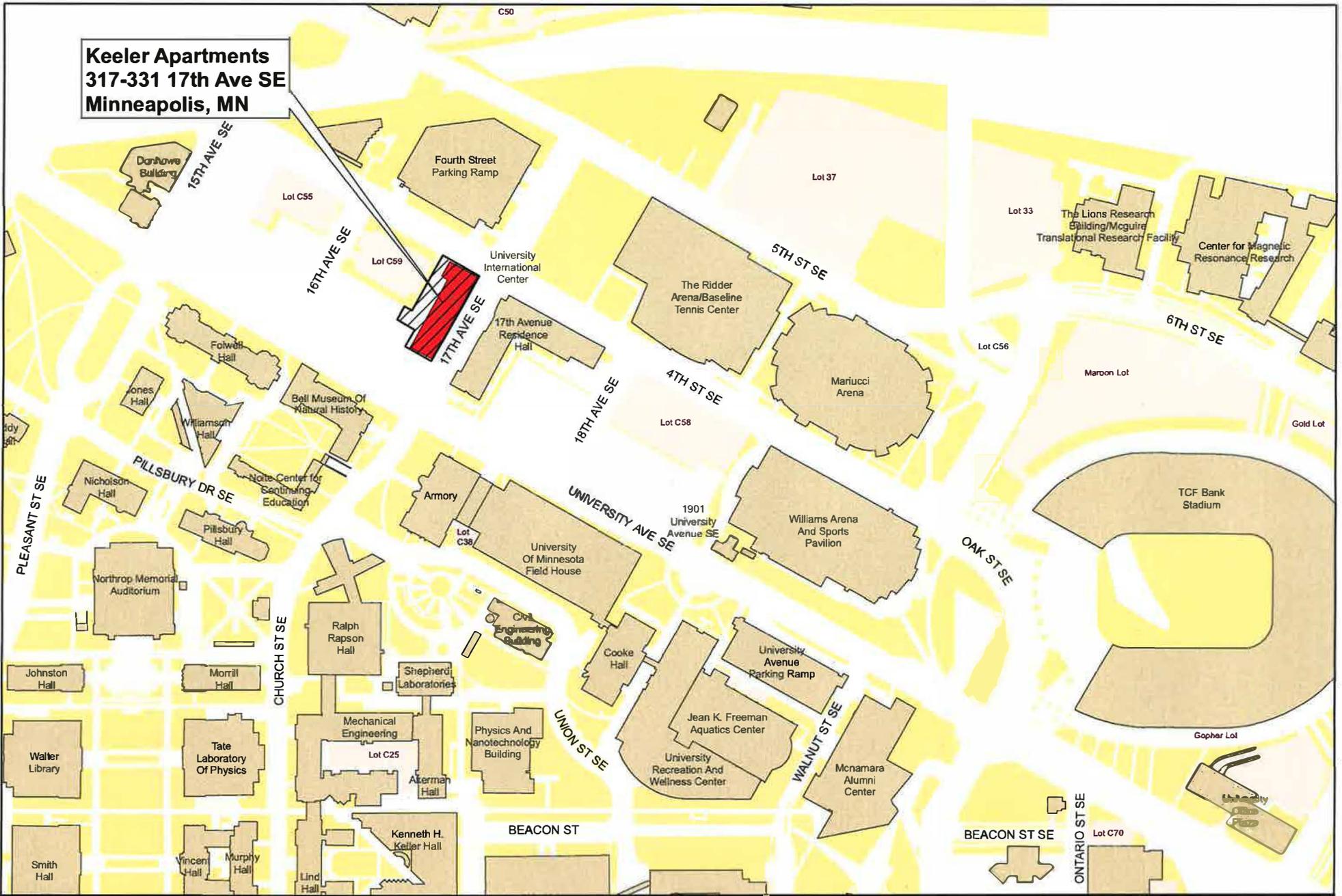


Brian Burnett, Senior Vice President for Finance and Operations and CFO



Michael Volna, Associate Vice President, Finance & Assistant CFO

**Keeler Apartments
317-331 17th Ave SE
Minneapolis, MN**



Real Estate Office

 University of Minnesota

**Purchase of 317-331 17th Avenue SE
 Keeler Apartment Building
 Minneapolis East Bank Campus**

-  Keeler Apartments
-  Ground Lease
-  University Property

0 400 Feet

N



This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.
 Base Data: Real Estate Office UServices EGIS, MET Council
 1/12/2018



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

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

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:

- *Wrestling Practice Facility Renovation (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 relocate the current wrestling practice space in the basement of Bierman Field Athletic Building to the now-vacated basketball practice gymnasium on the first floor. This space provides more consolidated mat space for wrestling. An adjacent room will be converted into trainer/cardio space to provide direct access from mats to the team trainer and exercise equipment. A mezzanine will be constructed within the mat area, to provide coaches' offices with more direct visual oversight of practices. Dedicated recruiting space is also included.

The project reconstitutes 9,300 SF of existing space on the first floor and adds 2,300 SF with the new mezzanine off the second floor (11,600 total SF).

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 the construction for this project:

- *Wrestling Practice Facility Renovation (Twin Cites Campus)*

**Wrestling Practice Room Renovation
Twin Cities Campus
Project No. 01-139-17-1419**

1. Basis for Request:

In 2013, the University of Minnesota Athletics Department embarked on a study to assess current and future needs of the athletic programs. The conclusion of the study confirmed that the facility deficiencies severely hamper possible success. The goals and vision of the Athletics Department is to sustain a high level of excellence for all of its student athletes, including providing the most advanced practice facilities and spaces to develop them.

In response, the renovation of the University's Wrestling practice area will provide a better practice/training environment for the program and enhance the recruitment of prospective student-athletes.

This project recently received funding by philanthropic giving, and therefore was not included on the FY2018 Annual Capital Budget.

2. Scope of Project:

The current wrestling practice space in the basement of Bierman Field Athletic Building will be relocated to the now-vacated basketball practice gymnasium on the first floor. This new space provides more consolidated mat space for wrestling. An adjacent room will be converted into trainer/cardio space to provide direct access from mats to the team trainer and exercise equipment. A mezzanine will be constructed within the mat area, to provide coaches' offices more direct visual oversight of practices; there is also dedicated recruiting space.

The project reconstitutes 9,300 SF of existing space on the 1st floor and adds 2,300 SF with the new mezzanine off the second floor (11,600 total SF).

3. Master Plan or Precinct/District Plan:

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

4. Environmental Issues:

It is anticipated that no environmental issues will be encountered during this renovation project.

5. Cost Estimate:

Construction Cost	\$2,158,000
Non-Construction Cost	<u>442,000</u>
Total Project Cost	\$2,600,000

6. Capital Funding:

Private Giving	\$ 2,600,000
Total Capital Funding	\$ 2,600,000

7. Capital Budget Approvals:

At the time of the FY2018 annual capital budget approval, funding had not been secured. 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 in advance of the FY2019 annual capital budget.

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

The operating cost of this wrestling practice program will not change the overall operating cost of the Bierman facility. The current operating cost of Bierman is approximately \$7.10/sf.

9. Time Schedule:

Proposed Design Completion:	March 2018
Proposed Construction Completion:	November 2018

10. Project Team

Architect:	BWBR Architects
Contractor:	TBD

11. Recommendation:

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



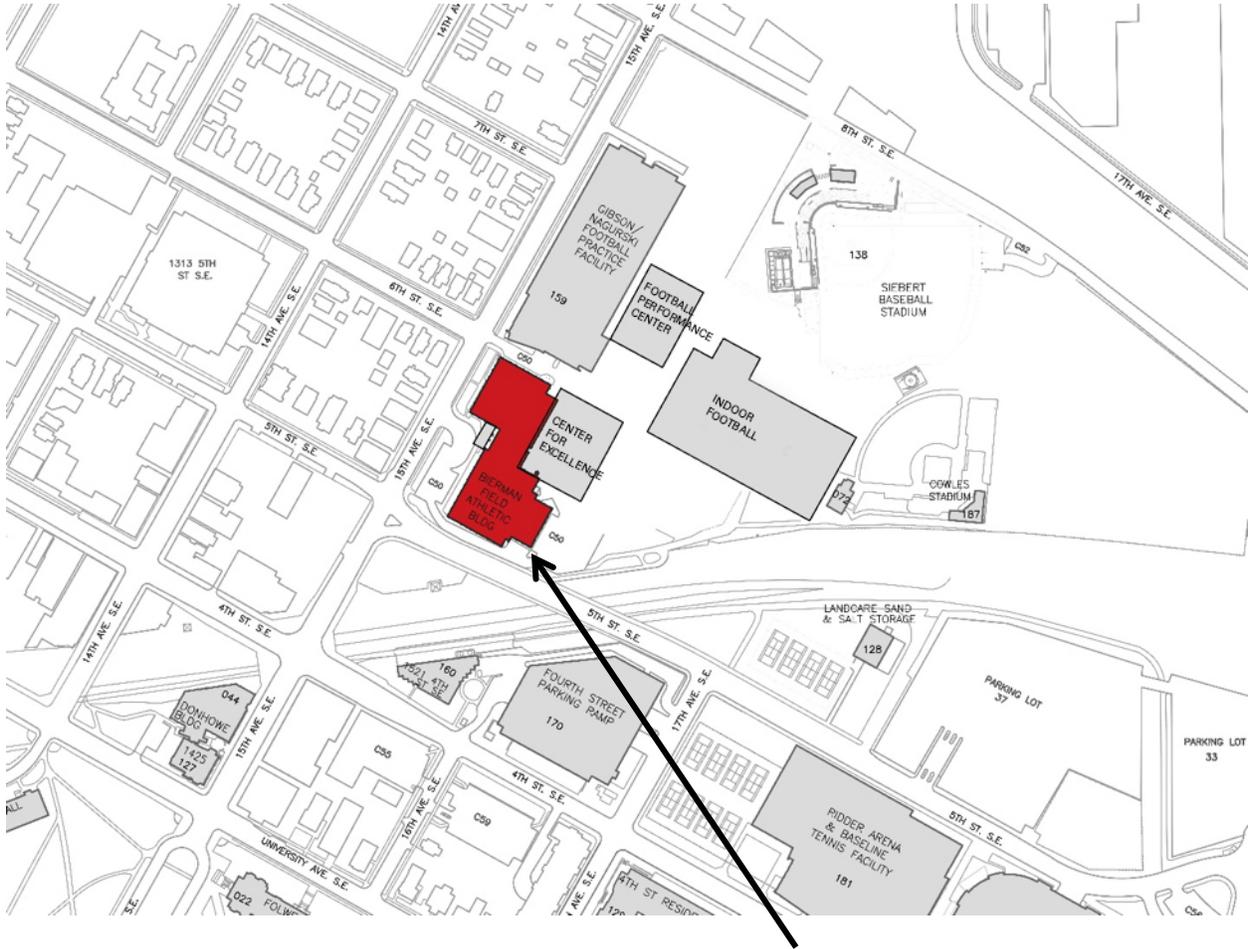
Mark Coyle, Director of Intercollegiate Athletics



Brian Burnett, Senior Vice President for Finance and Operations

Bierman Athletic Building Minneapolis East Bank Campus

Site Location Map



**Bierman Athletic
Building**

Wrestling Practice Facility Renovation

Twin Cities Campus

Interim Assistant Vice President Bruce Gritters

Intercollegiate Athletics Director Mark Coyle

Board of Regents Finance and Operations Committee

February 8, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



University Services

Stewardship • Integrity
Respect • Innovation • Safety

Repurposing and enhancing existing space



Investing in Wrestling's future

- 7,500 sf Mat Area
- Trainer's Room
- Cardio Room
- Coaches Offices and Conference Room
- Recruiting Space



Donors funds are making this a reality

- Cost Estimate

– Construction	\$2,158,000
– Non-Construction	<u>442,000</u>
	\$2,600,000

- Capital Funding

– Private Giving	\$2,600,000
------------------	-------------

- Project Schedule

– Design	March 2018
– Occupancy	November 2018

- Annual Operating Costs

– No net change
– currently \$7.10/SF





UNIVERSITY OF MINNESOTA
Driven to Discover®

The University of Minnesota is an equal opportunity educator and employer.





BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: Collective Bargaining Agreement: Regents of the University of Minnesota and AFSCME Local 3800 and 3801, Clerical and Office Unit

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Kathryn Brown, Vice President, Office of Human Resources

PURPOSE & KEY POINTS

The purpose of this item is review and action on a Collective Bargaining Agreement (CBA) between the Regents of the University of Minnesota and AFSCME Local 3800 and 3801, Clerical and Office Unit. Once approved, the CBA will define the terms and conditions of employment for covered employees between the date of signing and June 30, 2019.

Covered Employees

The employees covered by this CBA are clerical and office employees as defined by the Minnesota Public Employees Labor Relations Act Unit 6. The total number of employees is approximately 1,699.

Summary Economic Highlights

During FY 2018, there will be an across-the-board adjustment of 1.5 percent to all wage scales, effective June 12, 2017. During FY 2019, there will be an across-the-board adjustment of 1.5 percent to all wage scales, effective June 11, 2018. There will also be progression step increases for eligible employees in Fiscal Years 2018 and 2019.

Financial Impact - Recurring Costs

Base annual Payroll	\$ 70,720,816
Wage Scale Adjustment	\$ 2,136,936
Progression Step Increases	\$ 769,654
Total Recurring Cost	\$ 2,906,590

BACKGROUND INFORMATION

Negotiations began on May 17, 2017. A tentative agreement was reached on December 13, 2017. The union's contract ratification process was completed on January 12, 2018.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Collective Bargaining Agreement between the University of Minnesota and AFSCME Local 3800 and 3801, Clerical and Office Unit.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

**Proposed Labor Agreement with
AFSCME Council 5, Locals 3800 And 3801**

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 Council 5, Locals 3800 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 docket for February 8, 2018.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: Collective Bargaining Agreement: Regents of the University of Minnesota and Graphic Communications Conference of the International Brotherhood of Teamsters Local 1-M

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Kathryn Brown, Vice President, Office of Human Resources

PURPOSE & KEY POINTS

The purpose of this item is review and action on a Collective Bargaining Agreement (CBA) between the Regents of the University of Minnesota and Graphic Communications Conference of the International Brotherhood of Teamsters 1-M. Once approved, the CBA will define the terms and conditions of employment for covered employees between the date of signing and October 31, 2020.

Covered Employees

The employees covered by this CBA are printing services employees including prepress lithographers and offset lithographers. The total number of employees is 7.

Summary Economic Highlights

During the contract year November 1, 2017 through October 31, 2018, employees in all classifications will receive a 2 percent salary range adjustment effective on November 1, 2017.

During the contract year November 1, 2018 through October 31, 2019, employees in all classifications will receive a 2 percent salary range adjustment effective November 1, 2018.

Financial Impact – Recurring Costs

Base annual Payroll	\$ 359,832
Base Salary Adjustments	\$ 14,538
Total Recurring Cost	\$ 374,370

This is a three-year agreement, November 1, 2017 through October 31, 2020. For the contract period November 1, 2019 through October 31, 2020, the parties agreed that the employees in this bargaining unit will receive the same increase as that approved for Civil Service employees in the Spring 2020 compensation memorandum.

BACKGROUND INFORMATION

Negotiations began on December 1, 2017. A tentative agreement was reached on December 15, 2017. The union's contract ratification process was completed on December 15, 2017.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Collective Bargaining Agreement between the University of Minnesota and Graphic Communications Conference of the International Brotherhood of Teamsters Local 1-M.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

**Proposed Labor Agreement with Graphic Communications Conference of the
International Brotherhood of Teamsters Local 1-M**

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

WHEREAS, Local 1-M has 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 docket for February 8, 2018.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

AGENDA ITEM: Collective Bargaining Agreement: Regents of the University of Minnesota and Teamsters Local 320, Service, Maintenance and Labor Unit

Review **Review + Action** Action Discussion

This is a report required by Board policy.

PRESENTERS: Kathryn Brown, Vice President, Office of Human Resources

PURPOSE & KEY POINTS

The purpose of this item is review and action on a Collective Bargaining Agreement (CBA) between the Regents of the University of Minnesota and Teamsters Local 320, Service, Maintenance and Labor Unit. Once approved, the CBA will define the terms and conditions of employment for covered employees between the date of signing and June 30, 2019.

Covered Employees

The employees covered by this CBA are service, maintenance, and labor employees as defined by the Minnesota Public Employees Labor Relations Act Unit 3. The total number of employees is approximately 1,478.

Summary Economic Highlights

During FY 2018, employees who were at the top of the salary range as of June 12, 2017 will receive a 2 percent salary adjustment. All other employees who were employed effective June 12, 2017 will receive a one-time \$300 lump sum payment. During FY 2019, employees at the top of the salary range as of June 11, 2018 will receive a 2 percent salary adjustment. All other employees who are employed effective June 11, 2018 will receive a one-time \$300 lump sum payment. There will be progression step increases for eligible employees in FY 2018 and 2019. Additionally, employees in job classifications with an hourly rate of less than \$15 per hour will be raised up to \$15 an hour by the end of FY 2019.

Financial Impact

Recurring Costs:

Base annual Payroll	\$ 58,365,823
Wage Scale Adjustment	\$ 1,359,535
Progression Step Increases	\$ 929,030
Adjusting employees under \$15 an hour	\$ 384,387

Total Recurring Cost	\$ 2,672,952
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Non-Recurring Cost:

Lump Sum Payment	\$ 443,400
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Summary Non-Economic Highlights

The University will hold assignments for Unit 3 employees who are on a continuous leave for a minimum of 6 weeks.

BACKGROUND INFORMATION

Negotiations began on April 17, 2017. The union's contract ratification process was completed on January 23, 2018.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Collective Bargaining Agreement between the University of Minnesota and Teamsters Local 320, Service, Maintenance, and Labor Unit.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

**Proposed Labor Agreement with
the Teamsters Local 320**

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

WHEREAS, the Teamsters Local 320, 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 docket for February 8, 2018.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

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 review and action on 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 review and action on the following purchases of goods and services of \$1,000,000 and over:

- To Friends and Neighbors (Human, Inc.) for an estimated \$2,000,000 for services provided in the development and implementation of the University's integrated marketing campaign for University Relations for the period of February 15, 2018 through February 14, 2019, with possible contract extensions through February 14, 2023 for an additional \$8,000,000. Total value of the contract if all options are exercised would be \$10,000,000. The integrated marketing campaign will be funded through the President's Initiative Fund provided by the University of Minnesota Foundation and funding through O & M funds. Supplier was selected through a competitive process.
- To SAGE for an estimated \$1,460,000 for subscription to SAGE Premier as needed for the University Libraries for the period of January 1, 2018, through December 31, 2020. The \$1,460,000 allotted as payment to SAGE over the next three years is included in the University Libraries FY 2018, 2019 and 2020 budgets, as well as the FY 2018, 2019 and 2020 budgets for Duluth. Supplier was selected by University Libraries under the authority granted by Board of Regents Policy: *Libraries and Archives* and under the Purchasing of Goods and Services policy.
- To Schindler Elevator Corporation for an estimated \$5,667,000 for providing vertical transportation maintenance services as needed for the Facilities Management Department for a period of July 1, 2018 through June 30, 2021, with possible contract extensions

through June 30, 2024 for an additional \$5,838,716. Total contract value if all additional options are exercised would be \$11,505,716. Maintenance and operations of elevators and escalators is included in the facilities cost budgets of a variety of organizations on the Twin Cities campus. Supplier was selected through a competitive process.

Schematic Designs

The purpose of this item is review and action on a schematic design for the following projects:

- Biological Sciences Center 3rd/4th Floor Renovation (Twin Cities Campus)
- Golf Practice Facility (Twin Cities Campus)
- Public Safety Facility (Twin Cities Campus)

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

Appointment of Chancellor, University of Minnesota, Rochester

The purpose of this item is to seek approval of the following appointment and employment agreement:

- Lori Carrell as Chancellor, UMR

Employment Agreements

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

- Deferred compensation agreement for Karen Hanson, Executive Vice President and Provost
- Deferred compensation agreement for Lendley Black, Chancellor, UMD

BACKGROUND INFORMATION

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

- Purchase of Goods and Services \$1,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6.
- Schematic Designs: *Reservation and Delegation of Authority*, Article I, Section VIII, Subd. 9.
- Appointment: *Reservation and Delegation of Authority*, Article I, Section IV, Subd. 1.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Consent Report.

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
5	CPPM	163,000	1,302,213	Support for painting and structural repair of Radio K transmitting tower
6	CPPM	(544)	1,302,756	Return of unused funds from NCROC boiler replacement
7	CPPM	(20,377)	1,323,133	Return unused funds from NCROC Forest Biliogy Boiler Replacement
8	New items this reporting period:			
9	CPPM	150,000	1,173,133	St Paul Campus Planning Study (Initial Funding
10	Balance		1,173,133	

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

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

To Friends and Neighbors (Human, Inc.) for an estimated \$2,000,000 for services provided in the development and implementation of the University's integrated marketing campaign for University Relations for the period of February 15, 2018 through February 14, 2019 with possible contract extensions through February 14, 2023 for an additional \$8,000,000. Total value of the contract if all options are exercised would be \$10,000,000.

In 2006, the University of Minnesota established a comprehensive institutional brand, Driven to Discover, to clearly and consistently convey how the University improves lives in the state and beyond. It launched that year with a public campaign including paid media and a broad campus presence. These efforts were evaluated through public opinion research and internal audience surveys and found to be successful. Since that time, the campaign has been refreshed annually to meet defined objectives, and the annual opinion research has continued to show positive results.

A continued, integrated campaign will be critical to the pursuit of the University's strategic vision and goals, as well as the University's capital campaign to support student scholarships and other University priorities.

Through a competitive process, Friends and Neighbors demonstrated they have the most relevant experience, strategic strength, and creative capabilities to deliver on this next phase of the Driven to Discover campaign.

The integrated marketing campaign will be funded through the President's Initiative Fund provided by the University of Minnesota Foundation and funding through O & M funds, identified as a line item in University Relation's budget process.

Submitted by: Ann Aronson
Chief Marketing Officer, University Relations
14 Morrill Hall
Phone: 612-624-1755

Approval for the item requested by:



VP or Senior VP Signature

Jan. 26, 2018
Date

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

To SAGE for an estimated \$1,460,000 for subscription to SAGE Premier as needed for the University Libraries for the period of January 1, 2018, through December 31, 2020.

SAGE Premier is a library database that provides online access to unique digital journal content. University Libraries currently subscribes to approximately 1,000 journals.

The primary subject areas covered by SAGE journals are in the areas of social sciences and humanities, the life sciences, biomedical sciences, neuroscience, pharmacology, engineering, and material sciences.

SAGE is the only publisher to offer this unique journal content.

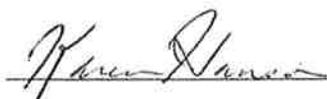
University Libraries will purchase these resources on behalf of University of Minnesota Libraries and the Kathryn A. Martin Library at University of Minnesota Duluth. The University Libraries will pay approximately \$1,141,000; Duluth will pay \$319,000.

This is a three-year license with SAGE. The first year (2018) will cost an estimated \$470,000 and increase approximately 3.8% in 2019 and 2020 totaling the three-year contract at an estimated \$1,460,000.

The \$1,460,000 allotted as payment to SAGE 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.

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

22 January 2018

Date

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

To Schindler Elevator Corporation for an estimated \$5,667,000 for providing Vertical Transportation Maintenance Services as needed for the Facilities Management Department for a period of July 1, 2018 through June 30, 2021 with possible contract extensions through June 30, 2024 for an additional \$5,838,716. Total contract value if all additional options are exercised would be \$11,505,716.

Historically, the maintenance and supervision of the numerous elevators and escalators located throughout the Twin Cities Campus was managed by a variety of organizations, acting independently and utilizing both in and out of house services. By contracting these services to one vendor, the University is now able to efficiently manage the operational performance of our vertical transportation equipment in the most cost effective way possible.

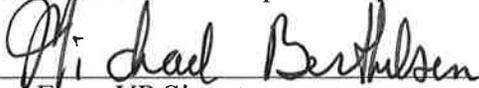
The maintenance and repair of 400 elevators and 20 escalators is vital for providing safe, reliable vertical transportation for the University community and to maximize their useful life.

In January 2018, a competitive Request for Proposal (RFP) process was completed. Schindler Elevator Corporation was determined to be the best value for the University (based on a combination of price, work plan, and staffing levels).

Maintenance and operations of elevators and escalators 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:



VP or Exec. VP Signature

1-25-18
Date

Schematic Design: Biological Sciences - 3rd & 4th Floor Renovation
Twin Cities Campus – St. Paul
Project No. 02-411-18-1109

1. Basis for Project:

The College of Biological Sciences' planned increase in undergraduate enrollment requires adding new classroom labs to accommodate the corresponding increase in class sections. The Biological Sciences Center is a prime candidate for renovation to create high quality classroom lab space that meets the unique needs of biology instruction. Biology lab classrooms are different from the types of spaces needed for other STEM disciplines, due to requirements for plant and animal housing and experiment space and to the wide variety of course-specific supplies and resources.

Renovating the Biological Sciences Center for classroom lab space will require the relocation of four research labs and creation of new lab spaces for those displaced; this can be accomplished within the existing footprint of the building. Approximately 11,000 square feet will be thoroughly renovated along with the adaptive reuse of an additional 3,000 square feet of existing wet lab space, to co-locate courses closer to associated lab support space. Both the new classroom lab and research lab spaces will use modern, open, flexible layouts to ensure their ongoing relevance into the foreseeable future.

2. Scope of Project:

This project will renovate approximately 14,000 square feet on the 3rd and 4th floors of the Biological Sciences Center to support the academic mission of the University and the student experience on the Twin Cities campus. New, open-plan research labs and offices will be created in existing, underutilized space to support up to four research teams. Outdated research labs on the third floor will be renovated to provide new active learning laboratories. Noncompliant building code, life safety, environmental, and accessibility conditions will be addressed where they affect the work area.

3. Master Plan:

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

4. Environmental Issues:

Identified remediation costs include hazardous material removal within the renovated areas of the 3rd and 4th floors, including asbestos-containing ceiling tile, floor tile, fireproofing, insulation products, mastics, and putties. The project budget accounts for this remediation as currently identified.

5. Cost Estimate:

Construction Cost	\$6,333,200
Non-Construction Cost	\$2,066,800
<hr/> Total Project Cost	<hr/> \$8,400,000

6. Capital Funding:

College of Biological Science	\$2,900,000
University Debt	\$5,500,000
<hr/> Total Capital Funding	<hr/> \$8,400,000

7. Capital Budget Approvals:

This project was approved in FY2018 Annual Capital Budget.

8. Annual Operating and Maintenance Cost:

This project will have no change to current operating and maintenance costs.

9. Time Schedule:

Proposed Design Completion:	April 2018
Proposed Substantial Completion:	March 2019

10. Project Team:

Architect:	BWBR Architects
Construction Manager at Risk:	Mortenson

11. Recommendation:

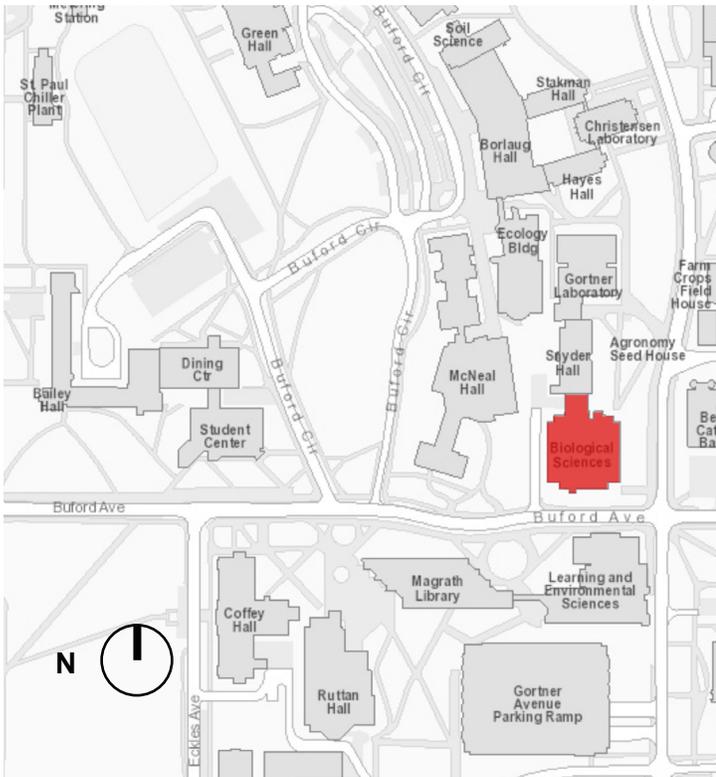
The above described project scope of work, cost, funding, and schedule is appropriate:



Karen Hanson, Executive Vice President and Provost



Brian Burnett, Senior Vice President for Finance and Operations



SITE MAP



4TH FLOOR PLAN



VIEW OF LAB



3RD FLOOR PLAN

**Schematic Design: Golf Practice Facility
Twin Cities Campus
Project No. 02-367-17-1519**

1. Basis for Project:

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 square foot facility.

The proposed building has been sited to minimize impacts on the golf course, driving range, and cross-country programs as shown in the included Site Plan. Site access will be provided off Cleveland Avenue and ten (10) parking spaces are proposed adjacent to the building.

3. Master Plan:

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

4. Environmental Issues:

This project has no anticipated environmental issues.

5. Cost Estimate:

Construction Cost	\$ 2,780,000
<u>Non-Construction Cost</u>	<u>\$ 405,000</u>
Total Project Cost	\$ 3,185,000

6. Capital Funding:

Private Giving	\$ 2,685,000
<u>Intercollegiate Athletics</u>	<u>500,000</u>
Total Capital Funding	\$ 3,185,000

7. Capital Budget Approvals:

This project was approved as a Capital Budget Amendment at the December 2017 Regents' meeting.

8. Annual Operating and Maintenance Cost:

The anticipated operating cost for this new Golf Practice Facility is \$4.06/sf

9. Time Schedule:

Proposed Design Completion

April 2018

Proposed Substantial Completion

November 2018

10. Project Team:

Architect:

RSP Architects

Construction Manager at Risk:

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





FLOOR PLAN



VIEW FROM THE SOUTH

**Schematic Design: Public Safety Facility
Twin Cities Campus - Minneapolis
Project No. 01-103-18-1225**

1. Basis for Project:

The Department of Public Safety has three departments dedicated to campus safety:

- University of Minnesota Police Department (UMPD): a state licensed police department, responsible for law enforcement, investigations, and outreach.
- Public Safety Emergency Communications Center (PSECC): a Minnesota Public Safety Answering Point (PSAP), which provides 911 dispatch and security monitoring services.
- University Security Program: serves university students, staff, faculty, and visitors with programs such as 624-WALK, a 24/7 escort service, campus security patrols, and event and building security.

The Public Safety Facility project will enable the University to support UMPD, PSECC, and University Security with spaces that enhance operational efficiency, provide staff and community engagement, and improve situational awareness and command function in a highly visible location with ready access for the public. These three units are currently located in separate facilities. New and renovated spaces will consist of:

- Police administrative and support spaces to promote partnership and community outreach.
- Learning and tactical training rooms that facilitate law enforcement licensing continuing education requirements.
- Modernized 24/7/365 patrol officer office and support spaces that offer shared programmatic spaces, while improving current space and operational deficiencies.
- Investigator office and interview areas that maintain the privacy and rights of victims.
- Evidence and processing room that continues to deliver highly secured storage and processing.
- ADA compliant detention area that is highly secured and supports the safety of both officer and detainee. This area is regulated by the State of Minnesota Department of Corrections.
- Technology-enhanced, self-contained PSECC providing 911 services to the Twin Cities' campuses, and system-wide camera monitoring and access control services.
- Functional and welcoming University Security unit with program space to support 150-200 student security monitors.

2. Scope of Project:

The project is located at the current site of the Transportation and Safety Building (TSB) and Washington Avenue Ramp buildings on the Twin Cities East Bank campus. Approximately 19,700 gross square feet in TSB (Levels 1 and 2) will be renovated to accommodate the program; a new, approximately 3,600 gross square foot, two-story addition will also be constructed, for a total of 23,300 gross square feet.

As the facility design is further refined, we will explore an extension of the addition to include a third floor, and potentially request an increase to the project budget in the FY2019 Annual Capital Budget.

3. Master Plan:

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

4. Environmental Issues:

The project budget accounts for minimal remediation as currently identified.

5. Cost Estimate:

Construction Cost	\$7,050,000
<u>Non-Construction Cost</u>	<u>\$1,700,000</u>
Total Project Cost	\$8,750,000

6. Capital Funding:

Department of Public Safety	\$1,600,000
<u>Parking and Transportation Services</u>	<u>\$7,150,000</u>
Total Capital Funding	\$8,750,000

7. Capital Budget Approvals:

This project was approved in FY2018 Annual Capital Budget.

8. Annual Operating and Maintenance Cost:

The net new operating cost for this facility is expected to be \$13.25/sf for the addition.

9. Time Schedule:

Proposed Design Completion:	August 2018
Proposed Substantial Completion:	September 2019

10. Project Team:

Architect:	Wold Architects and Engineers
Construction Manager at Risk:	Loeffler Construction

11. Recommendation:

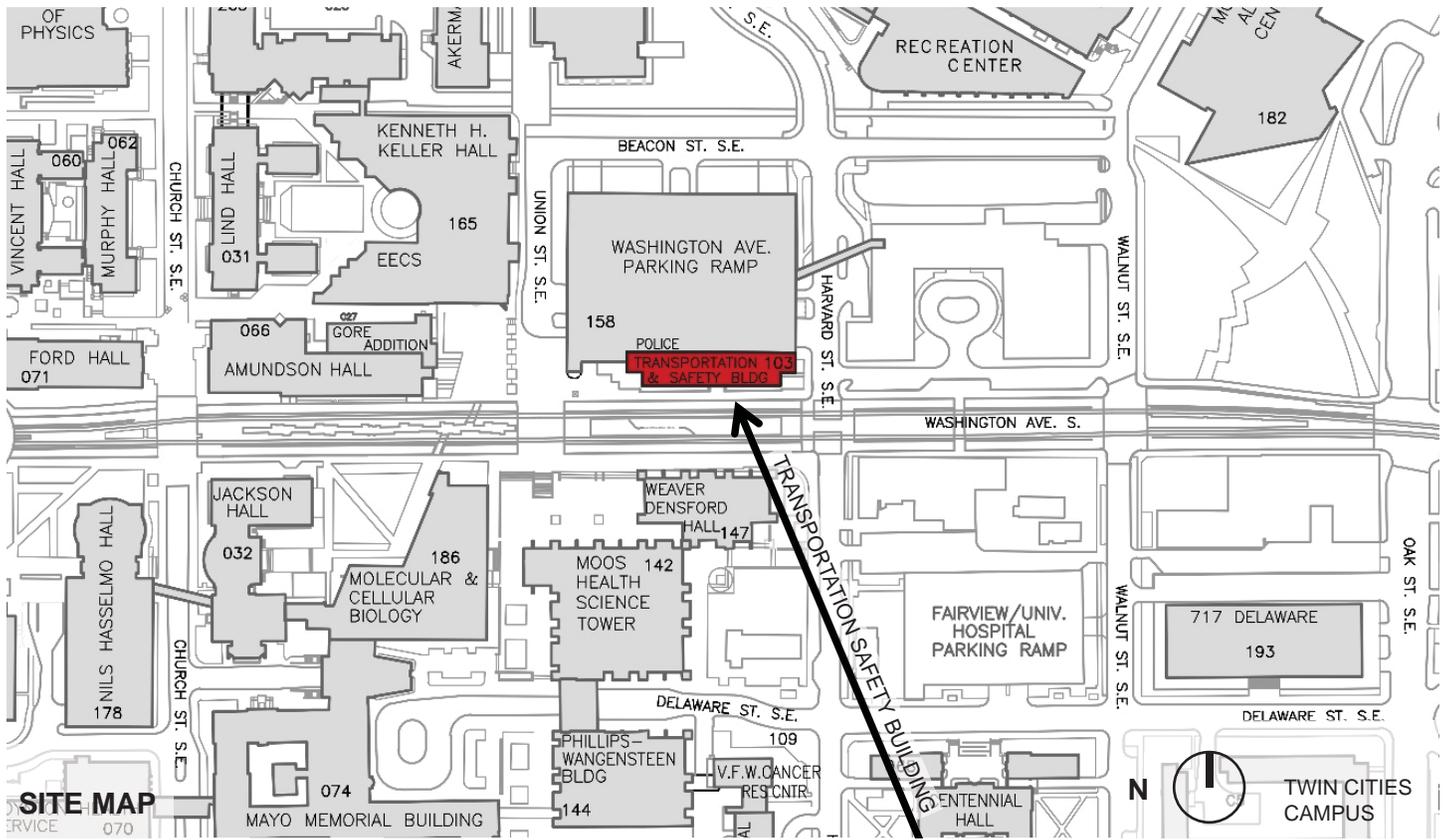
The above described project scope of work, cost, funding, and schedule is appropriate:



Mike Berthelsen, Vice President for University Services



Brian Burnett, Senior Vice President for Finance and Operations





FLOOR PLAN - LEVEL TWO



FLOOR PLAN - LEVEL ONE

**Finance & Operations Committee
Consent Report
February 8, 2018**

Personnel Appointment

Pending approval by the Board of Regents, **Dr. Lori Carrell** will be appointed as University of Minnesota Rochester chancellor, effective February 12, 2018.

Position Overview

The chancellor of the University of Minnesota Rochester (UMR) is the chief executive officer of the campus, reporting directly to the University of Minnesota president.

As chief executive officer of the Rochester campus, the chancellor is responsible for academic, executive, and administrative leadership of the campus. The chancellor is charged with facilitating, nurturing, coordinating, and supporting efforts of the administration, students, faculty, and staff on the Rochester campus. The chancellor represents UMR to the University, community, region, Minnesota legislature, and public and private sectors.

The chancellor:

- provides visionary leadership and administrative oversight of, and accountability for, the University of Minnesota Rochester;
- oversees the responsible planning, stewardship, management, and accountability of fiscal, capital and human resources of the University of Minnesota Rochester;
- promotes and represents the interest of the University of Minnesota Rochester in a positive fashion in private and public forums;
- recruits and retains outstanding faculty, students, and staff at the University of Minnesota Rochester;
- integrates the University of Minnesota Rochester and its many vital resources into the broader community and surrounding region;
- plays a major leadership role in fundraising for the institution, leading energetic efforts to secure philanthropic support for its mission;
- garners support for the institution and its mission from both internal and external stakeholders; and
- performs other duties as related to the position and assigned to you by your appointing authority.

Appointees Background and Qualifications

Dr. Carrell joined the University of Minnesota in 2014 as University of Minnesota Rochester's (UMR) Vice Chancellor for Academic Affairs and Student Development. Prior to UMR, she worked at the University of Wisconsin Oshkosh for 23 years where she played a key leadership role directing both the Center for Excellence in Teaching and Learning, a

research-based faculty development endeavor, and the University Studies Program, where she facilitated and implemented a large-scale, nationally-acclaimed, curricular reform.

Dr. Carrell received her Bachelor of Arts degree from Anderson University in Indiana, majoring in Speech Communication, Education and Psychology. She went on to attend the University of Alaska-Anchorage where she received her Master's degree in Counseling Psychology/Education. Dr. Carrell earned her Ph.D. in Speech Communication from the University of Denver.

Recommended Salary and Appointment Type

Dr. Carrell's annual salary is \$250,000. Her appointment as University of Minnesota Rochester chancellor 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. Carrell is attached as an exhibit.

Individually Negotiated Terms of Employment or Separation Agreements

In addition to base salary, Dr. Carrell will receive a \$15,000 housing allowance annually.

Comparable Market Data

When benchmarking with the College and University Professional Administrators (CUPA) Human Resources Executive Survey, the median salary* for positions comparable to the University of Minnesota Rochester chancellor is \$263,149.

President's Recommendation

The president recommends the appointment of Dr. Lori Carrell to the position of University of Minnesota Rochester chancellor.

* data aged to 7/1/2018

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 6th day of February, 2018, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Dr. Lori Carrell (Dr. Carrell).

WHEREAS, the University wishes to employ Dr. Carrell as the University of Minnesota Rochester Chancellor and Dr. Carrell wishes to accept employment as University of Minnesota Rochester Chancellor;

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. Carrell 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. Carrell as the University of Minnesota Rochester Chancellor and she agrees to be so employed by the University for a term commencing on February 12, 2018. The University of Minnesota Rochester Chancellor 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 and serve at the pleasure of the President and your appointment may be terminated at any time without advance notification.

II. DUTIES

During the term of your employment as University of Minnesota Rochester Chancellor, you will diligently and conscientiously devote your full-time attention and best efforts in performing and discharging the duties of University of Minnesota Chancellor as they are set forth in the job description for this position (attached) including, but not limited to, the following duties:

A. Provide visionary leadership and administrative oversight of, and accountability for, the University of Minnesota Rochester;

B. Oversee the responsible planning, stewardship, management, and accountability of fiscal, capital and human resources of the University of Minnesota Rochester;

C. Promote and represent the interest of the University of Minnesota Rochester in a positive fashion in private and public forums;

D. Recruit and retain outstanding faculty, students, and staff at the University of Minnesota Rochester;

E. Integrate the University of Minnesota Rochester and its many vital resources into the broader community and surrounding region;

F. Play a major leadership role in fundraising for the institution, leading energetic efforts to secure philanthropic support for its mission;

G. Garner support for the institution and its mission from both internal and external stakeholders; and

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

III. PERFORMANCE

In accordance with University Policy, you will receive regular annual performance evaluations and, in accordance with University Policy, you will receive 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 Two Hundred Fifty Thousand and No/100 Dollars (\$250,000).

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 salary increases on an annual basis 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.

E. The University shall pay you an annual housing allowance of Fifteen Thousand and No/100 Dollars (\$15,000), subject to applicable state and federal tax withholding.

V. 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.

VI. SEPARATION

A. Your appointment as University of Minnesota Rochester Chancellor 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.

VII. 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 a 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.

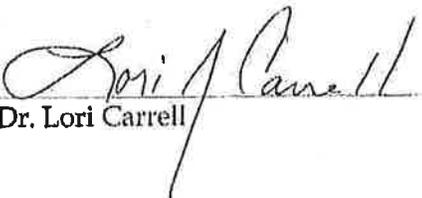
E. Enforceability. If any provision contained herein shall be deemed or declared unenforceable, invalid, or void, the same shall not impair any of the other provisions contained herein, which shall be enforced in accordance with their respective terms.

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.

VIII. 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.

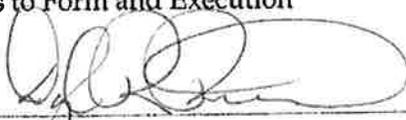
IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first shown above.

By: 
Dr. Lori Carrell

**REGENTS OF THE UNIVERSITY OF
MINNESOTA**

By: 
Eric W. Kaler
President

Approved as to Form and Execution

By: 
Douglas Peterson
General Counsel

**Board of Regents
Finance & Operations Committee
Consent Report
February 8, 2018**

1. The University's **Executive Vice President and Provost's** annual base salary is \$446,426. The University's employer contribution to the Executive Vice President and Provost's faculty retirement plan is \$27,000 annually, resulting in a total compensation package of \$473,426. The median base salary of the Executive Vice President and Provost's peer group is slightly lower than hers, at \$443,000. The median retirement contributions plus deferred compensation of the Executive Vice President and Provost's peer group is \$60,282, for a total compensation package of \$503,282, representing a gap of \$29,856 in total compensation for the Executive Vice President and Provost.

Recommendation: The President recommends awarding the Executive Vice President and Provost with \$50,000 in annual deferred compensation, beginning in June 2018, so long as she holds the position of Executive Vice President and Provost.

2. The **University of Minnesota Duluth Chancellor's** annual base salary is \$297,899. The University's employee contribution to the Chancellor's faculty retirement is \$35,100 plus an additional deferred contribution of \$30,000, for a total of \$65,100, resulting in a total compensation package of \$362,989. The median base salary of the Chancellor's peer group is \$378,000. The median retirement contributions plus deferred compensation of the Chancellor's peer group is \$35,000, for a total compensation package of \$413,000, representing a gap of \$50,011 in total compensation for the Chancellor.

Recommendation: The President recommends awarding the University of Minnesota Duluth Chancellor with an additional \$50,000 in annual deferred compensation, beginning in June 2018, so long as he holds the position of Chancellor.

**Deferred Compensation Recommendations for
Executive Vice President and Provost Karen Hanson
and
University of Minnesota Duluth Chancellor Lendley Black**

February, 2018

Name	UMN Base Salary	UMN Retirement Contributions	UMN Total Compensation	Peer Base Salary (Median)	Peer Retirement Contributions (Median)	Peer Total Compensation	Difference in Total Compensation	Recommended UMN Total Compensation
Karen Hanson	\$446,426	\$27,000 (10% IRS rate)	\$473,426	\$443,000	\$60,282	\$503,282	-\$29,856	\$523,426 (includes \$50,000 in deferred compensation)
Lendley Black	\$297,889	\$65,100 (13% IRS rate of \$35,100, plus \$30K current deferred compensation)	\$362,989	\$378,000	\$35,000	\$413,000	-\$50,011	\$412,989 (includes \$50,000 in additional deferred compensation)



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

February 8, 2018

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 Capital Financing and Debt Management Report

The purpose of this item is an overview of capital financing and debt management key metrics and activities for FY 2017.

At June 30, 2017, the University's total long-term debt outstanding was \$1,464,976,000, consisting of general obligation (GO) bonds and commercial paper (CP) notes; special purpose revenue bonds supported by state appropriations; infrastructure development bond (IDB) obligations (state-issued debt for the University's one-third share on capital projects – all issued prior to 2005); capital leases; and the related remaining unamortized premium/discount on bonds issued.

Ratios calculated by the rating agencies are based on the par amount of the debt outstanding plus capital leases, but excluding the net unamortized premium or discount on the bonds. In addition, the University performs a second calculation of certain ratios excluding special purpose revenue bonds (i.e., state-supported debt). The balance outstanding at June 30, 2017 of University supported debt (at par) plus capital leases was approximately \$1,098,600,000.

In February 2017, the University issued tax-exempt CP Notes Series F in the amount of \$50,100,000 at initial rates of 0.65 – 0.78 percent. The proceeds were used to fund a portion of the renovation of the Old Main Heating plant located on the Twin Cities campus. This was the only issuance of debt during FY 2017.

Annual Report on Central Reserves Fund

The purpose of this item is a report on the status of the University's Central Reserves.

The central reserves fund refers to resources that are recorded in a central account in the University's general ledger, which are then allocated out in targeted amounts to specific units as part of the annual budget; transferred to O&M to support the O&M allocations in the annual budget; or held as a reserve. The primary revenue sources for the central reserves fund include investment earnings and realized gains or losses in market value from the Temporary Investment Pool (TIP),

realized gains in market value related to TIP funds invested in the Consolidated Endowment Fund, legal settlements, and other miscellaneous revenues.

The purpose of the central reserves fund is to insulate the University from potential major financial risks, including unanticipated or uninsured catastrophic events, temporary institutional revenue declines or expenditure gaps, unforeseen legal obligations and costs, failures in central infrastructure or failures of major business systems. Under normal circumstances, Board policy holds that the central reserves fund should not fall below 4 percent of state appropriations, or \$25,000,000, whichever is greater. For FY 2018 the desired balance in the fund based on actual appropriations would be \$27,323,720.

The approved budget plan for FY 2018, included a planned beginning balance of \$13,124,510; net revenues totaling \$20,436,750; a transfer to O&M of \$5,732,000, and transfers/payments out of \$12,695,580, resulting in an ending balance of \$15,133,680. At this point in the year, those estimates have been updated as follows:

- The beginning balance has increased slightly to reflect the actual amount carried forward from FY 2017: \$13,901,103 or \$776,593 more than the approved budget. The carry-forward from FY 2017 is more than anticipated due to final FY 2017 investment income net of fees being \$1,827,517 more than estimated (largely driven by actual fees coming in less than estimated at the time of FY18 budget approval); miscellaneous income being \$680,050 less than estimated, and transfers/payouts being \$435,764 more than estimated due to timing of planned transactions.
- Net revenues for the year are currently projected to be \$24,154,688, which is \$3,717,938 more than the approved budget due to several factors:
 - Net revenue into the fund from investment earnings and changes in capital gains is projected to be \$1,560,000 higher than anticipated due to slightly higher projected TIP balances and an increase in the projected yield.
 - Total fees and expenses related to managing the investment activity (bank and custody fees plus operating expenses of the Office of Investments and Banking) are projected to be \$625,250 less than anticipated due to changes in some of the variables that drive fees (balances kept in bank accounts for example) and some realignment of expenses between TIP and CEF activities.
 - Miscellaneous income is projected to be \$1,532,688 greater than what was estimated in the budget as a result of two unanticipated legal settlements: \$224,487 related to a class action antitrust involving municipal derivatives, and \$1,308,201 related to an action involving LIBOR (London Inter-bank Offered Rate) submissions.
- The expected transfers out/payments have decreased \$195,764 to reflect a reduction in the previous allocation for legal costs associated with the FY 2017 M Health activities. The allocation for this item has been adjusted down to match actual costs paid out.

The combined impact of these updated estimates increases the projected balance in the central reserves fund for June 30, 2018 by \$4,690,295 to \$19,823,975. The approved FY 2018 budget for Central Reserves and the updated estimates for FY 2018, with variances, are displayed below.

	Approved FY18 Budget	Updated FY18 Estimates	Updated Estimates vs. Approved Budget
Carryforward	\$13,124,510	\$13,901,103	\$776,593
Net Investment Earnings	\$18,169,750	\$20,355,000	\$2,185,250
Legal Settlements/Misc. Income	\$2,267,000	\$3,799,688	\$1,532,688
Transfers to O&M	(\$5,732,000)	(\$5,732,000)	\$0
Total Net Revenues	\$27,829,260	\$32,323,791	\$4,494,531
Operating Allocations	\$12,695,580	\$12,499,816	(\$195,764)
Legal Settlement Transfers	\$0	\$0	\$0
Total Allocations/Transfers	\$12,695,580	\$12,499,816	(\$195,764)
Ending Balance	\$15,133,680	\$19,823,975	\$4,690,295

Annual Risk Management and Insurance Report

The purpose of this report is an overview of the University's property, liability, and workers compensation insurance programs for FY 2017, including key metrics.

The University's total cost of risk for FY 2017 (the sum of captive insurance costs, self-insurance costs, and the cost of commercially-purchased insurance) was \$13.9 million dollars, a decrease of 4.7 percent from FY 2016.

During FY 2017, Risk Management implemented new, commercially purchased property coverage through FM Global. Risk Management also provided recommendations for enhanced risk management and protection of the University Library's collection of rare books and manuscripts, during and after their relocation from Wilson Library to the Anderson Library.

The unit's goals for FY 2018 include continued implementation and refinement of the return to work program, and evaluating the cost and need for cyber liability insurance.

Debt Management Advisory Committee Update

The purpose of this item is a report on the meeting of the Debt Management Advisory Committee (DMAC) held on February 7, 2018. The agenda for the meeting included:

- Review of the Annual Capital Financing and Debt Management Report
- Impacts of tax legislation on tax-exempt debt
- Issuing debt under the Commercial Paper Facility

Emergency Approval: Kaufman Hall Contract

Board Chair McMillan, Board Vice Chair Powell, and Finance & Operations Chair Anderson approved a purchase of \$1,000,000 or greater on January 23 and 24, 2018, respectively, as follows:

- To Kaufman Hall for an estimated \$1,350,000 to provide financial analysis and evaluation services regarding strategic options for the University Health System for the Office of the General Counsel, for the period January 16, 2018 through December 31, 2018.

The approval was consistent with Board of Regents Policy: *Board Operations and Agenda* Guidelines, Section II, Subd. 10, which states:

Upon the recommendation of the president, the Board chair, vice chair, and the respective Committee chair may act on behalf of the Board when delay for Board approval poses a significant health, safety, or financial risk to the University. Any such emergency approvals will be brought to the next meeting of the Board, consistent with Board policy.

The approval was granted with the understanding that the Board could act to terminate the agreement after three months (the minimum commitment required in the contract with Kaufman Hall).

Fair Labor Standards Act Update

During 2016, the United States Department of Labor (DOL) revised the Fair Labor Standards Act (FLSA) to require that salaried employees earn at least \$913 a week (\$47,476 a year) to remain exempt from overtime rules. The rule changes were scheduled to be effective December 1, 2016.

The University worked to evaluate the impact of this significant change, and developed a plan to implement these requirements by the December 1, 2016 effective date. That plan was consistent with actions taken by other Big Ten peer institutions, and was reviewed with the Board at its October 2016 meeting. This status update responds to a request from the Board as a result of that discussion.

On November 22, 2016, a Texas federal judge issued a preliminary nationwide injunction for all employers blocking the DOL from implementing the new exemption rule. DOL filed its own requests and challenges to this action, and the legal challenge began its course. As the original December 1 effective date grew closer, it became clear that this legal hurdle was not likely to be resolved in the foreseeable future. As such, the FLSA earnings requirements would be remaining at the original threshold level with no change pending the outcome of the legal challenge, bringing a halt to the implementation of the new rule.

Given this reality, the decision was made to partially revise the University's planned approach for FLSA compliance as follows:

- Employees whose salaries had been adjusted to the new overtime threshold in anticipation of the December 1 compliance date would remain at that level.
- Employees who were moved from exempt to nonexempt status because they would no longer meet the exemption rules as of the December 1 compliance date would be returned to exempt status, and no longer be eligible for overtime pay.
- New employees can be hired at a salary of less than \$47,476 per year and still be considered exempt. However, all postdoctoral associates (job code 9546) must earn at least \$47,476, which is the new salary floor for that position.

In August 2017, there was a federal district court ruling that the FLSA overtime threshold was invalid, and that decision was appealed by the DOL. However, the DOL expressed intent to ask that the appeal be held indefinitely while they continued to pursue the rulemaking process, seeking comment on a variety of issues. That effort continues until this date, and the University continues to participate through its higher education association partnerships. To date, the FLSA exemption rules remain unchanged.

Quarterly Purchasing Report

The purpose of this item is a quarterly report on 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 Policy: *Purchasing*

Results of the 2017 Employee Engagement Survey

The purpose of this item is sharing the 2017 Employee Engagement Survey Results. Survey participation was the highest ever, with 71 percent of employees taking the survey. The results show high – and increasing – levels of engagement that surpass the benchmark for large organizations and are nearly on-par with the highest performing organization benchmarks. The survey further shows that increased employee engagement scores correlate with areas where leaders have taken action. While results are strong and commitment and dedication of our faculty and staff remains very high, about 1 in 5 faculty and staff are frustrated by their work environment.

State Capital Appropriation Expenditure Report

Minnesota Statute 135A.05 requires a report of expenditures on capital projects paid for in the preceding calendar year. This report is due to the commissioner of management and budget by January 15. The report was first forwarded to the Board prior to submission.

Visual Impact of North Church Street Corridor Reconstruction

The purpose of this item is a visual impact assessment. This project will renovate the heavily used Church Street pedestrian corridor between Washington Avenue and Lilly Plaza.

Annual Capital Financing and Debt Management Report Fiscal Year 2017

Use of Debt Financing

Debt financing allows the University to pay for an asset over a period of time, rather than pay for it at the time of purchase. Debt financing may be financially beneficial to the University, under certain circumstances.

Each debt transaction of the University is completed in the most effective and professional manner, in accordance with the highest standards of the industry, laws and governmental practices, and to meet the following objectives:

- Preserve the University core debt ratings at the target levels established by Board Policy
- Maintain financing flexibility on all debt issued by the University through the use of broad guidelines for identifying and managing debt capacity, choosing fixed and floating rate mix, using various financing instruments, and engaging in refunding opportunities
- Minimize borrowing costs and manage market risk
- Follow all related laws and regulations

Debt Management Oversight

Debt management oversight responsibility is assigned to the Director of Debt Management. The Director, in turn, relies on various individuals in certain University departments for the expertise needed to ensure compliance with policy, laws and regulations, and to handle specific tasks.

The University also utilizes a structure of three committees in its debt management oversight. Each of the committees and their respective responsibilities are summarized below:

Debt Process Team (DPT)

DPT acts in the capacity of the University's trustee to approve the draws on unspent bond proceeds to reimburse expenditures incurred on eligible projects. In addition, the group establishes and insures that appropriate accounting and compliance procedures are in place and working properly.

Debt Oversight Group (DOG)

DOG supports and advises the Treasurer and Director of Debt Management in decisions regarding policy, capital financing strategies, and debt capacity analysis. In addition, the committee periodically reviews the debt management processes to insure compliance with University and tax requirements.

Debt Management Advisory Committee (DMAC)

DMAC advises the Finance Committee of the BOR and the University's Treasurer on the issuance and ongoing management of debt. In doing so, the group evaluates, recommends, and monitors debt management policies, strategies, and guidelines and provides advice on their implementation so as to best serve the financial objectives of the University.

In addition, the University has retained an independent registered municipal advisor (IRMA). The University is represented by and relies on its municipal advisor, Public Financial Management, Inc. (PFM) to provide advice on proposals from financial services firms concerning the issuance of municipal securities and transactions involving municipal financial products. PFM has represented to the University that it is an "independent registered municipal advisor" within the meaning of Section 15Ba1-1(d)(3)(vi) of the Securities Exchange Act of 1934.

Long-Term Debt

The majority of the University's outstanding debt can be categorized in one of the following three designations:

- General Obligation (GO) Bonds – long-term fixed rate bonds secured by the full faith and credit of the University. Bonds have been issued as either tax-exempt or taxable with 20, 25, or 30 year maturities. Each series has been structured with approximately equal annual debt service payments over its life. The tax-exempt bonds generally are issued with a 10-year optional redemption at par.
- Special Purpose Revenue Bonds (State Supported Debt) – long-term fixed rate bonds that are special limited obligations of the University. They were issued for TCF Bank Stadium and the Biomedical Science Research Facilities. The bonds were issued by the University of Minnesota, but Minnesota law provides for an annual appropriation to reimburse the University for the annual debt service on these bonds. No other revenues or assets of the University, nor the full faith and credit of the University, is pledged for the payment of the principal or interest on these bonds.
- Commercial Paper (CP) Notes – short-term obligations that are backed by the full faith and credit of the University. With maturities of 1 to 270 days, the CP is classified as current liabilities in the financial statements. However, the University currently treats the outstanding CP as a long-term financing vehicle, thus renewing the notes for extended periods as they come due, with annual required "pay-downs" established in the original offering memorandums.

In addition, long-term debt contains a small outstanding balance of State of Minnesota Infrastructure Development Bonds (IDB), capital leases, and the unamortized premiums and discounts on the bonds.

Fiscal 2017 Activity

In February 2017, the University issued tax-exempt CP Notes Series E in the amount of \$50,100,000 at initial rates of 0.65 – 0.78 percent. The proceeds were used to fund a portion of the renovation of the Old Main Heating plant located on the Twin Cities campus. This was the only issuance of debt during FY2017.

June 30, 2017 Balances

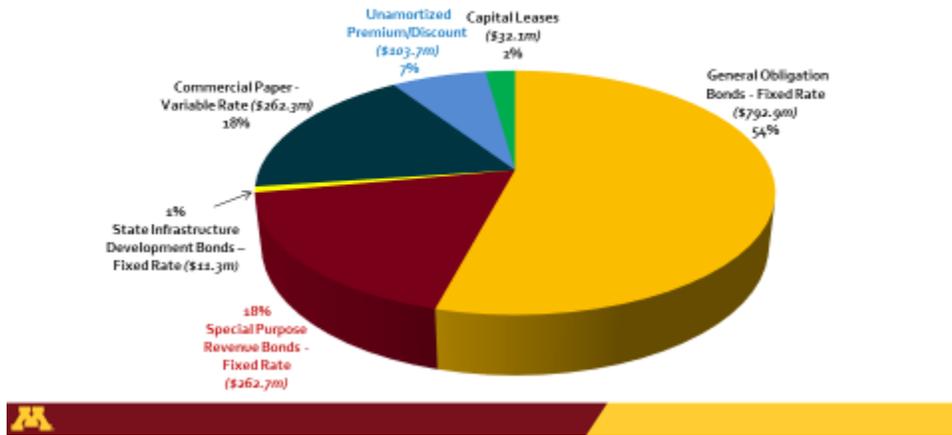
The following table and pie chart reflect the profile of the University's long-term debt as of June 30, 2017:

<i>(000s omitted)</i>	Final payment due in fiscal year	Beginning Balance June 30, 2016	Additions	Reductions	Ending Balance June 30, 2017
General Obligation Bonds - Series 2016A, 2014B, 2013A, 2011D, 2011A, 2010C, 2009C, and 2009A	2044	\$ 671,590		\$ 38,475	\$ 633,115
General Obligation Taxable Bonds - Series 2015B, 2013B, 2010D, 2009D, and 2009B	2038	100,115		3,230	96,885
General Obligation Taxable Bonds – Series 2013D, 2011C, 2010B (Biomedical Science Research Facilities Funding Program)	2039	65,150		2,265	62,885
Special Purpose Revenue Refunding Bonds – Series 2015A (TCF Bank Stadium)	2032	90,075		4,585	85,490
Special Purpose Revenue Bonds – Series 2013C, 2011B, 2010A (Biomedical Science Research Facilities Funding Program)	2039	182,420		5,250	177,170
Commercial Paper Notes Series A, B, C, D, E, F	2022 - 2042	231,920	50,100	19,700	262,320
Obligations to the State of Minnesota pursuant to Infrastructure Development Bonds (IDB)	2026	14,391		3,067	11,324
Balance – at par		1,355,661	50,100	76,572	1,329,189
Unamortized premiums and discounts	2044	109,589		5,877	103,712
Capital leases and other	2025	35,382	3,057	6,364	32,075
TOTAL PER FINANCIALS		\$ 1,500,632	\$ 53,157	\$ 88,813	\$ 1,464,976

As of June 30, 2017, the University had one freestanding interest rate swap with a notional value of \$70,000,000 which had been in place since August 1997. This swap, with a fixed rate payment of 4.98% and a variable rate receipt based on the SIFMA index, had the effect of "synthetically fixing" \$70,000,000 of the existing variable rate debt (commercial paper).

The University's **weighted average cost of capital** at June 30, 2017 approximates **3.27%**.

Debt Profile as of June 30, 2017
\$1.5 billion par outstanding; \$1.2 billion University-supported



Taxable vs. Tax-Exempt Debt

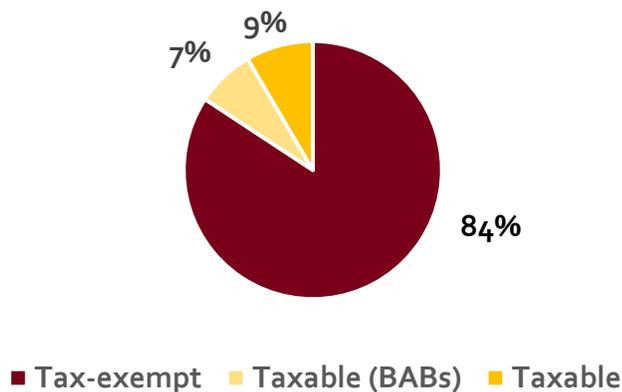
Financings generally are on a tax-exempt interest rate basis, unless there are risks that private business use of the financed asset may exceed the University’s allowable threshold, or when other financial considerations indicate the use of taxable debt is in the best interest of the University.

Situations where taxable debt may be more advantageous than tax-exempt debt include:

- Private Business Use limitations are expected to be exceeded;
- Unknown future use of the property;
- Longer or unknown construction time;
- Market rates for both tax-exempt and taxable debt are similar or taxable debt has a lower interest rate;
- The rate difference between taxable debt and tax-exempt debt is so small as to make the costs of post-issuance compliance on tax-exempt debt an overly burdensome requirement.

Taxable debt may take the form of commercial paper, variable rate debt or fixed rate debt.

The mix of tax-exempt and taxable debt outstanding as of June 30, 2017 is **84% tax-exempt** versus **16% taxable**.

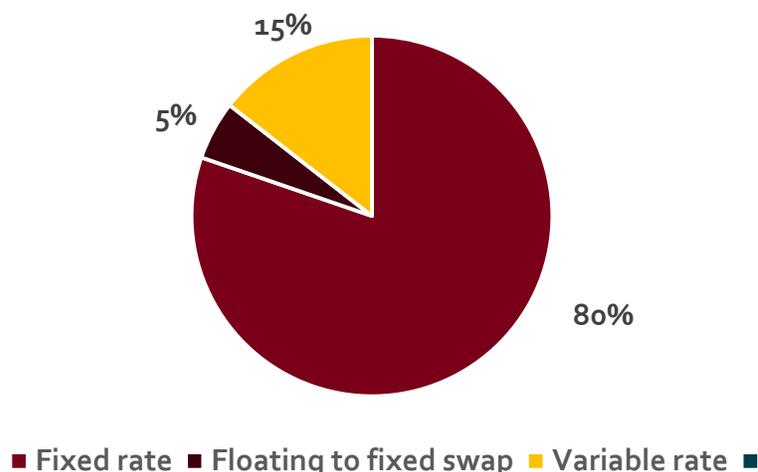


Fixed Rate vs. Variable Rate

Long-term fixed-rate tax-exempt debt is the most common form of debt issued by institutions of higher education, in which interest rates are fixed for a single or multiple maturities. This type of debt allows institutions to lock into certain debt service obligations at tax-advantaged interest rates over a long period of time. Long-term fixed rate debt generally includes a call option by the University within 0-10 years after the issuance date to allow for refinancing opportunities – i.e., either reduce interest rates (subject to market conditions) or restructure principal payments.

Variable rate financings can lower overall cost of capital. Financings of all maturities can carry a variable rate. Bonds are callable at any interest payment date (daily, weekly, monthly, etc.) with no premium. Risks include interest rate risk, credit risk, tax law risk and remarketing risk.

The mix of fixed rate to variable rate as of June 30, 2017, including the impact of the outstanding swap, is **85% fixed to 15% variable**. All of the University’s variable rate debt is in the form of commercial paper.



Long-Term Bond Credit Ratings

The University’s bonds and commercial paper are rated by Moody’s Investors Service (Moody’s) and S&P Global Ratings (S&P). Both rating agencies have their own methodologies that weight a number of factors to arrive at a letter rating.

Letter Ratings to Designate University Credit Quality

Moody’s Investors Service Rating	Financial Security Evaluation	Standard and Poor’s Rating
Aaa	Exceptional	AAA
Aa1 , Aa2, Aa3	Excellent	AA+, AA , AA-
A1, A2, A3	Good	A+, A, A-
Baa1, Baa2, Baa3	Adequate	BBB+, BBB, BBB-
Ba1, Ba2, Ba3	Moderate	BB+, BB, BB-
B1, B2, B3	Weak	B+, B, B-
Caa to C	Default	CCC to D

The University of Minnesota is currently rated Aa1 by Moody’s, and AA by Standard and Poor’s.



Moody's uses the broad weighting factors of market profile, leverage, wealth and liquidity, and operating performance, with subsets of each. Other credit considerations include multi-year trends, governance & management, debt structure, liquidity quality, government relationship, pension and other post-employment obligations, and healthcare operations. This methodology does not include an exhaustive treatment of all factors that might be relevant when evaluating an individual university's credit attributes. As stated in their most recent rating report for the University of Minnesota:

"The **Aa1 rating** assigned by Moody's reflects the University's excellent strategic positioning reflecting strong student and research market positions and ample balance sheet reserves. The **stable rating outlook** reflects continued favorable student demand and research trends, growing tuition revenue, stable to improving operating cash flow and debt service coverage despite additional debt plans."

S&P's methodology results in a convergence of a detailed analysis of a university's "*Enterprise Profile*" and "*Financial Profile*" with qualitative adjustments for compelling factors or qualifiers. The "enterprise profile" includes market position and demand, management and governance, industry risk, and economic fundamentals. The "financial profile" includes debt and contingent liabilities, financial resources, financial performance, and financial management policies. As reported by S&P:

"The **AA rating** assigned by S&P reflects our view of the University's, 1) position as Minnesota's flagship research university and land-grant institution, 2) stable enrollment with rising freshman applicants and matriculants, 3) improved financial performance on an adjusted full-accrual basis, 4) manageable pro forma maximum annual debt service burden, and 5) favorable philanthropic support."

The **stable outlook** reflects S&P's view that "over the next two years, enrollment and demand trends will remain firm and its financial operating performance on an adjusted full-accrual basis will remain positive and become more robust."

Debt Activity Subsequent to June 30, 2017

On August 28, 2017, the \$70,000,000 notional pay-fixed/receive-variable interest rate swap matured. No other hedging transactions exist in the debt portfolio.

On September 28, 2017, the University issued General Obligation Bonds, Series 2017A, General Obligation Refunding Bonds, Series 2017B, and General Obligation Taxable Refunding Bonds, Series 2017C. The Series 2017A was issued in the par amount of \$117,095,000 at coupon rates of 2.0 – 5.0 percent with a premium of \$23,068,000. Proceeds will be used to finance various capital projects including a portion of the Athletes Village Project, construction of a new Track and Field Facility, construction of a new veterinary bio-containment facility, various renovations of existing space, and property acquisition and demolition activities.

The Series 2017B was issued in the par amount of \$292,955,000 at coupon rates of 2.0 – 5.0 percent with a premium of \$44,233,000 to advance refund and defease the University's General Obligation Bonds Series 2009A, Series 2009C, Series 2011A and Series 2011D. The Series 2017C was issued in the par amount of \$13,240,000 at coupon rates of 1.375 – 2.915 percent to advance refund and defease the University's General Obligation Taxable Bonds Series 2009B. Debt service savings will be realized over the life of the bonds.

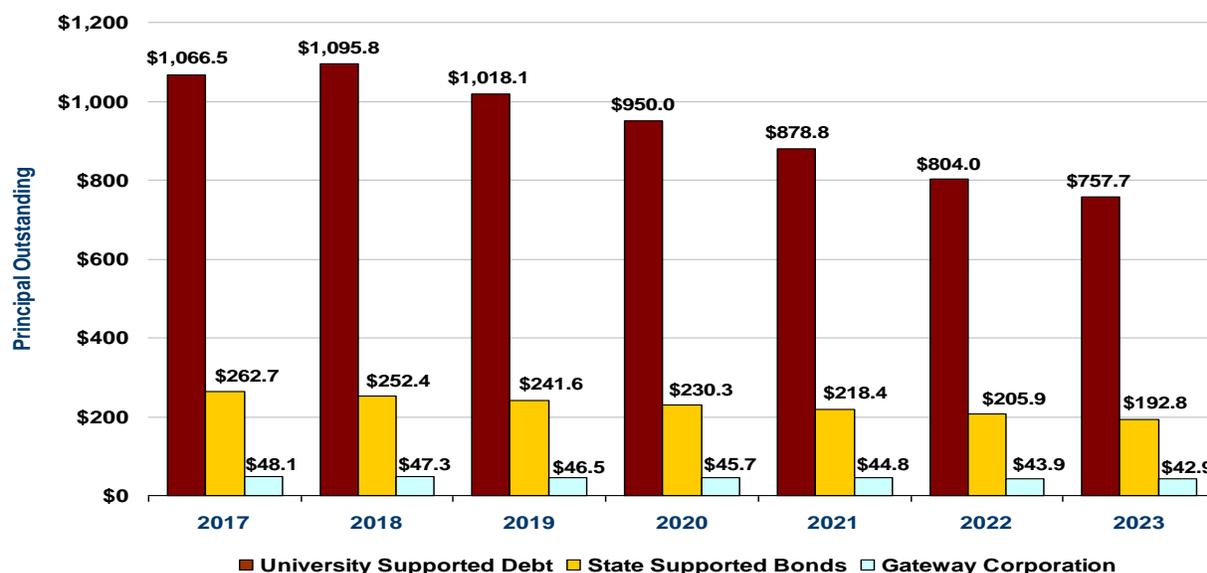
The combined 2017A-B-C series totaled \$423,290,000 which was the largest single debt issuance in University of Minnesota history. The University achieved a 2.75% true interest cost (all-in) on the combined series. Series 2017B and 2017C refunding bonds will generate net present value savings of approximately \$28,580,000 (9.0%) in debt service costs.

Amortization Structure

The debt service structure for each bond issue is determined on a case-by-case basis. The University has typically structured its debt so that the annual debt service payments on each bond issue are somewhat equal. The following graph reflects the amortization structure of the bonds and commercial paper outstanding as of June 30, 2017 plus the Series 2017ABC issuance and refundings that occurred on September 28, 2017.

The maroon bar reflects the University supported debt, the gold bar reflects the state supported bonds, whereby State of Minnesota legislation provides for annual capital appropriations to cover the debt service on bonds issued by the University of Minnesota, and the light teal bar represents the debt of Gateway Corporation.

Scheduled Debt Amortization, 2017-2023 (in millions)



Since The Gateway Corporation is a component unit of the University, its debt is included as part of the University's "total debt" for ratio calculation purposes, and therefore is shown in the table above.

Remaining FY2018 Plans

The University is planning to issue additional commercial paper for projects during construction through the use of the revolving commercial paper facility that was approved by the Board of Regents in October 2017. For purposes of the fiscal 2018 year-end balance projection below, \$50 million of additional debt issuance, likely to be CP, is estimated at this time.

The balance of long-term debt outstanding projected for June 30, 2018 follows:

(in millions)	University Supported*	State Supported	Total
Balance June 30, 2017 (at par)	\$ 1,066.5	\$ 262.7	\$ 1,329.2
FY18 Issuance & refundings (net) *	106.9	0	106.9
Planned principal reductions	<u>(77.6)</u>	<u>(10.3)</u>	<u>(87.9)</u>
Subtotal (at par)	1,095.8	252.4	1,348.2
Additional projected FY18 issuance	<u>50.0</u>	<u>0.0</u>	<u>50.0</u>
Projected balance, June 30, 2018 (at par)	1,145.8	252.4	1,398.2
Unamortized premium/discount (projected at 6/30/18)	106.8	26.7	133.5
Capital leases (projected at 6/30/18)	<u>32.0</u>	<u>0</u>	<u>32.0</u>
<i>Projected balance June 30, 2018</i>	<i>\$ 1,284.6</i>	<i>\$ 279.1</i>	<i>\$ 1,563.7</i>

**Issuance and refundings occurred September 28, 2017 – Series 2017A, 2017B, and 2017C*

Key Financial Indicators

As indicated earlier, debt capacity and credit ratings are not a function of ratios alone. However, the University annually calculates certain ratios as outlined by the ratings agencies based on the financial information contained in the audited year-end financial statements. The University uses three ratios to calculate the debt capacity of the University:

- Total Cash & Investments to Total Debt – measures coverage of total debt by assets that generate investment return
- Spendable Cash & Investments to Total Debt – measures the university’s ability to repay bondholders from wealth that can be accessed over time or for a specific purposes.
- Debt Service to Operating Expenses – measures annual debt service burden on the annual operating budget

Definitions for the numerators and denominators in these three ratios as calculated by Moody's are provided below.

Total cash & investments – total cash and cash equivalents plus short-term investments plus noncurrent investments of the University, UMF and UMP (does not include the restricted cash and cash equivalents)

Spendable cash and investments – total cash and investments as computed above less restricted, nonexpendable net assets of the University, less the permanently restricted net assets of UMF and UMP

Total debt – the sum of the University's outstanding debt as shown on the financials, less net unamortized premium/discount on the bonds, plus UMF bonds payable

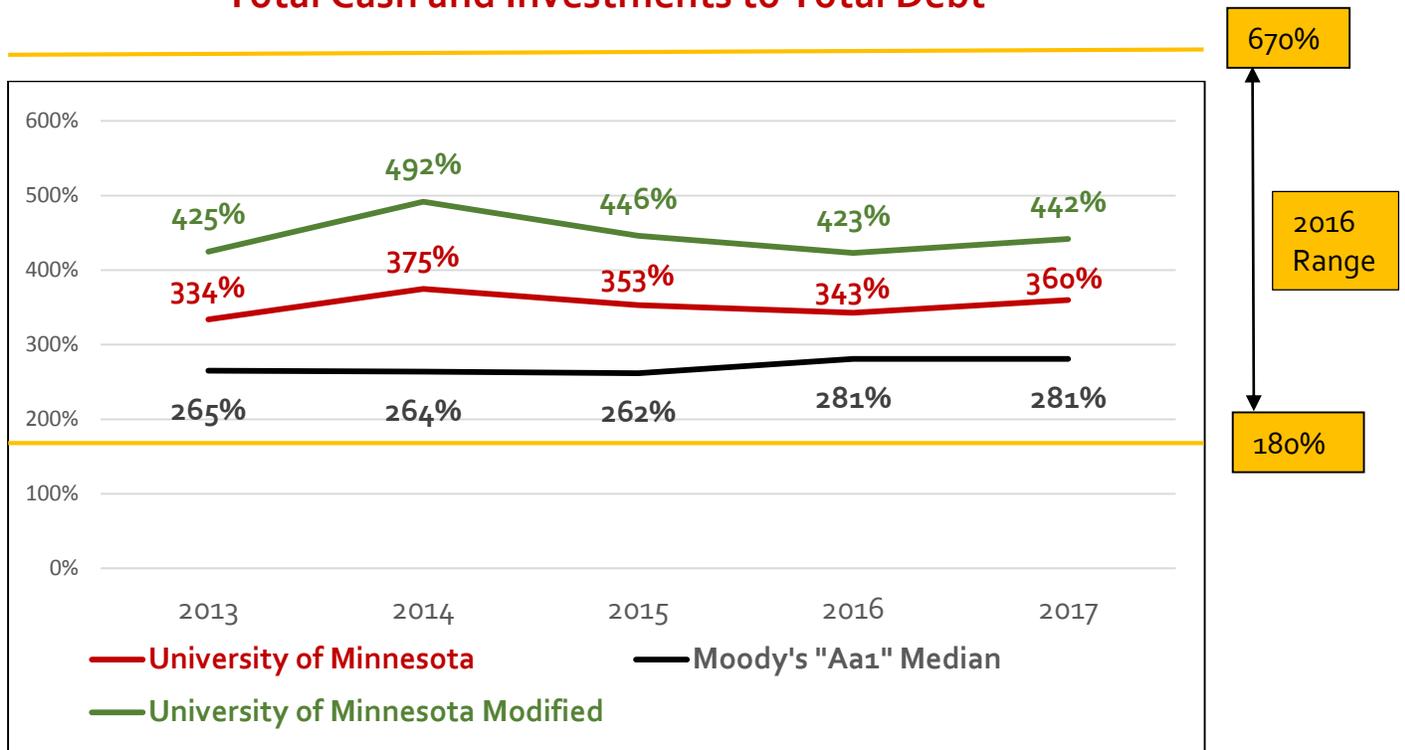
Debt service – the sum of the principal paid and interest expense on capital debt by the University

Operations – University operating expenses less scholarships & fellowships, plus interest on capital asset-related debt

In addition, the University performs a second calculation of the ratios modifying the Total Debt amount by subtracting out the University's special purpose debt, and modifying the Debt Service and Operations amounts by subtracting the principal and interest on the special purpose debt.

The following graphs reflect these ratios for the last five years for the University of Minnesota, the University of Minnesota, as modified, and the median of the 15 public universities rated Aa1 by Moody's. The gold lines on each graph represent the highest and lowest ratio as calculated for fiscal year-end 2016 for the 15 public institutions rated Aa1.

Total Cash and Investments to Total Debt

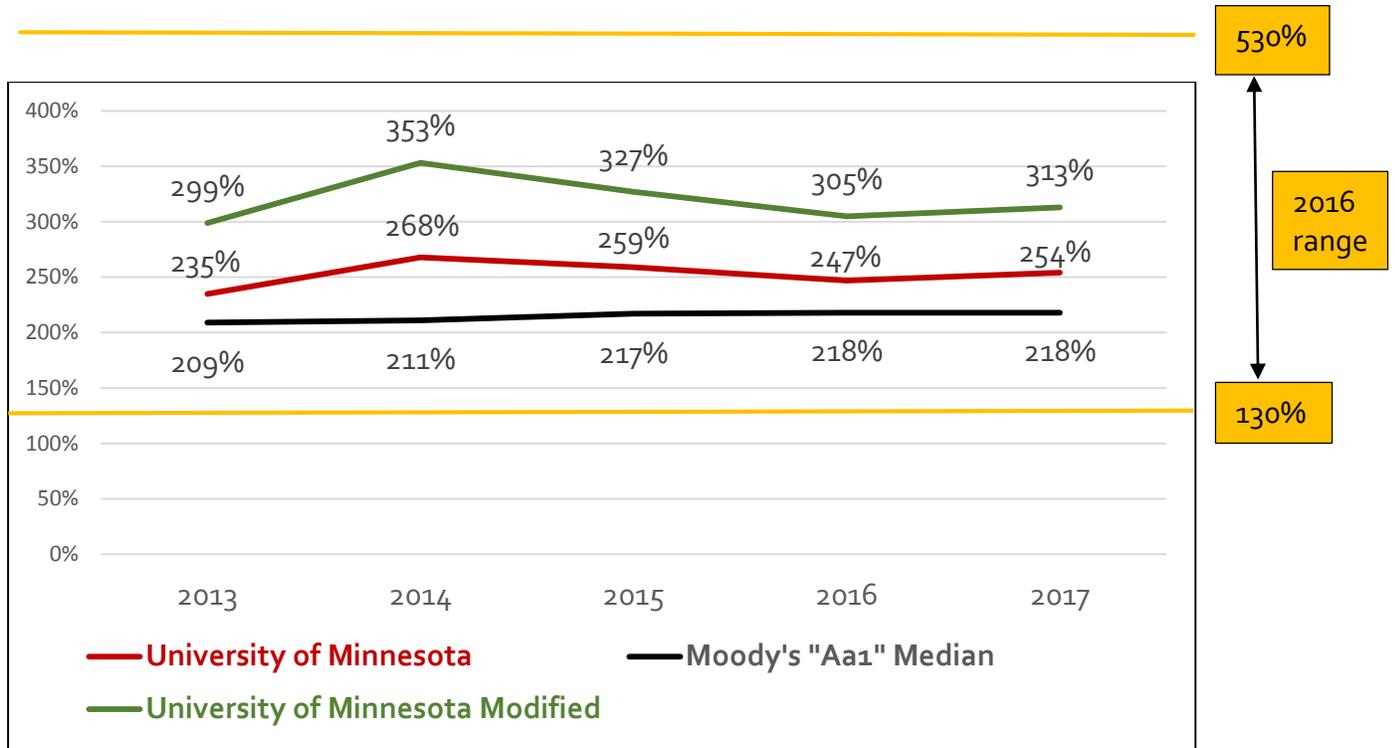


DESIRED TREND 

University Cash and Cash Equivalents (excluding restricted cash) and Investments
 + UMF and UMP Cash and Cash Equivalents and Investments
 Divided by Total Debt

As shown above, the University is solidly in the middle of the range for Aa1-rated public institutions and above the median for this group of institutions. In addition, when we take out the state-supported debt in the calculations, the calculated ratio is even better.

Spendable Cash and Investments to Total Debt



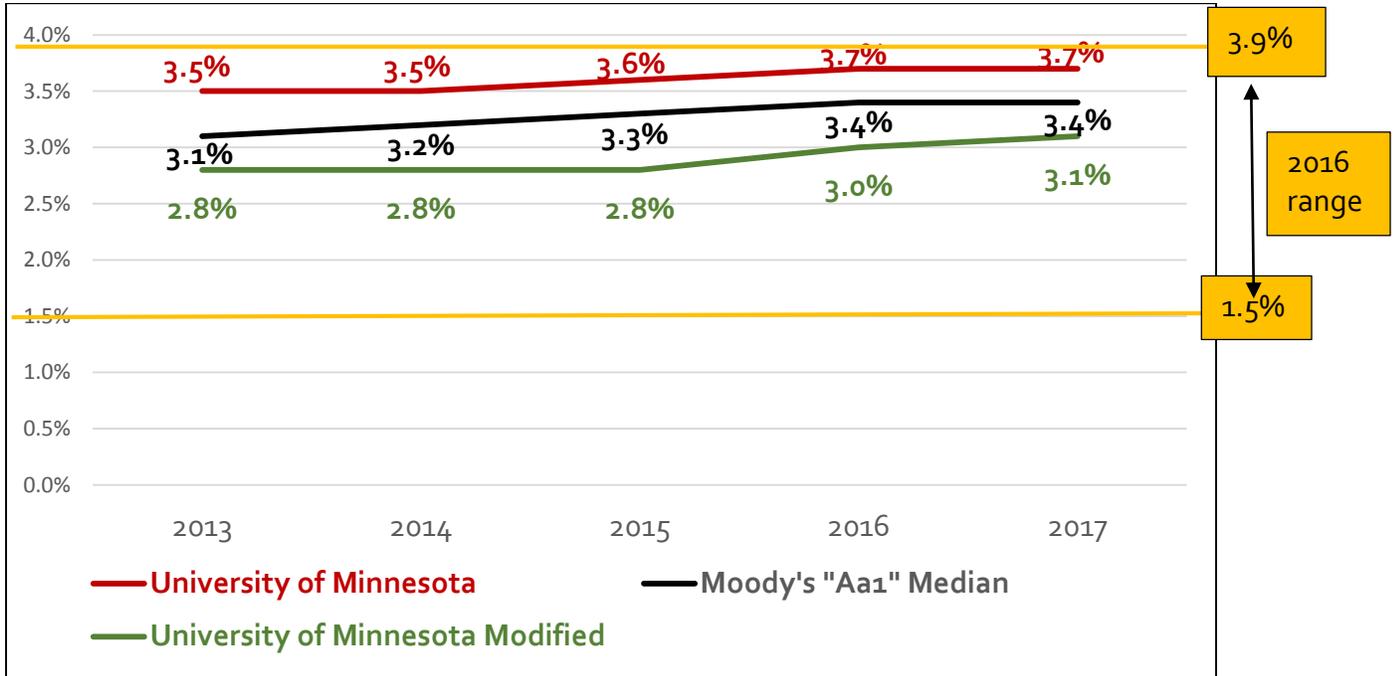
DESIRED TREND



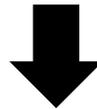
Total Cash and Investments of the University, UMF & UMP, less restricted, nonexpendable
net assets of the University, less the permanently restricted net assets of UMF & UMP
Divided by Total Debt

Similar to the first ratio, the University is again solidly in the middle of the range for Aa1-rated public institutions and above the median for this group of institutions. In addition, when we take out the state-supported debt in the calculations, the calculated ratio is even better.

Debt Service to Operations



DESIRED TREND



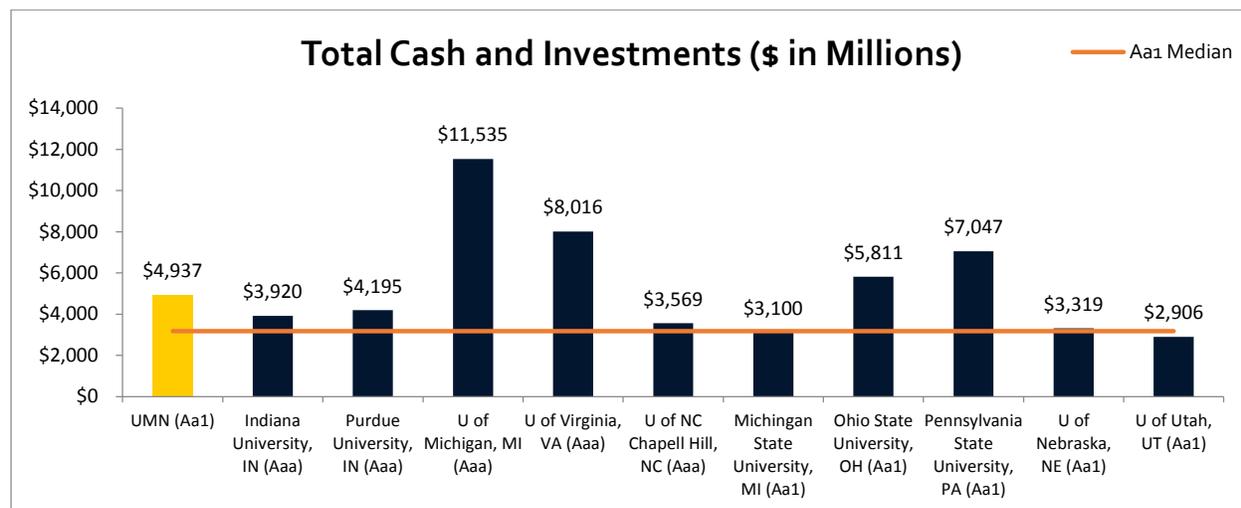
Annual Debt Service

Divided by Total Operations

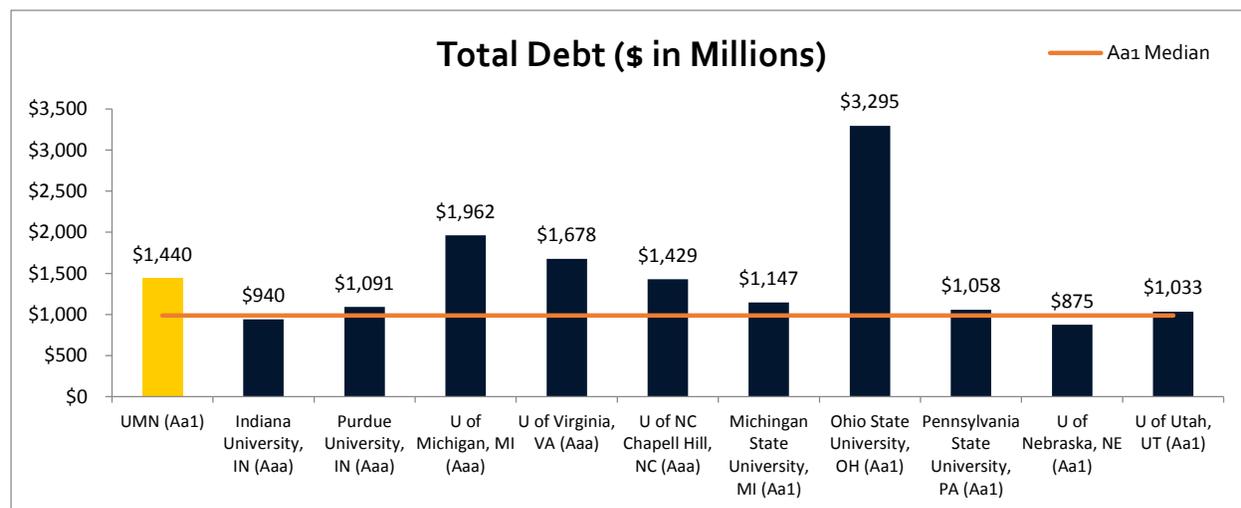
The University is at the higher end of the range of institutions for this ratio, but is fairly consistent from year-to-year. In addition, as shown in the previous 2 ratios, when the state-supported debt is removed from the calculation, the ratio improves – by decreasing – which is the desired direction for this ratio.

Peer Analysis

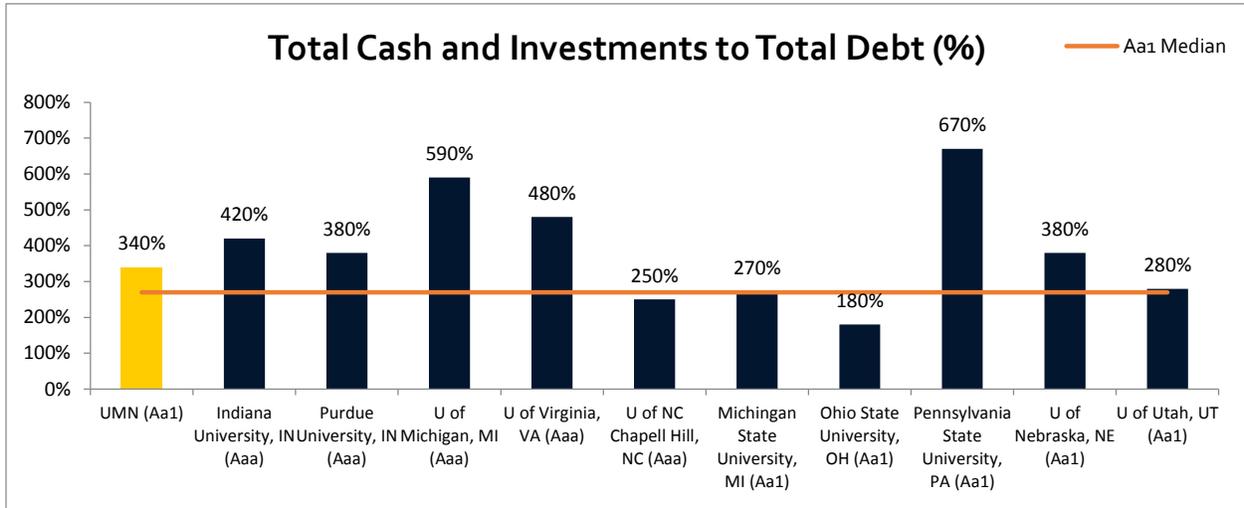
The University annually compares selected financial ratios, consistent with major credit rating agency criteria, to other Big 10 institutions and to other public institutions with the same rating. This peer group consists of highly rated preeminent public research universities. The following charts provide the comparisons as of June 30, 2016, the most recent year-end that is available for all institutions.



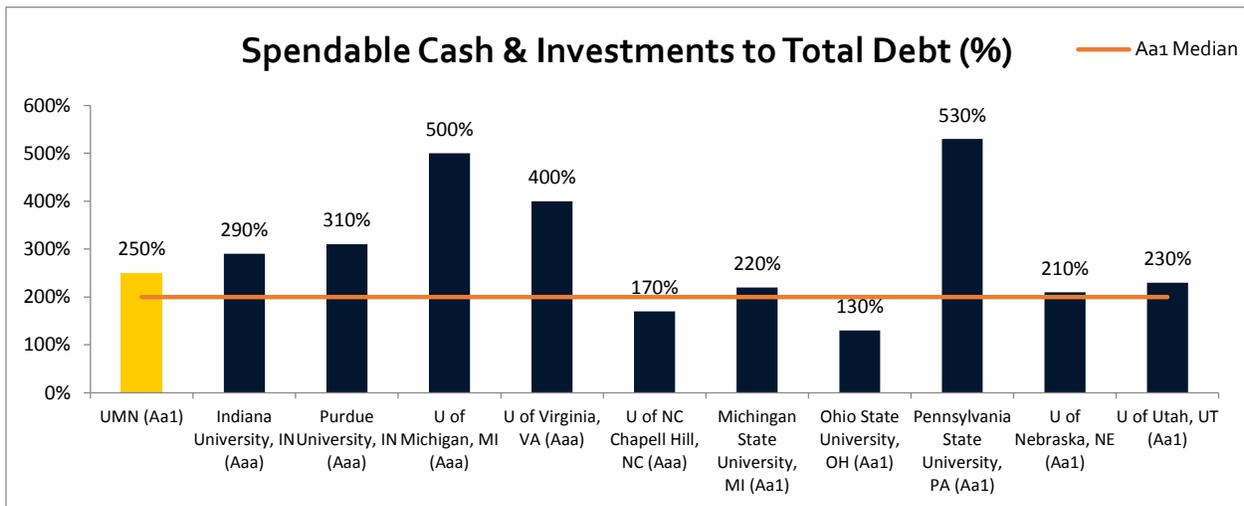
Measures the wealth of a university and its affiliated foundation(s)



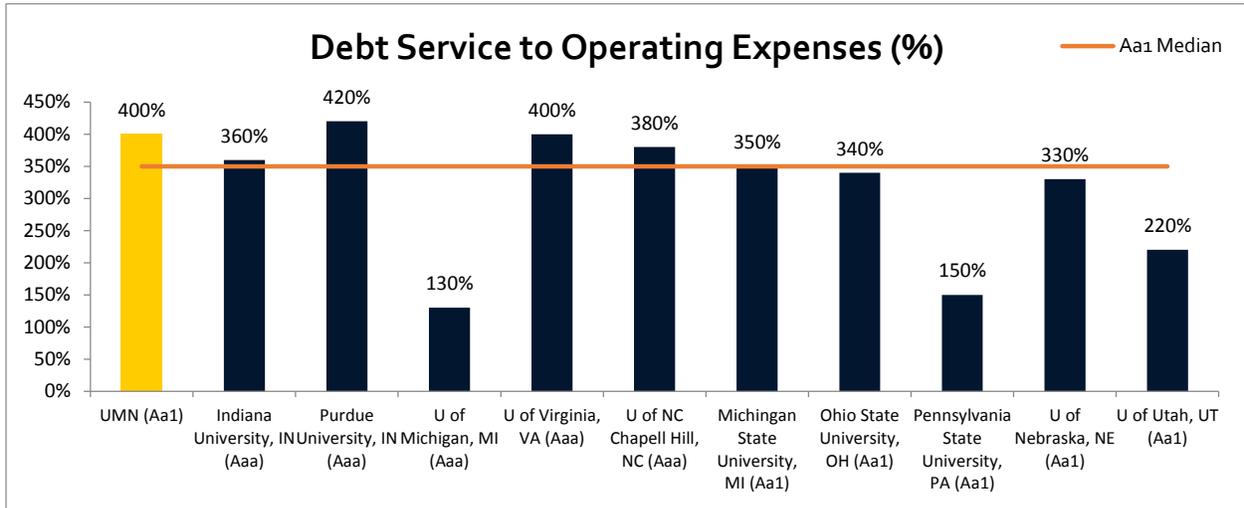
Measures direct obligations of a university and its affiliated foundation(s)



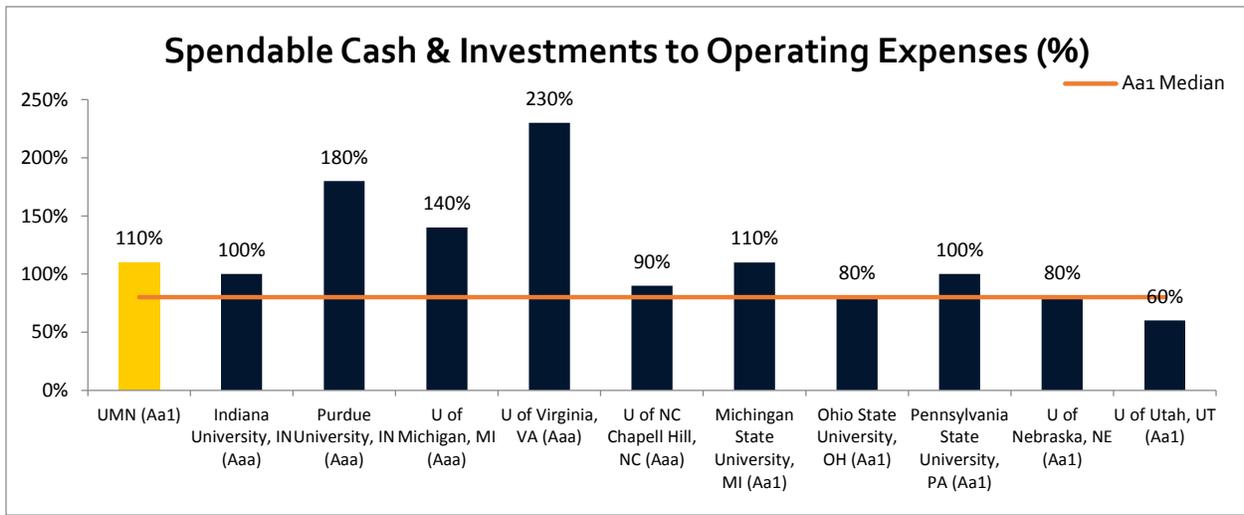
Measures coverage of total debt by assets that generate investment return



Measures the university's ability to repay bondholders from wealth than can be accessed over time or for a specific purpose



Measures annual debt service burden on the annual operating budget



Measures the extent to which a university can rely on wealth than can be accessed over time or for a specific purpose to operate without earning any additional revenue

UNIVERSITY OF MINNESOTA

Annual Report
of the
Office of Risk Management and Insurance
as of Fiscal Year Ended
30 June 2017

Table of Contents

I. Overview.....	3
Mission of the Office of Risk Management and Insurance.....	3
Organizational Structure.....	4
FY17 Workplan Status.....	5
II. Risk Finance Programs.....	6
General Approaches to Risk Finance.....	6
University Structures.....	7
Captive Insurance.....	8
Retained (Self-insured).....	12
Commercial Insurance.....	14
III. Total Cost of Risk.....	18
Total Cost of Risk Summary.....	19
IV. Workplan.....	20
FY18 Workplan.....	20

I. Overview

Mission of the Office of Risk Management and Insurance

The Office of Risk Management and Insurance ('Risk Management') accepts as principle that assuming some risk is integral to being productive. The University must take risks and Risk Management must find ways to minimize the financial impact of adverse outcomes.

The Risk Management Team:

- Consults with the University community regarding the risk naturally encountered in the course of Research, Teaching and Outreach;
- Minimizes the frequency and severity of physical injury and property damage through education and specific loss control measures; and
- Protects and preserves University human and financial resources.

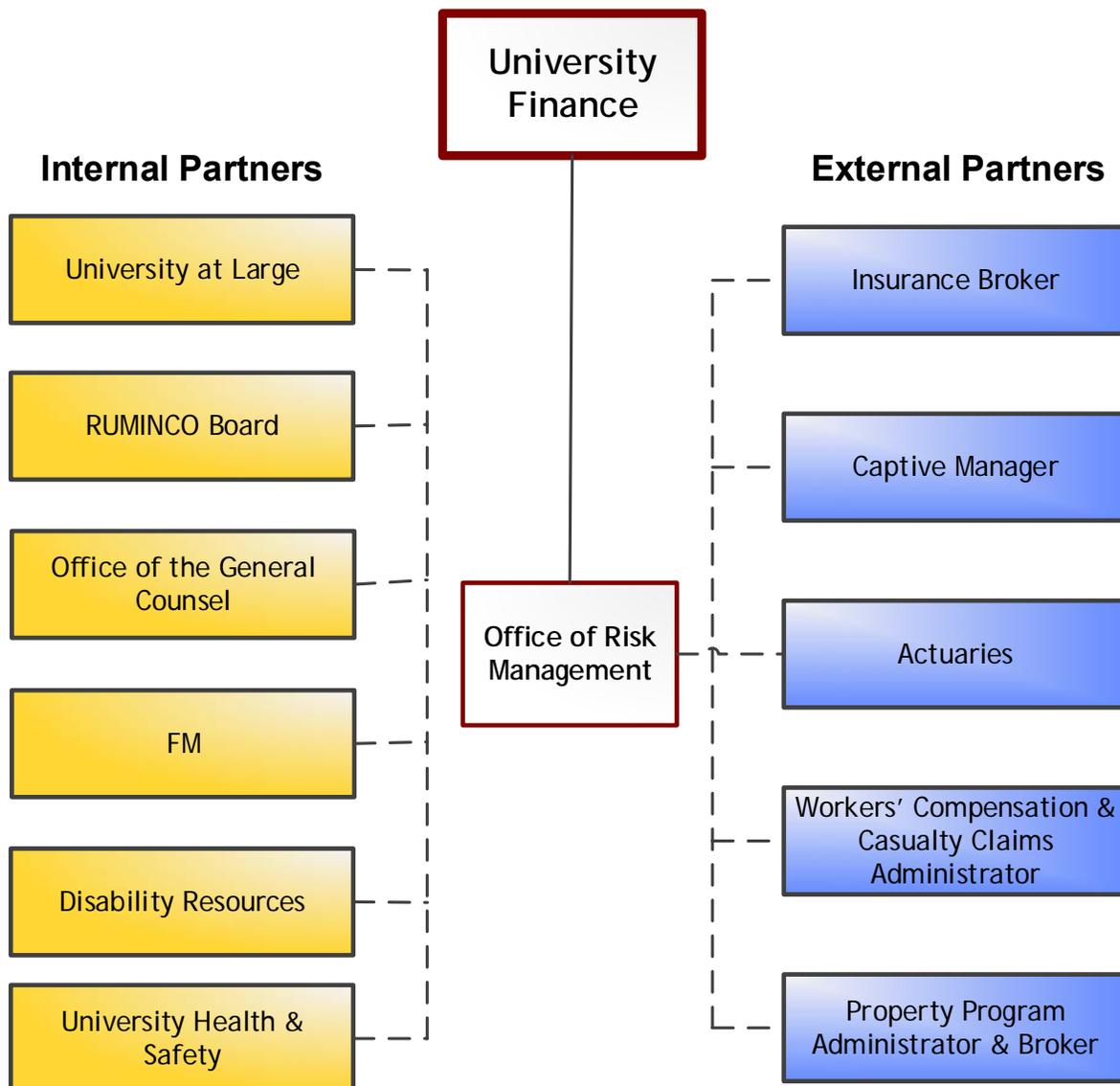
Risk Management uses commercial insurance, captive insurance, and self-insurance to transfer, or budget for, monetary loss arising from risk. It is responsible for the design, procurement, implementation, and maintenance of these programs. Risk Management routinely consults with the Office of General Counsel with respect to risk and insurance provisions of the contracts the University seeks to enter.

This report summarizes the scope of operations of the University's Office of Risk Management and Insurance as of fiscal year end June 30, 2017.

Organizational Structure

The Office of Risk Management:

- Acts at the direction of University Finance;
- Maintains dotted line relationships with many University entities and resources; and
- Controls the activities of several insurance vendors and suppliers.



FY17 Workplan Status

Property Insurance Transition

We worked with Facilities Management, Capital Planning and Project Management, and various internal units and departments to integrate FM Global property protection services into our practices. The transition has gone well and our staff are making good use of the new vendor.

Library Special Collections Move

As the Library staff and Capital Planning and Project Management prepared to move \$500,000,000 in rare books and manuscripts from the Wilson to the Anderson Library, we took advantage of this opportunity to optimally protect these irreplaceable objects for future generations.

The new space now includes state of the art Clean Agent Fire Suppression to minimize the chance of water damage to the materials, as well as highly sensitive smart sensors which constantly monitor the area for minute traces of combustion smoke or water escape.

II. Risk Finance Programs

General Approaches to Risk Finance

The financial consequences of risk may be **Retained** or **Transferred**.

- **Risk retention** (often called “self-insurance”) is characterized by the assumption (retention) of financial risk consequences. This retention ranges from a deductible to carrying no insurance whatsoever. Optimally, risk retention is the result of pre-considered choice.
- **Risk transfer** is characterized by the passing of the financial consequences of risk to a third party (typically an insurer) via purchase of a contract (typically an insurance policy) that specifies the terms and conditions of the transfer.

Broadly, the University treats its risk as follows:

- Liability – **Transferred** to captive insurer (RUMINCO, Ltd.)
- Workers’ Compensation – **Retained**; Self-insured
- Property and Miscellaneous Insurance – **Transferred** to commercial insurers

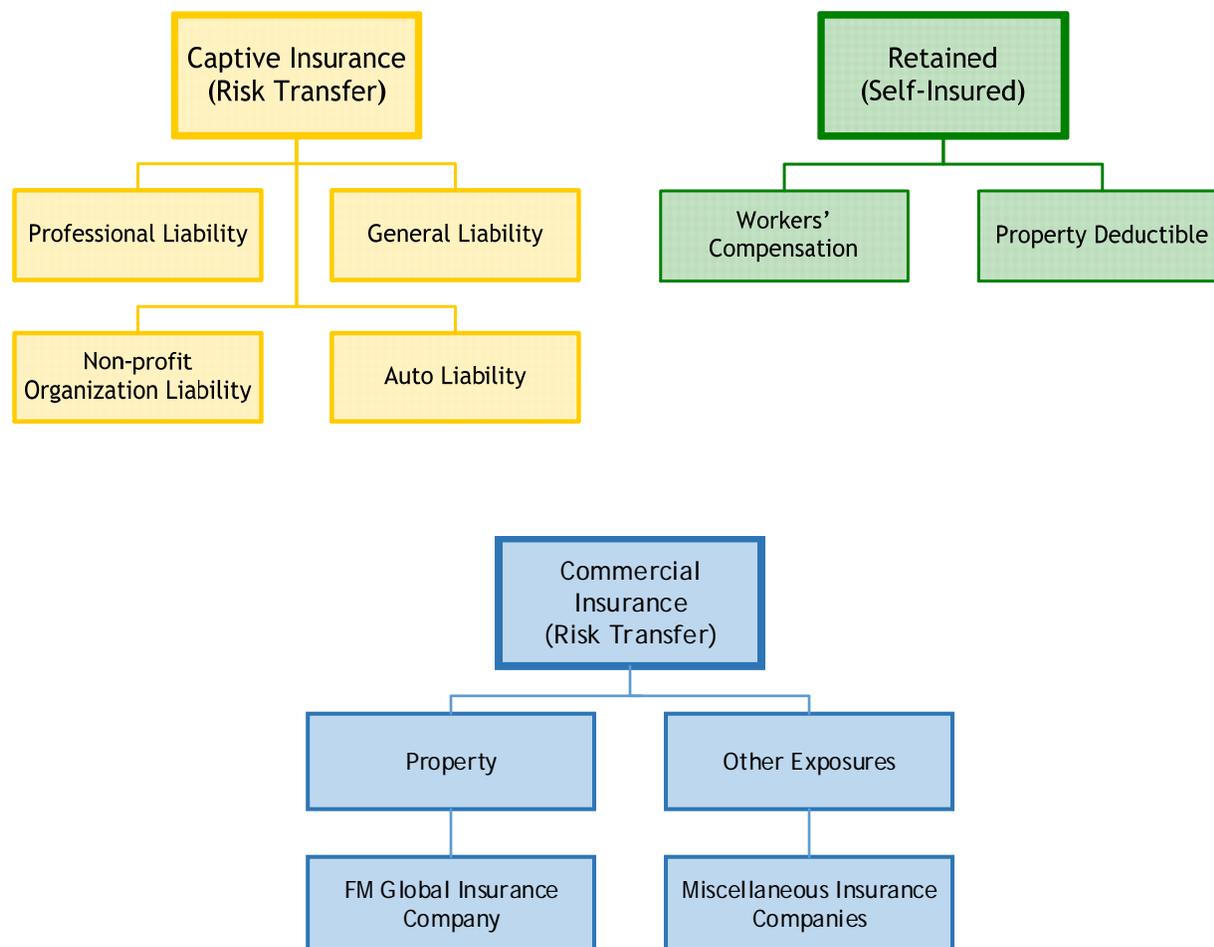
There are specific rationales behind the decision to transfer or retain a specific risk. Because retaining one’s own risk (within limits) tends to be more economical in the long run than paying a third party to assume it, the guiding principle has been for the University to retain risk, to the extent that it is financially possible and reasonable to do so.

Generally, this principle is not useful when the University is exposed to truly catastrophic loss potential. A good example of this is the property associated with the University’s campuses. The University owns over \$14 billion in property, and carries a \$2 billion property insurance limit. We cannot fund losses at that level internally, so we purchase an insurance contract to transfer the exposure to a third party.

University Structures

Much activity of the Office of Risk Management centers on the establishment, maintenance and continuing refinement of risk finance mechanisms.

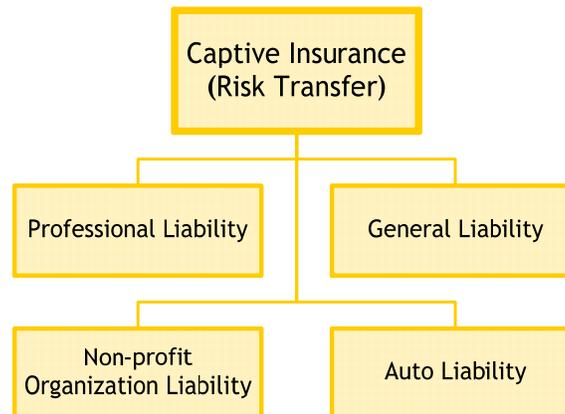
The University finances its Property and Casualty risk using three general strategies:



The Office of Risk Management monitors the University's loss trends and the insurance marketplace to determine the optimal risk financing strategy. This process includes ongoing reviews of the University's loss exposures, claim frequency and severity, and trends in each.

The following sections describe the University's **Captive**, **Retained**, and **Commercially Insured** risk financing programs.

CAPTIVE INSURANCE



RUMINCO, Ltd.

RUMINCO Ltd. (Regents of the University of Minnesota Insurance Company) is a captive insurance company, a wholly owned subsidiary of the University of Minnesota. It was incorporated in 1978 during a nationwide crisis in the medical malpractice insurance market. At that time, the University Hospitals and Clinics and the Medical School faced 400% increases in premiums. After exploring various risk financing options, the University decided to form RUMINCO Ltd. to fund its primary layer of protection for:

- **General Liability; and**
- **Professional Liability (Medical Malpractice)**

The University purchased excess limits from commercial insurance companies until 1986, when the Office of the General Counsel advised that the State of Minnesota's Tort Statute effectively and reliably limits the University's exposure to Tort Liabilities incurred within Minnesota jurisdiction.

As RUMINCO matured and its surplus (i.e., net worth) grew, the RUMINCO Board added other lines of coverage:

- **Automobile Liability; and**
- **Non-Profit Organization Liability (Employment Claims)**

Over one-third of a century, RUMINCO has proven itself to be a useful funding tool for the University. It is a formalized, disciplined way to finance risk, yet retains flexibility, and provides long-term stability.

RUMINCO, Ltd. Coverage Overview

A. General Liability insures the University's legal liability for third party bodily injury or property damage.

Principal Exposures:

Frequency: Premises injuries to third parties (slip-and-falls)

Severity: Population concentrations in dormitories, stadiums, and arenas exposed to fire, collapse, explosion, etc.

B. Professional Liability covers damages arising out of professional services, including:

- Medical, surgical, dental or nursing treatment
- Furnishing or dispensing of drugs or medical, dental, or surgical supplies or appliances
- Services by any person as a member of a formal accreditation or similar professional board or committee of the University, or as a person charged with the duty of executing directives of any such board or committee
- Service by accountants, architects, engineers, lawyers, and teachers acting within the scope of their duties as employees of the University

Principal Exposure:

Frequency and Severity: Medical Malpractice

C. Auto Liability covers legal liability for bodily injury and property damage arising out of the use of over 800 owned vehicles, as well as hired and non-owned autos operated on behalf of and with the permission of the University.

Principal Exposures:

Frequency: Collision damage to third parties' vehicles

Severity: Vehicle accidents involving multiple-passenger vehicles

D. Non-Profit Organization Liability covers liability claims not triggered by Bodily Injury or Property Damage, including:

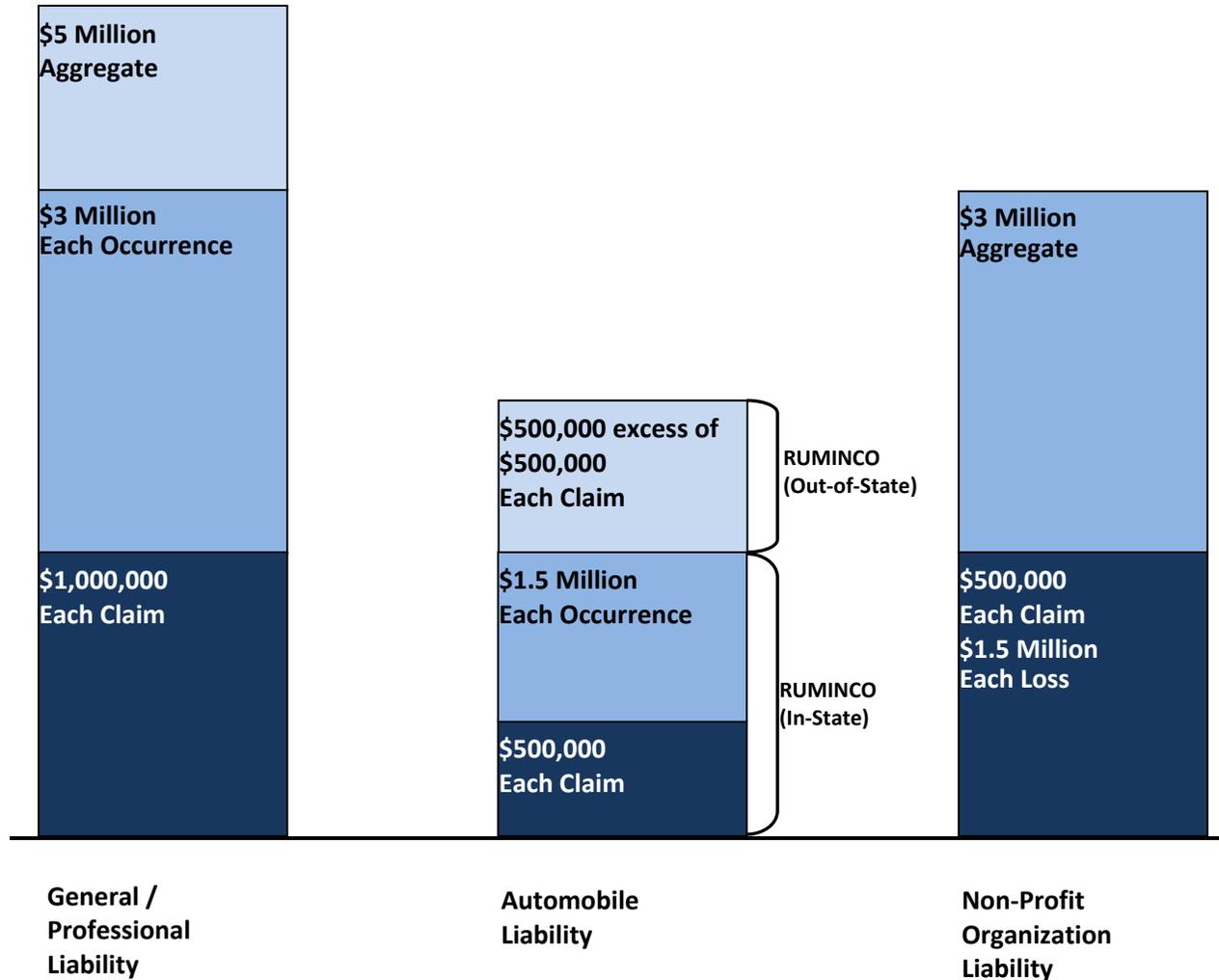
- Directors' and Officers' Liability
- Employment Practices Liability
- Personal Injury e.g., libel, slander, defamation, emotional distress

Principal Exposure:

Frequency and Severity: Employment-related claims such as allegations of sexual harassment, failure to grant tenure, discrimination, etc.

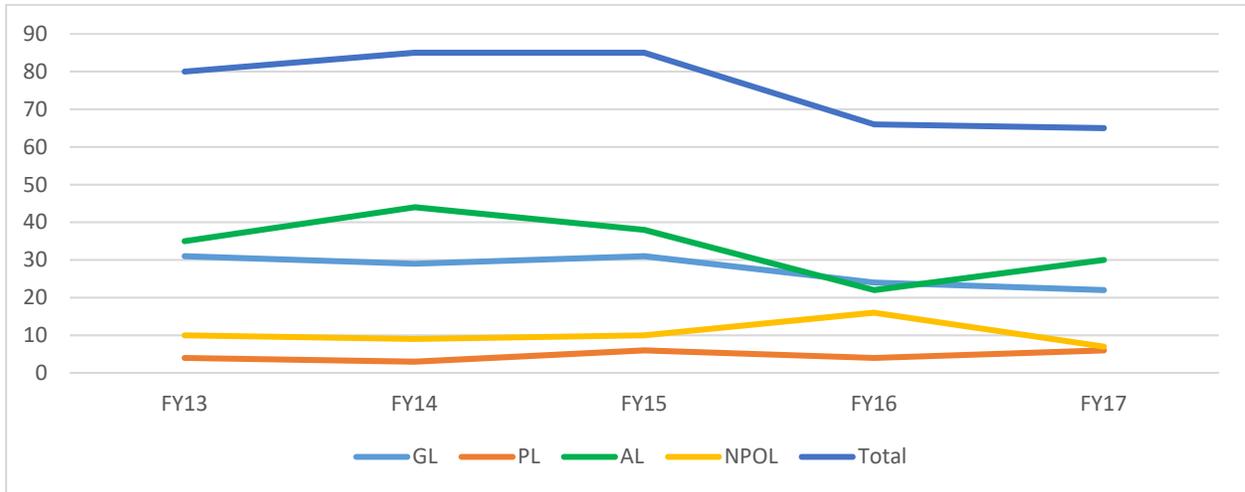
Summary of RUMINCO Ltd. Limits

RUMINCO limits are in the same range as the maximum payout prescribed by the Minnesota Tort Cap statutes; buying more limit than required effectively waives the Statute's protection, with the new limit becoming the de facto tort cap.



RUMINCO Ltd. Claims Experience

Claim Count by Fiscal Year

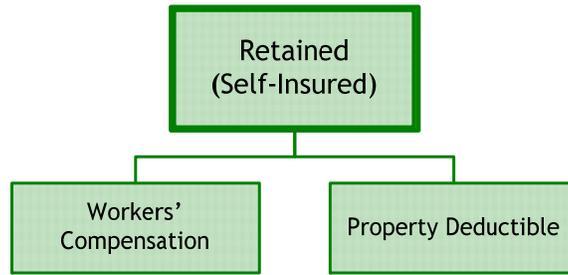


Claim frequency for the four RUMINCO lines of liability coverage over the past five years.

RUMINCO's Total Claim Count has averaged 76 claims per year over the past five years.

The Total FY17 Claim Count of 65 represents a five-year low.

RETAINED (SELF-INSURED)



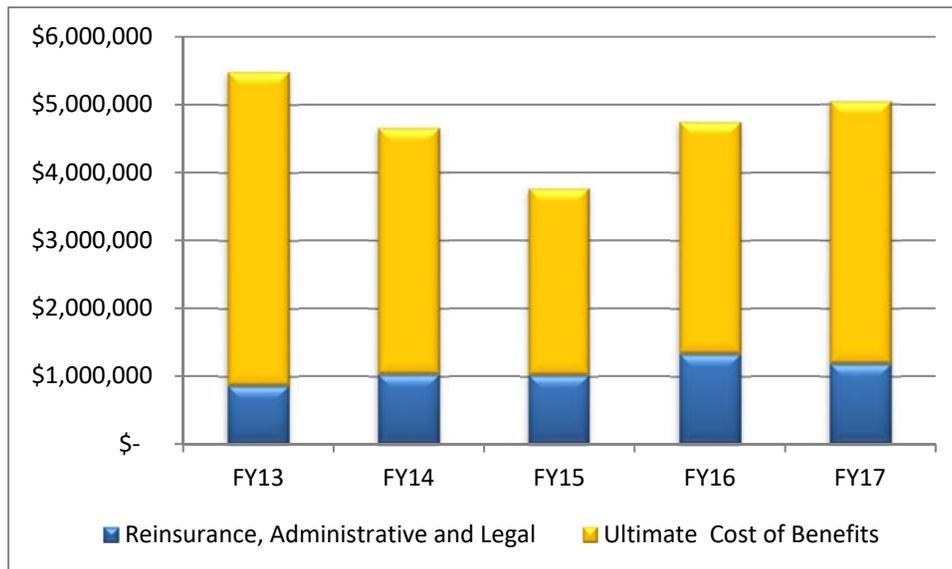
Workers' Compensation Overview

Workers' Compensation benefits are mandated and governed by Minnesota statute. Benefits include medical costs, wage loss and retraining costs for University employees who are injured while acting in the scope of their duties.

The University is a qualified self-insurer under Minnesota law, assuming liability up to \$1,880,000 in any one Workers' Compensation occurrence. The Workers' Compensation Reinsurance Association (WCRA), an excess insurer for catastrophic claims created by the State of Minnesota, provides excess protection.

Beginning in FY09, Risk Management began a continuing initiative to make the statutory Workers' Compensation benefit system more transparent, accessible, and easy to use for all parties. That initiative formed the basis for positive trends that continue today.

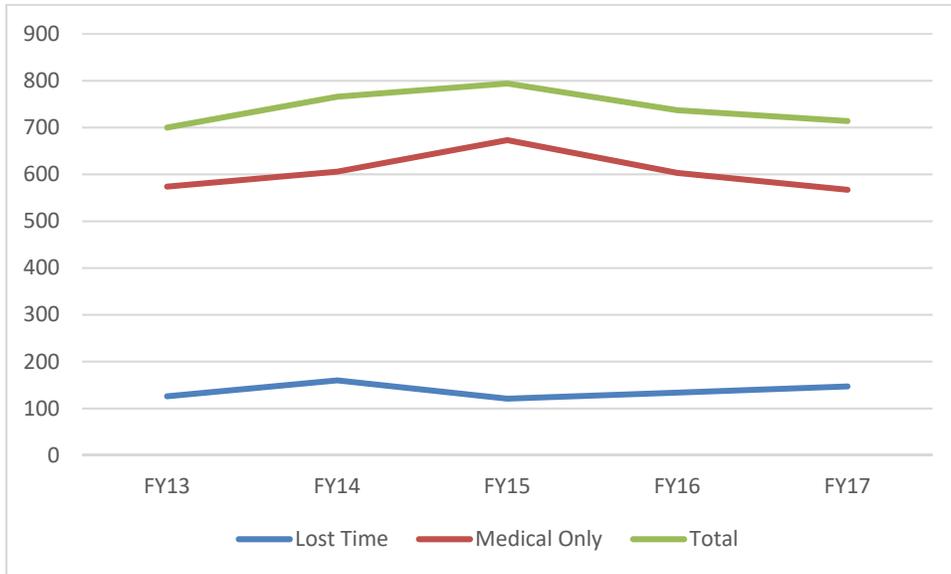
Workers' Compensation Program Costs



Ultimate cost of benefits is moderately volatile. Administrative costs are relatively steady.

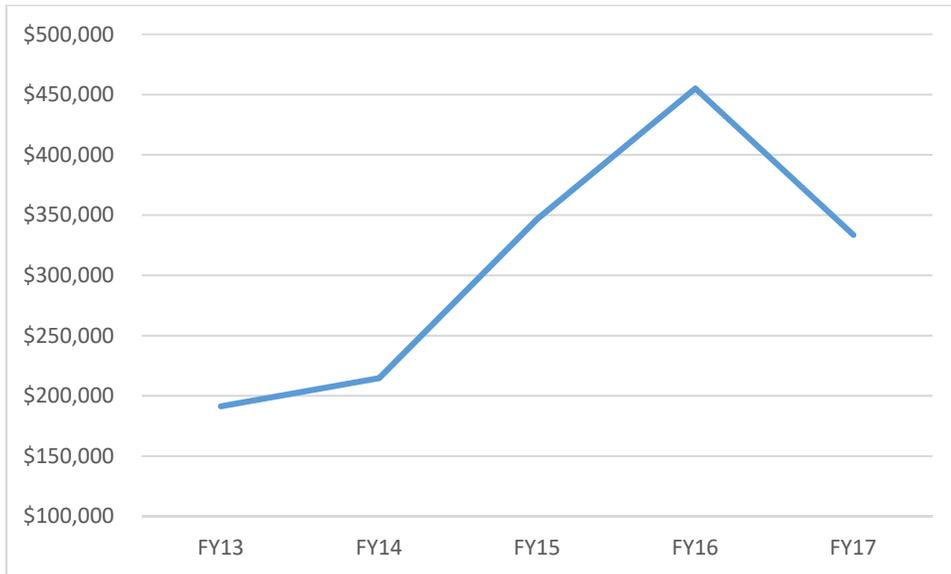
Workers' Compensation

Workers' Compensation Claim Count



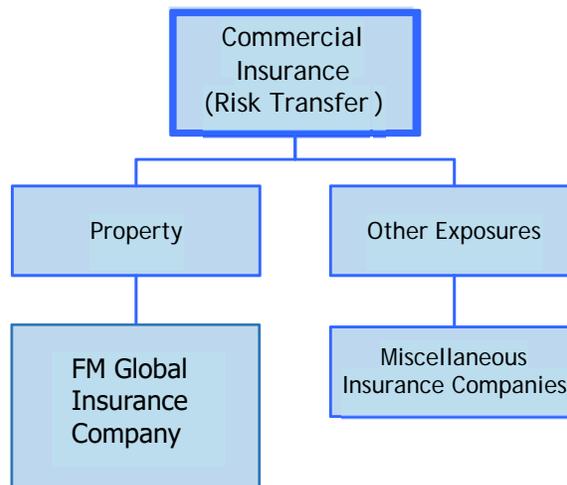
Aggregate claim count is stable.

Workers' Compensation Legal Expense



Legal expenses are returning to typical levels after our pursuit of binding precedent on 'course of commute' claims.

COMMERCIAL INSURANCE



Through the purchase of commercial insurance, the University transfers certain loss exposures to commercial insurance companies.

Reasons to commercially transfer risk include:

- High limits that would be difficult or impossible to self-fund (\$40 million Extra MN General/Auto Liability; \$10 million Extra MN Clinical Trial Liability; \$2 billion Property Insurance) and
- Customer/public relations, low price of transfer, or demands by third parties (NCAA Athletic Injury Primary Coverage; Daycare Accident; Fine Art)

Property Insurance premiums are 85 percent of the University's commercial insurance outlay.

Property Insurance

Property Insurance covers risks of direct physical loss or damage to the “covered property” as defined in the policy, subject to sublimits and specifically excluded perils. The insurer for the University is FM Global Insurance Company.

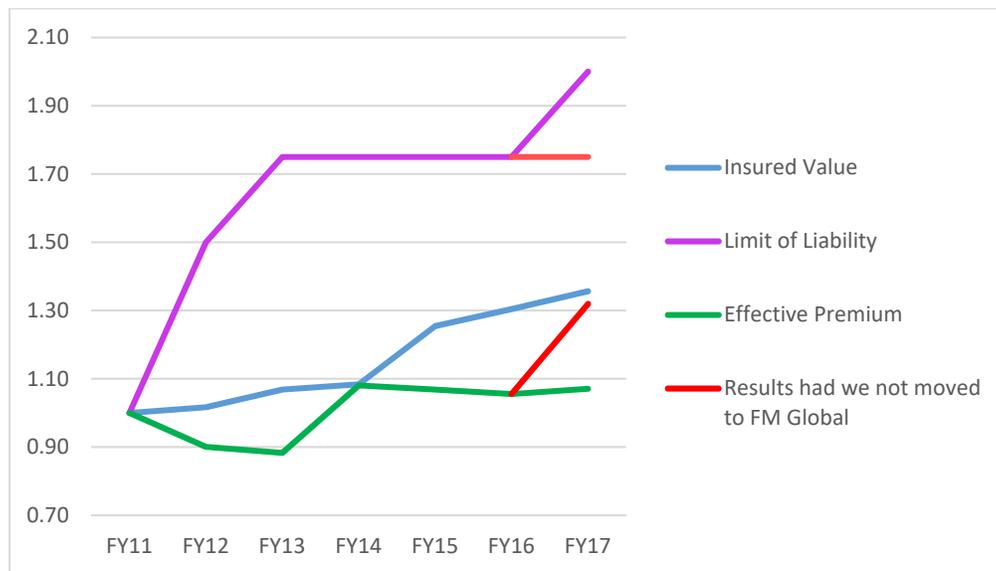
We revised the program deductible from \$200,000 to \$500,000 in FY11 and have been monitoring program performance since. An effective measure of performance is “Effective Premium”, which reflects changes in deductible cost:

$$\text{Effective Premium} = \text{Premium Paid to Insurer} + \text{Deductible Internally Retained}$$

The chart below shows the change in Effective Premium in relation to two key Premium Cost Drivers (Insured Value and Limit of Liability) since FY11 (with FY11 having been converted to a baseline of "1").

FY17 was our first full year with our new property insurer, FM Global Insurance Company. The chart demonstrates the immediate positive impact the change has brought to the University. The red trend lines show the results had we not moved to FM Global; Effective Premium would have been \$1.05MM higher, Limit of Liability \$250MM lower.

Trends in Values, Premium and Limit: FY11 = 1



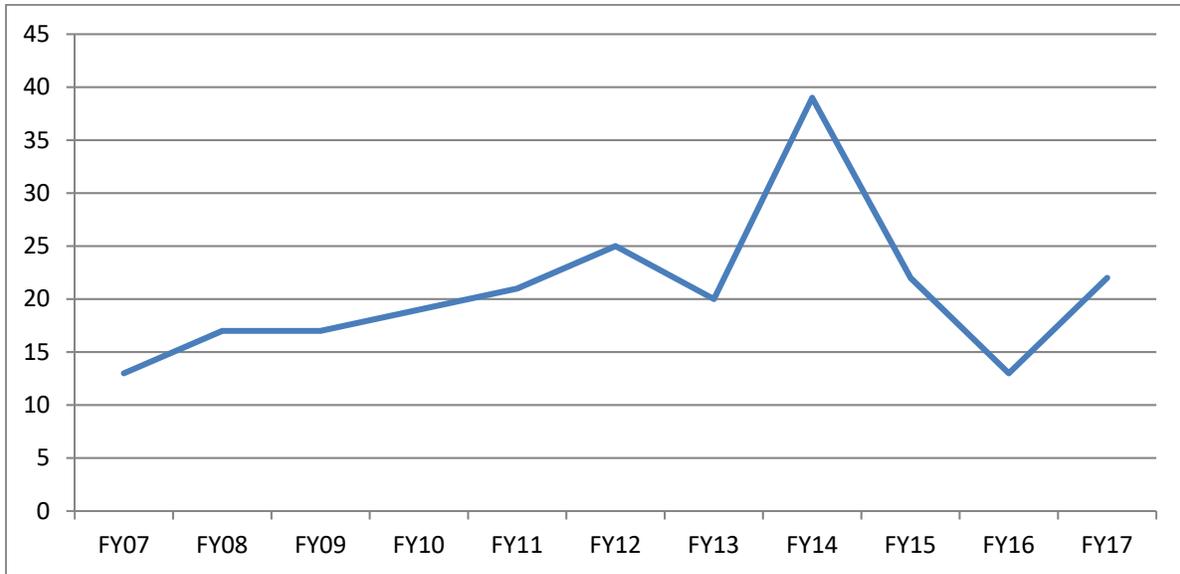
Premium Cost Drivers are Insured Value and Limit Purchased.

Using FY11 as the baseline, we see the growth of Premium

Cost Drivers continuing to outpace Effective Premium.

Property Insurance

Property Claim Count by Fiscal Year



Property claim count was 22 events for FY17, very closely aligning with the historical 10 year average of 21.5 claims per year.

In FY17, losses exceeding \$200,000 were as follows:

- 7/20/16 Wind/Hail, Duluth -- \$210,130
- 1/19/17 Water Damage from frozen sprinkler leak, NCROC -- \$600,000
- 2/10/17 Water damage from frozen sprinkler leak, TCF Stadium -- \$272,197

Miscellaneous Commercial Insurance Coverage

Here is a brief overview of purchased policies with premiums exceeding \$25,000.

EXCESS GENERAL AND AUTO LIABILITY – EXTRA MN: \$40 million in coverage excess a \$1 million Self-insured Retention (Deductible) for General and Automobile liabilities the University may incur outside the jurisdiction, and Tort Cap protection, of Minnesota law.

EXCESS CLINICAL TRIALS LIABILITY – EXTRA MN: \$10 million in coverage excess a \$1 million Self-insured Retention (Deductible) for Clinical Trials liabilities the University may incur outside the jurisdiction, and Tort Cap protection, of Minnesota law.

INTERCOLLEGIATE ATHLETICS: This policy insures medical costs arising from injuries sustained by University intercollegiate athletes during play, practice or travel.

HULL & LIABILITY (Primary & Excess): Physical Damage and Liability coverage up to \$1 million of primary liability, plus \$14 million of excess liability, arising out of our ownership and use of the 86-foot *Blue Heron* research vessel in Duluth.

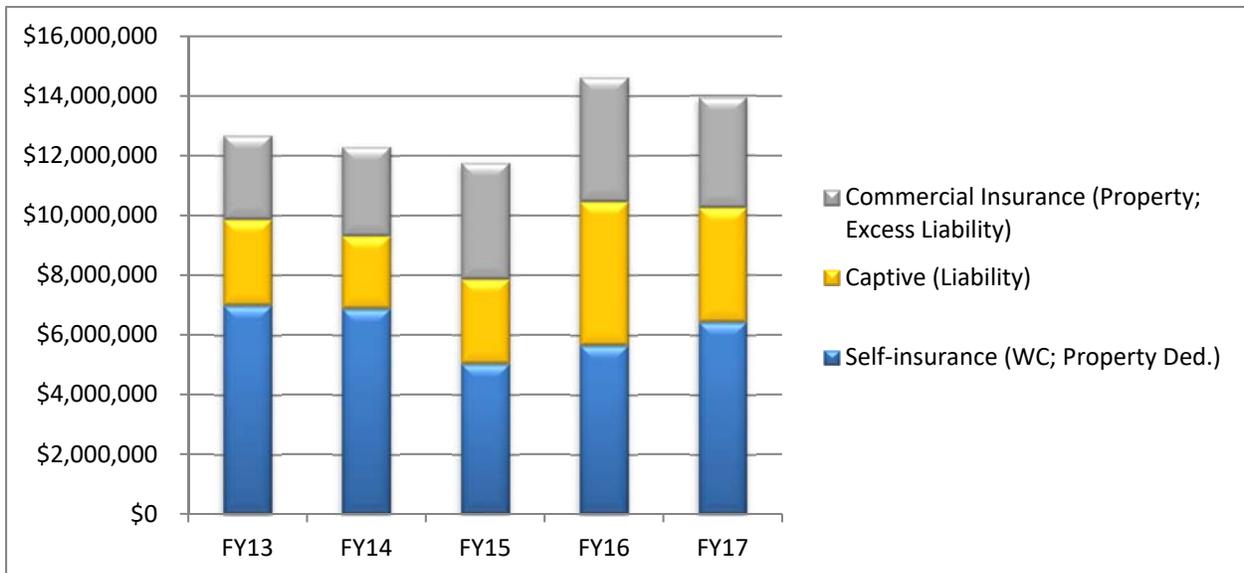
Total Cost of Risk Summary

University of Minnesota

Total Cost of Risk: Fiscal Years 2013 – 2017

The University's Total Cost of Risk is the sum of:

- Self-Insured costs;
- Captive costs; and
- Commercial Insurance premiums.



Total Cost of Risk averaged \$13.0 million over the past five years.

Total Cost of Risk Summary

COST ITEM	FY13	FY14	FY15	FY16	FY17
<u>Captive</u>					
Liability Ultimate Loss (EST.)	\$ 1,789,340	\$ 1,350,715	\$ 1,691,202	\$ 3,614,225	\$ 2,581,476
Liability Claims Administrator	\$ 51,707	\$ 50,542	\$ 56,333	\$ 56,045	\$ 44,428
Captive Administrative Expenses	\$ 116,909	\$ 101,896	\$ 109,878	\$ 105,510	\$ 109,793
OGC Expenses	\$ 919,544	\$ 927,558	\$ 965,031	\$ 1,010,487	\$ 1,070,267
Total Captive	\$2,877,500	\$2,430,711	\$2,822,444	\$4,786,267	\$3,805,964
<u>Self-Insurance</u>					
Workers' Compensation Ultimate Loss (EST.)	\$ 4,618,361	\$ 3,616,525	2,735,723	3,412,376	3,853,978
WC Reinsurance Association	\$ 149,612	\$ 154,209	156,489	177,439	200,430
Special Compensation Fund	\$ 207,312	\$ 301,786	179,642	339,746	272,944
WC Claims Administrator	\$ 275,324	\$ 313,479	297,777	317,449	333,468
Litigation Cost	\$ 191,338	\$ 214,638	346,676	455,100	341,339
Bill Review Service	\$ 32,717	\$ 38,591	32,694	32,281	31,652
WC Actuarial	\$ 10,300	\$ 10,430	9,892	9,402	8,243
WC Total	\$ 5,484,964	\$ 4,649,658	3,758,893	4,743,793	5,042,054
Retained Property Losses [1]	\$ 1,463,923	\$ 2,213,795	1,240,717	875,304	1,379,845
Electronic Data Processing [2]	\$ 24,371	\$ 12,837	27,288	35,975	5,311
Total Self-insurance	\$6,973,258	\$6,876,290	\$5,026,898	\$5,655,072	\$6,427,210
<u>Commercial Insurance</u>					
All Risk Property	\$ 2,261,562	\$ 2,345,651	\$3,268,222	\$3,578,633	\$3,139,232
Excess General/Auto Liability - Extra MN	\$ 238,002	\$ 242,762	250,044	262,012	261,296
Excess Clinical Trials Liability - Extra MN	\$ 139,839	\$ 215,756	184,506	135,000	119,286
Intercollegiate Athletics	\$ 31,500	\$ 33,500	33,500	33,500	33,500
Hull, Liability, Pollution (Blue Heron Ship)	\$ 31,558	\$ 28,701	28,659	27,494	27,494
Other States Workers Compensation	\$ 3,611	\$ 6,093	5,386	26,383	14,864
Fidelity & Crime	\$ 20,162	\$ 21,740	22,015	22,015	22,015
Fine Arts	\$ 18,280	\$ 18,827	18,827	20,934	20,934
Nonowned Aircraft Liability	\$ 22,000	\$ 22,000	22,000	20,900	20,900
Showboat [3]	\$ 9,739	\$ 11,748	13,300	6,480	-
Broadcaster's Liability	\$ 5,365	\$ 5,594	5,594	5,594	5,412
Child Care Center AD&D	\$ 1,159	\$ 1,397	1,198	1,704	1,687
Upward Bound AD&D	\$ 406	\$ 406	406	406	406
Brokerage	\$ 37,586	\$ 38,337	38,337	38,337	37,869
Total Commercial Insurance	\$2,820,769	\$2,992,512	\$3,891,994	\$4,179,392	\$3,704,895
GRAND TOTAL COST OF RISK	\$12,671,527	\$12,299,513	\$11,741,336	\$14,620,731	\$13,938,069

[1] Amount of Insurable property losses between \$10,000 and deductible.

[2] EDP coverage is self-insured; figure shows losses excess \$500.

[3] Showboat management agreement w/Padelford ended 9/30/16. CLA transferred ownership of the boat after the final performance season (July-Aug 2016).

Work Plan Fiscal Year 18

Cyber Liability

When we considered Cyber Liability five years ago, the market was nascent and coverage terms were inconsistent. We will again test the Cyber Liability market to see if the product has matured to meet our needs.

Return to Work

We have been cooperating with Disability Resources on a trial Return to Work program. The program provides light duty work to employees out on Workers Compensation who cannot immediately return to their normal duties. That program has been successful. We will work with Disability Resources and our Work Comp Third Party Administrator Sedgwick to formalize the program.

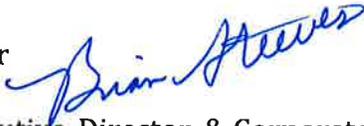
UNIVERSITY OF MINNESOTA

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Regents of the University of Minnesota
Office of the Board of Regents

600 McNamara Alumni Center
200 Oak Street S.E.
Minneapolis, MN 55455
Phone: 612-625-6300

January 25, 2018

To: President Eric Kaler 
From: Brian Steeves, Executive Director & Corporate Secretary
Re: *Emergency Approval*

Chair McMillan, Vice Chair Powell, and Finance & Operations Committee Chair Anderson approved your request for emergency approval of the following action (as described in the attached letter) on January 23 and 24, 2018:

- Purchase of Goods and Services \$1,000,000 and over - To KaufmanHall for an estimated \$1,350,000 to provide financial analysis and evaluation services regarding strategic options for the University Health System for the Office of the General Counsel for the period of January 16, 2018 through December 31, 2018.

The approval is granted with the understanding that the Board could act to terminate the agreement after three months.

This information will be reported to the Board of Regents at the February 2018 meetings, as required by Board of Regents Policy: *Board Operations and Agenda Guidelines*.

c: Brian Burnett, Senior Vice President for Finance and Operations
Douglas Peterson, General Counsel
Jon Steadland, Chief of Staff

Office of the President

202 Morrill Hall
100 Church Street S.E.
Minneapolis, MN 55455-0110

612-626-1616
Fax: 612-625-3875

January 22, 2018

The Honorable David J. McMillan
The Honorable Kendall J. Powell
The Honorable Thomas J. Anderson

Dear Members of the Board:

As you know, the policy on Board Operations and Agenda Guidelines stipulates that Board approval is required before the University makes any purchase of goods or services in the amount of \$1,000,000 or more. This approval is also required by the Regents Policy on Purchasing.

Since the Board will not be meeting in January 2018, no approvals for large purchases are possible until February 9, 2018, under normal procedures. However, Board of Regents policy *Board Operations and Agenda Guidelines* specifies the requirements for an emergency procedure if an emergency situation exists as defined in the Guidelines. Specifically, in Section II, Subd. 10, the policy reads as follows:

“Upon the recommendation of the president, the Board chair, vice chair, and the respective committee chair may act on behalf of the Board when delay for Board approval poses a significant health, safety, or financial risk to the University. Any such emergency approvals will be brought to the next meeting of the Board, consistent with Board Policy.”

Upon the request of the Director of Purchasing, the Associate Vice President and Assistant Chief Financial Officer, and the Senior Vice President for Finance and Operations, I am recommending Board approval for the following purchases using this emergency process:

- To KaufmanHall for an estimated \$1,350,000 to provide financial analysis and evaluation services for University health strategic options for the Office of General Counsel for the period of January 16, 2018 through December 31, 2018. This contract will be funded as a part of the M Health initiative. The contract will be executed by the General Counsel to preserve Attorney/Client

privilege for the work product. See enclosed documentation regarding the basis of supplier selection.

I am recommending that this be approved on an emergency basis to assure the purchase is made as economically as possible, and to avoid interruption of its related projects.

Attached is additional information and supporting documentation for the purchase and justification for handling it under the emergency approval process.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Kaler", with a long horizontal flourish extending to the right.

Eric W. Kaler
President

Enclosure

EWK:js

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

To KaufmanHall for an estimated \$1,350,000 to provide financial analysis and evaluation services regarding strategic options for the University Health System for the Office of the General Counsel for the period of January 16, 2018 through December 31, 2018.

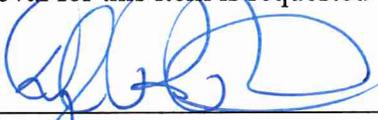
KaufmanHall will provide financial analysis and evaluation of financial options for two key University initiatives. The first being a strategic alignment within the Twin Cities, called Pediatric Academic Health System and the second, a broader evaluation of Health System strategic options relative to the academic affiliation agreement with Fairview Health Services.

The University was able to negotiate pricing to a fixed fee of \$95,000/ month, plus out of pocket and administrative expenses.

This contract will be funded as a part of the M Health initiative. Contract will be executed by the General Counsel to preserve Attorney/Client privilege for the work product.

Submitted by: Susan Kratz
Academic Health Center Counsel
Office of General Counsel
200 Oak Street SE
Minneapolis, MN 55455
Phone: 612-626-4999

Approval for this item is requested by:



Doug Peterson, General Counsel

January 12, 2018

Date

Rationale for Exception to Competitive Process

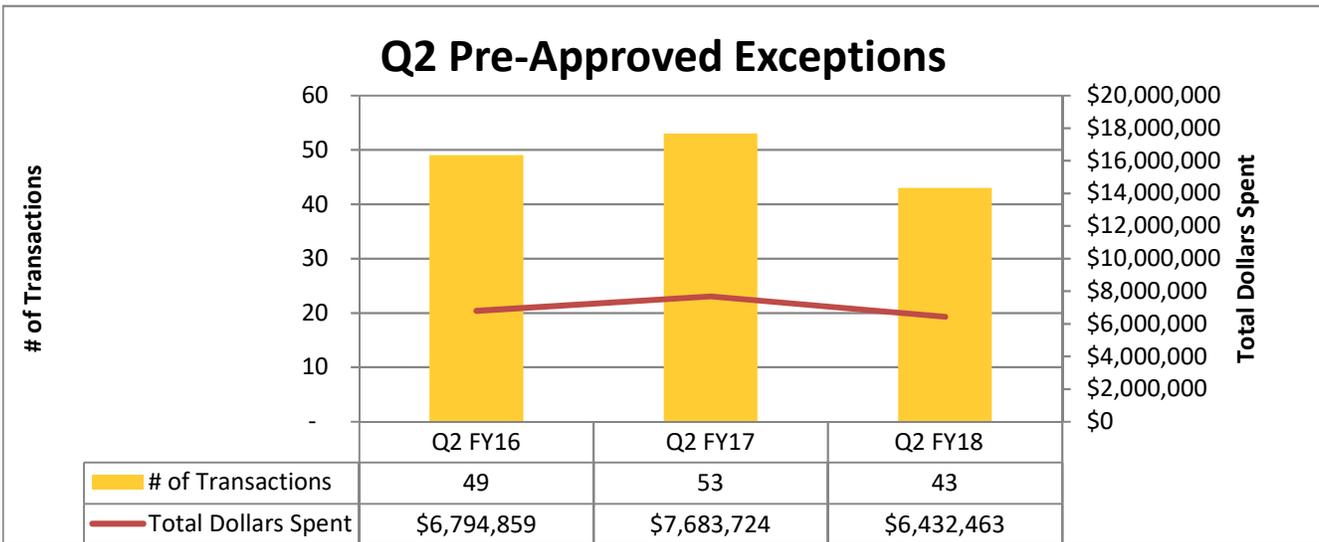
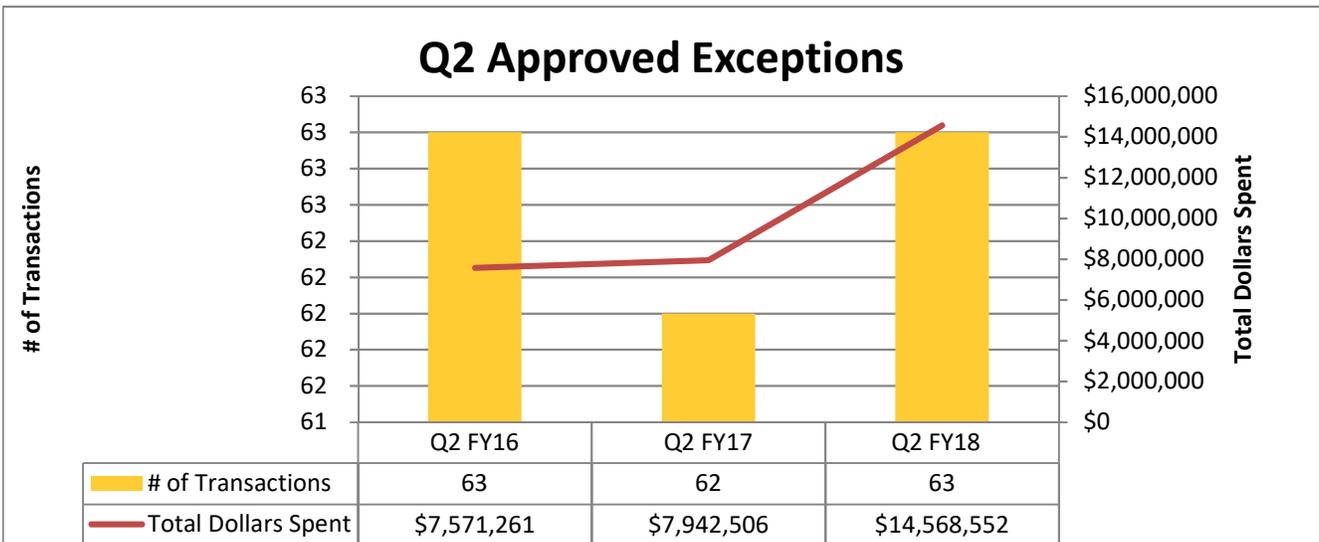
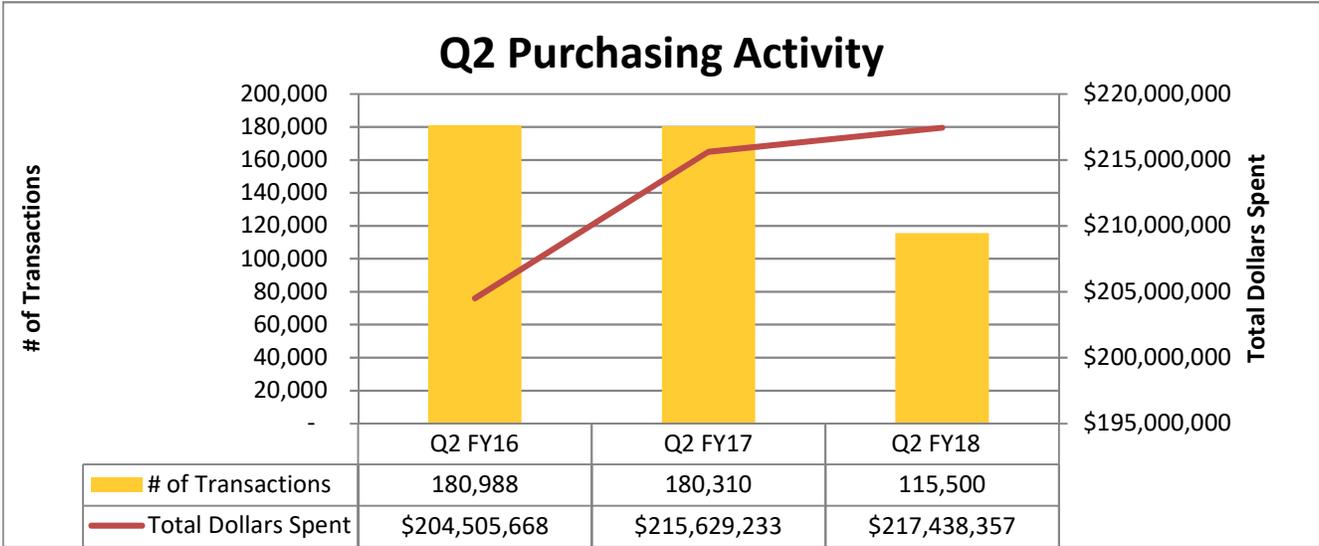
This purchase has not been competitively bid because the necessity for this contract emanates from the University's need to negotiate with Fairview Health Services regarding various aspects of the agreements between the University and Fairview, in particular whether to renew the M Health agreement which is scheduled to terminate June 1, 2018 and otherwise restructure the affiliation arrangement. The Long Term AHC Mission Committee determined that conducting the standard, formal RFP process was not in the best interests of the University in this situation, for two reasons. First, time is of the essence, as critical decision points involving the PAHS matter are less than 6 weeks away. Second, the skillsets and experience requirements are not found at many consulting firms, and so individual firms who were known to have those skills and experiences were identified and invited to propose. Although an RFP was not issued in this case, the process used contained many of the same elements of a competitive process (submission of proposals, review of proposals, interviews of respondents, and competitive evaluation by the AHC Long Term Mission group).

The work performed by this supplier will be used by the University to support sensitive negotiations and mission-critical decisions related to the two aforementioned issues. To ensure that the University's bargaining position is not undermined because of information being shared inappropriately, this vendor will be contracted by Office of the General Counsel under attorney-client privilege. A detailed statement of scope and deliverables is therefore not included due to the determination by OGC that to do so may jeopardize the attorney-client privilege protections.

The Long Term AHC Mission Committee invited 4 firms to make proposals (KaufmanHall, PWC, Prager, and Raymond James Healthcare Finance), and to be interviewed by representatives of the committee. These firms were invited based on their experience in working with academic institutions that have academic medicine arrangements with third parties, similar to the University of Minnesota. Representatives from the committee received proposals, interviewed the firms, and selected KaufmanHall based on its experience, pricing, and reputation with academic medical institutions. KaufmanHall demonstrated it has the experience in financial analysis, "what-if" modeling, capital investment and financing of academic health facilities, and other areas of financial expertise for the University.

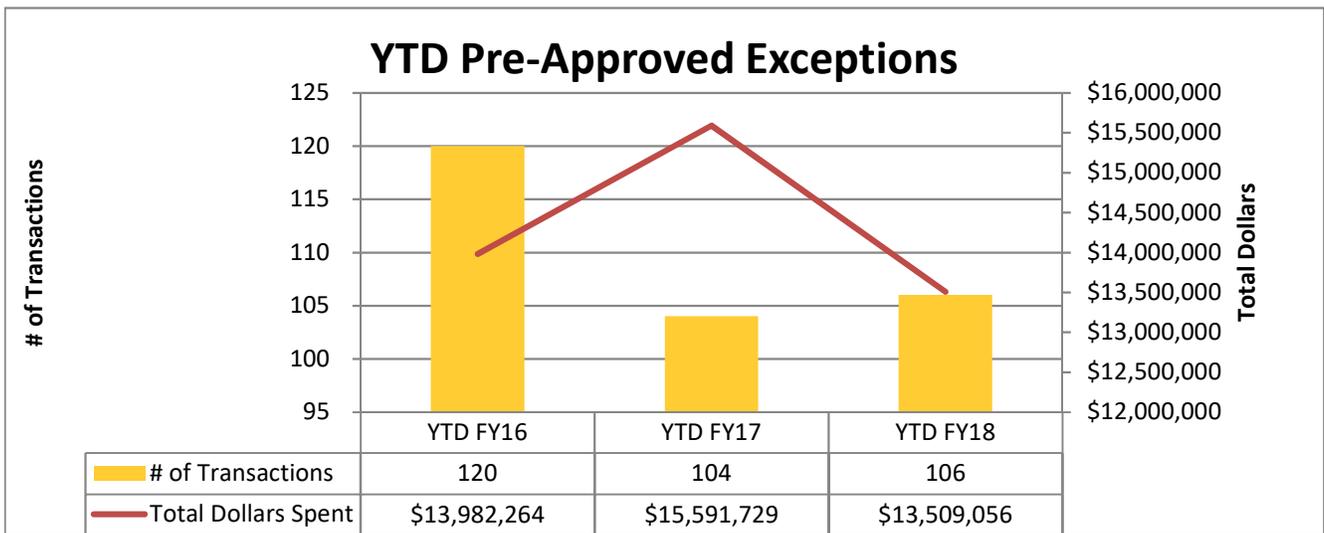
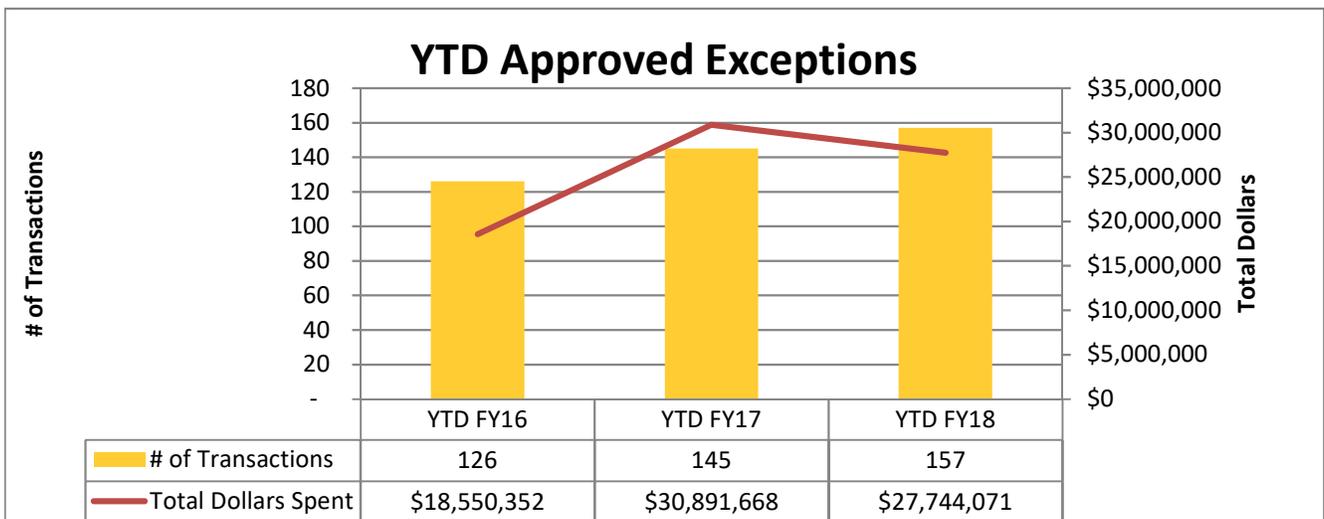
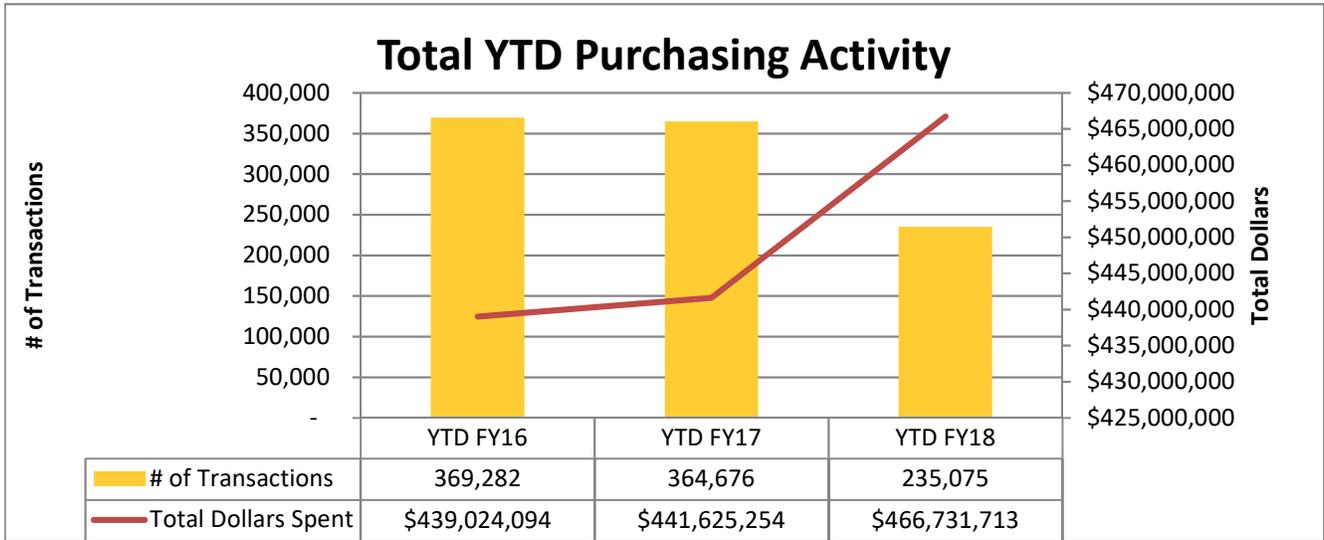
The University determined reasonableness of the price through comparison work with consulting firms in similar situations. In addition, recent engagements from the University of Minnesota Physicians provide a price benchmark. Finally, through direct negotiations with KaufmanHall, the University was able to negotiate reduced pricing, from their proposed \$180,000/ month fee, to \$97,000/ month.

I. Summary of Purchasing Activity for Q2 FY18



Q2 Exceptions	112	115	106
Q2 Exception Dollars	\$14,366,120	\$15,626,229	\$21,001,015

Summary of Purchasing Activity YTD FY18



	YTD FY16	YTD FY17	YTD FY18
YTD Exceptions	246	249	263
YTD Exception Dollars	\$32,532,617	\$46,483,397	\$41,253,127

II. Purchases made as Approved Exceptions to Competitive Purchasing Process Q2FY18

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.	14	\$3,137,018

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.	17	\$2,969,637

Exception #3:	Total # of Exceptions	Total Dollars
Funding source or granting agency specified a single supplier.	4	\$240,209

Exception #4:	Total # of Exceptions	Total Dollars
Other	28	\$8,221,688

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.	0	\$0

TOTAL Approved Exceptions 63 \$14,568,552

III. Pre-Approved Exceptions to Competitive Purchasing **Q2 FY18**

Exception #1:	Total # of Exceptions	Total Dollars
Lodging, travel (does not include group airfare or charter air).	6	\$616,642

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).	2	\$199,995

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.	8	\$2,360,645

Exception #7:	Total # of Exceptions	Total Dollars
Service/maintenance agreements with the original manufacturer/ developer for equipment and software.	8	\$1,523,060

Exception #8:	Total # of Exceptions	Total Dollars
Unique specification research animals purchased under guidelines of the Institutional Animal Care and Use Committee (IACUC).	1	\$123,701

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	\$787,360

Exception #12:	Total # of Exceptions	Total Dollars
Entertainers, lecturers, speakers and honoraria.	6	\$466,350

Exception #14:	Total # of Exceptions	Total Dollars
Study Abroad Administrators (Does not include group airfares).	4	\$354,710

TOTAL Approved Exceptions **43** **\$** **6,432,463**

There are 16 categories of Pre-Approved Exceptions. Only those categories which had qualifying transactions are reported above.

IV. Regents Policy Violations **Q2FY18**

There are no Regents Policy Violations to report.



Report on the 2017 Employee Engagement Survey

Executive Summary of Total University of Minnesota Results

The results of the 2017 Employee Engagement Survey show high, and increasing, levels of engagement among faculty and staff. Increases in engagement from 2015 appear to reflect improvement in several key areas.

Specifically, **faculty** reported large and meaningful improvements in support and resources and development opportunities as well as modest, but meaningful increases in trust in college leadership teams and departmental commitment to high impact, high-quality scholarship.

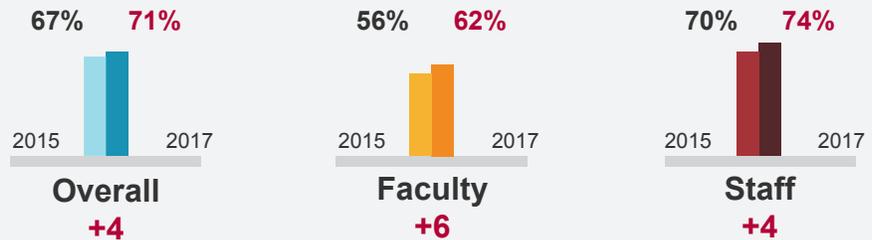
Staff reported large and meaningful improvements in development opportunities, trust and confidence in leaders, and equitable distribution of workload as well as modest, but meaningful increase in departmental strategies and goals, commitment to high-quality customer support, and having the information needed to do good work.

Although the University-wide trends are positive and reflect perceptions of improvement, the data also show that about one in five faculty and staff are frustrated and may not be benefiting from these improvements. As a result, there is more work to do to address these sources of frustration at the University level, the college, campus, and unit level as well as the department, division, and team level. This work will be an important part of retaining highly committed and dedicated faculty and staff.

DATES OF SURVEY ADMINISTRATION

OCT 16
to
NOV 3
2017

SURVEY PARTICIPATION

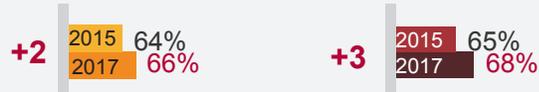


ENGAGEMENT KEY METRICS*

Commitment and Dedication
Pride, motivation, intent to stay



Effective Environment
Efficient, productive workplace



* The University of Minnesota has a unique approach for measuring BOTH commitment and dedication AND effective environment as the key metrics of employee engagement. Measuring both key metrics allows us to identify the opportunities where we can make the most impact on engagement. This is important to understand when benchmarking against other organizations, because most measure only commitment and dedication. If we only looked at commitment and dedication, our results would be much higher.



Increased engagement for faculty primarily driven by increases on four items

ITEM	2017 % FAV	VS. 2015
I have the resources and support I need to pursue my scholarly interests.	58%	+10
I have opportunities to achieve my personal career objectives at my campus.	74%	+7
The people in my department are committed to delivering high impact, high quality scholarship.	81%	+4
I have trust and confidence in my college's leadership team.	55%	+4

Increased engagement for staff primarily driven by increases on six items

ITEM	2017 % FAV	VS. 2015
I have opportunities to achieve my personal career objectives at my campus.	69%	+10
I have trust and confidence in my college's leadership team.	66%	+8
There is an equitable distribution of workload in my department.	55%	+6
I have the information I need to do my job well.	78%	+3
My department has a strategy and goals that address our most important challenges and opportunities.	66%	+3
My department is committed to provide high quality customer support.	85%	+2



Faculty Headlines–Total University

STRENGTHS

Broad-based improvement from 2015, with 30 out of 36 survey items trending upward.

The percentage of faculty reporting both a high level of commitment and dedication and an effective environment increased to 50% in 2017 vs. 48% in 2015.

Commitment to Excellence and Authority & Empowerment continue to remain strengths.

- Commitment to delivering high-quality student support continued to improve (80% favorable; +5 vs. 2015), as did commitment to delivering high-impact, high-quality scholarship (81% favorable; +4 vs. 2015)
- “I have enough authority to carry out my job effectively” (83% favorable; +1 vs. 2015)

Support and Resources saw the greatest increase across survey drivers (65% favorable; +9 vs. 2015).

- “I have the resources and support I need to deliver high-quality teaching” (72% favorable; +10 vs. 2015)
- “I have the resources and support I need to pursue my scholarly interests,” (58% favorable; +10 vs. 2015)

Development Opportunities saw meaningful improvement.

- “I have opportunities to achieve my personal career objectives at my campus (Crookston, Duluth, Morris, Rochester, Twin Cities).” (74% favorable; +7 vs. 2015)

Additionally, several key items are among the most favorably scored items:

- “I understand the results expected of me in my work.” (84% favorable)
- “I have enough authority to carry out my job effectively.” (83% favorable)
- “The people in my department are committed to delivering high impact, high quality scholarship.” (81% favorable)
- “My department is committed to high quality student support.” (80% favorable)
- “I am treated with respect as an individual.” (80% favorable)

OPPORTUNITIES

Although there was broad improvement across survey dimensions, there are items that remain low in favorability. These are opportunities for continued improvement.

Work, Structure, & Process.

- Equitable distribution of work (only 44% favorable, although +5 from 2015)

Additional least favorably scored items:

- Department offers effective mentoring and coaching to support development (50% favorable)
- Trust and confidence in the college’s leadership team (55% favorable)
- Resources and support to pursue scholarly interests (58% favorable)
- Department’s strategy and goals address most important challenges and opportunities (59% favorable)



Staff Headlines–Total University

STRENGTHS

Broad-based improvement from 2015, with 34 out of 36 survey items trending upward.

The percentage of staff reporting both a high level of commitment and dedication and an effective environment increased to 54% in 2017 vs. 51% in 2015.

Commitment to Excellence and Authority & Empowerment continue to remain strengths for staff.

- Commitment to delivering high quality services is among the items with the highest favorability and continues to trend upward (88% favorable; +3 vs. 2015)
- “I have enough authority to carry out my job effectively.” (83% favorable; +1 vs. 2015)

Developmental Opportunities and Confidence in Leadership are the most improved.

- “I have opportunities to achieve my personal career objectives at my campus (Crookston, Duluth, Morris, Rochester, Twin Cities).” (69% favorable; +10 vs. 2015)
- “I have trust and confidence in my college’s leadership team.” (66% favorable; +8 vs. 2015)

Additionally, several key items are among the most favorably scored items.

- “The people in my department are committed to delivering high quality services” (88% favorable)
- “I feel proud to work for the University of Minnesota.” (87% favorable)
- “I understand the results expected of me in my work.” (87% favorable)
- “My department is committed to providing high quality customer support.” (85% favorable)
- “I am treated with respect as an individual.” (84% favorable)

OPPORTUNITIES

Although there was broad improvement across survey dimensions, there are items that remain low in favorability. These are opportunities for continued improvement.

Work, Structure, & Process.

- “My department uses innovative approaches (new technologies or creative solutions) to improve our internal effectiveness.” (67% favorable; -2 vs. 2015)
- “There is an equitable distribution of workload within my department.” (55% favorable; +6 vs. 2015)

Additional least favorably scored items.

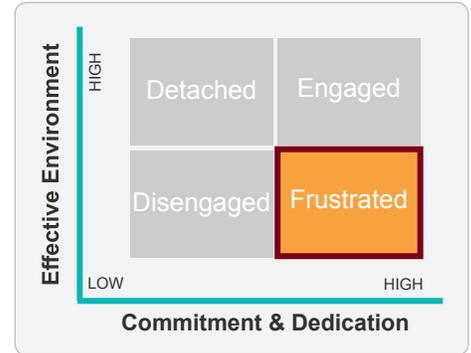
- “My manager/supervisor coaches me in my development.” (57% favorable)
- “The training that new employees received in my department is effective.” (57% favorable)
- “My department proactively identifies and eliminates barriers to getting work done efficiently.” (57% favorable)



Converting Frustration into Engagement

Although faculty and staff engagement remains strong, and increased in 2017, improvements were not realized for everyone. The data show that one in five faculty and staff are frustrated—they have a high level of commitment and dedication, but do not have an effective environment.

Addressing the issues facing faculty and staff who are frustrated is one of the most effective ways to boost engagement. Why? Frustrated faculty and staff are often very talented and hard-working, but will do one of three things if the sources of frustration are not addressed:



1. Find innovative ways around environmental barriers and become engaged;
2. Get tired of challenging environmental barriers and look for other opportunities; or
3. Lower their expectations and become disengaged.

Although the specific issues vary by college, campus, and unit, there are some University-wide trends. Below are the survey items with the biggest gaps between engaged and frustrated faculty and staff. Addressing these issues is likely to convert frustrated employees into engaged employees.

Faculty: biggest gaps between Engaged and Frustrated (based on percent favorable)

ITEM	ENGAGED	FRUSTRATED	GAP
I have the resources and support I need to pursue my scholarly interests.	82%	43%	-39
My department offers effective mentoring and coaching to support my development.	71%	32%	-39
My department has a strategy and goals that address our most important challenges and opportunities.	81%	44%	-37
My department demonstrates a commitment to supporting my overall wellbeing.	83%	48%	-35
My department uses innovative approaches (new technologies or creative solutions) to improve our internal effectiveness.	77%	42%	-35
There is an equitable distribution of workload within my department.	64%	29%	-35

Staff: biggest gaps between Engaged and Frustrated (based on percent favorable)

ITEM	ENGAGED	FRUSTRATED	GAP
There is an equitable distribution of workload within my department.	73%	34%	-39
My department has a strategy and goals that address our most important challenges and opportunities.	85%	48%	-37
My department uses innovative approaches (new technologies or creative solutions) to improve our internal effectiveness.	85%	49%	-36
My manager / supervisor coaches me in my development.	75%	40%	-35
I receive recognition when I do a good job.	85%	52%	-33
There is good cooperation and sharing of ideas between my department and other departments.	75%	42%	-33



Next Steps for Leaders

Improving the engagement of faculty and staff requires action on all levels. How do you make sense of the input you have received? What is the context of the input? What are your priorities? What are the underlying issues?

University-wide data provide an important benchmark to compare your local-level results, the next steps might include:

- Consider your survey data. How does it compare to the University overall?
- Consider the context that might have impacted the data (e.g., change in leadership, strategic priorities, significant process improvement, turnover, etc.)
- What other data are available to you?

Share the data with your team, recognize and celebrate the strengths and seek a deeper understanding of underlying issues.

Support and Resources

February 14, 2018
 at 12:00 p.m.

Making Sense of Your Survey Data Webinar

Live webinar focused on making sense of the employee engagement data and providing overview of the new online data portal functionality.

Feb - May 2018

Employee Engagement Labs

Opportunity for leaders with survey data to get an in-person consultation and ask data-related questions.

Ongoing

Leadership and Talent Development consultations to assist in navigating and understanding you survey data. Available upon request.

On-demand

Supervisory Development Module and Webinar

As a part of flexible online supervisory development program the Employee Engagement module provides an overview of employee engagement at the University, as well as best practices and resources on fostering employee engagement. The module includes videos, quick guides, quizzes and a webinar recording. Available at: z.umn.edu/SDC_EEModule

On-demand

Navigating Your Report Data site

Online materials and resources to help you navigate and interpret the employee engagement survey results in the new online data portal; contains videos, webinar recording, and navigation quick guides. Available at: ee.ltd.umn.edu

On-demand

Employee Engagement at the U

Employee Engagement at the University of Minnesota: the latest survey results, campus events and case studies. Available at: z.umn.edu/engagedU

UNIVERSITY OF MINNESOTA

Crookston • Duluth • Morris • Rochester • Twin Cities

University Services
Office of the Vice President

317 Morrill Hall
100 Church Street Southeast
Minneapolis, MN 55455
Office: 612-624-3557
Fax: 612-626-2278

TO: Regent Thomas Anderson, Chair – Finance and Operations Committee
Regent Dean Johnson, Vice Chair – Finance and Operations Committee

FROM: Brian D. Burnett, Senior Vice President 

DATE: January 17, 2018

RE: State Capital Appropriations Expenditure Report

Attached please find the State Capital Appropriations Expenditure Report, as required by state statute. This report includes all expenditures during calendar year 2017, and is forwarded to you in this fashion due to the short turn-around in order to meet the state's deadline (statute requires a January 15 submission on expenditures through the preceding December 31, which do not fully post to University systems until January 10.) Staff in Government Relations forward this report to the State, and a copy will be included as an information item in the February committee docket.

Please contact me with any questions.

cc: Eric Kaler, President
Mike Berthelsen, Vice President – University Services
JD Burton, Chief Government Relations Officer – University Relations
Brian Steeves, Executive Director – Board of Regents

TO: Representative Dean Urdahl, Chair, Capital Investment Committee
Representative Bud Nornes, Chair, Higher Education and Career Readiness Policy
and Finance Committee
Representative Jim Knoblach, Chair, Ways and Means Committee
Senator David Senjem, Chair, Capital Investment Committee
Senator Julie Rosen, Chair, Finance Committee
Senator Michelle Fischbach, Chair, Higher Education Finance and Policy Committee
Commissioner Myron Frans, Minnesota Management and Budget

FROM: Brian D. Burnett, Senior Vice President 

DATE: January 17, 2018

RE: Capital Appropriation Expenditure Report

Per Minnesota Statute 135A.046, the University's annual report of progress on projects funded by the State of Minnesota through the HEAPR statute is attached. As has been the University's practice, this report also provides you information about our progress on all capital projects funded by the State.

We are pleased with the projects that have been completed and the progress toward finishing those remaining. The financial support provided by the people of the State is critical to the University's success, and we are grateful for the funding that has made the work in this report possible.

If you have any specific questions, please call Brian Swanson in University Services finance at 612-625-6665.

cc: Brian Steeves, Executive Director and Corporate Secretary, University of Minnesota
Board of Regents
Michael Berthelsen, Vice President, University Services

University of Minnesota

Capital Appropriations Expenditure Report

In fulfillment of MN 135A.046 subd. 3

January 2018

Appropriation Status

Year	Full Allocation	% Spent or Encumbered Under Contract	% Spent, Encumbered or Otherwise Obligated to Complete a Project	Comments
2012	\$ 64,060,000	100%	100%	
2016	\$ -	na	na	No appropriation
2014	\$ 119,367,000	100%	100%	
2015	\$ 26,529,000	100%	100%	
2016	\$ -	na	na	No appropriation
2017	\$ 119,934,000	70%	99%	

Definitions

Allocation: The State appropriation for each project.

Spent: The amount the University has paid to contractors from signed contracts.

Encumbered: This includes:

- a. Project amount specifically under contract with a general contractor, architect, engineer, or other vendor.
- b. Internal project where work has begun and/or internal purchase order/work has been completed.

Obligated: Funds required to complete the project that are not yet under contract.

Note: percentages are rounded.

HEAPR Spending Status

Year	HEAPR Allocation	% Spent or Encumbered Under Contract	% Spent, Encumbered or Otherwise Obligated to Complete a Project	Comments
2012	\$ 50,000,000	100%	100%	
2013	\$ -	na	na	No appropriation
2014	\$ 42,500,000	100%	100%	
2015	\$ -	na	na	No appropriation
2016	\$ -	na	na	No appropriation
2017	\$ 20,600,000.00	30%	99%	

Definitions

Allocation: The State appropriation for each project.

Spent: The amount the University has paid to contractors from signed contracts.

Encumbered: This includes:

- a. Project amount specifically under contract with a general contractor, architect, engineer, or other vendor.
- b. Internal project where work has begun and/or internal purchase order/work has been completed.

Obligated: Funds required to complete the project that are not yet under contract.

Note: percentages are rounded.

University of Minnesota

Status Report: Total Capital Appropriations 2012 to 2017

Projected 01/31/18 - Definitions on last page

(A) Project Name	(B) Appropriation Amount	(C) Spent and/or Encumbered	(D) (B-C) Obligated	(E) (B-C-D) Unencumbered	(F) Status	(G) Estimated Occupancy	(H) Comments
2017 State Capital Appropriations: Major Projects							
UMD Chemical Science & Advanced Materials Building	28,267,000.00	23,199,012.81	5,067,987.19	0.00	Construction	1/31/2019	
Health Sciences Education Center	66,667,000.00	54,199,675.43	12,467,324.57	0.00	Construction	12/30/2019	
Plant Growth Facility Biological Sciences Conservatory	4,400,000.00	362,265.43	4,037,734.57	0.00	Schematic Design	12/31/2018	
Subtotal - '17 Appropriations: Major Projects	99,334,000.00	77,760,953.67	21,573,046.33	0.00			
2017 State Capital Appropriations: HEAPR Projects							
Completed Projects	9,500.00	9,500.00	0.00	0.00			
Childrens Rehab Roof Replacement	166,176.00	0.00	166,176.00	0.00	Predesign	9/1/2018	
Pattee Hall Exterior Envelope Stabilization	100,000.00	100,000.00	0.00	0.00	Design Development	N/A	For design only
Shevlin Hall Roof Replacement	315,300.00	28,700.00	286,600.00	0.00	Schematic Design	5/31/2018	
Nolte Hall Fire Alarm Upgrade	300,000.00	295,511.00	4,489.00	0.00	Construction	3/9/2018	
Recreation Ctr Roof & Skylight Replacement	1,035,386.00	1,035,386.00	0.00	0.00	Construction	2/28/2018	
MCB/Jackson Expansion Joint Wtr Infiltration	650,000.00	105,300.00	544,700.00	0.00	Design Development	11/30/2018	
Willey Hall Roof & Skylight Replacement	2,390,000.00	53,560.00	2,336,440.00	0.00	Design Development	8/31/2018	
Andersen Library Ground Water Piping Repairs	100,000.00	0.00	100,000.00	0.00	Programming	Unknown	
Vet Med Ctr South Window Replacement	748,438.00	594,774.00	153,664.00	0.00	Construction	9/28/2018	
Magrath Library Restrm Accessibility Upgrade	115,000.00	49,070.48	65,929.52	0.00	Construction	4/30/2018	
Ruttan Hall Window, Skylight, Ext Door Replcmnt	3,200,000.00	18,881.92	3,181,118.08	0.00	Procurement	5/15/2019	
Vet Med Ctr North HVAC & Code Improvements	1,300,000.00	12,163.40	1,287,836.60	0.00	Procurement	8/3/2018	
Borlaug Hall Cooling Tower Replacement	550,000.00	502,485.00	0.00	47,515.00	Substantial Completion	Occupied	
Campus Wide Elevator Renewal & Replacement	6,130,000.00	435,229.00	5,694,771.00	0.00	Procurement	3/1/2019	
Equine Center HVAC Replacement	250,000.00	186,270.88	63,729.12	0.00	Construction	3/31/2018	
UMD Sports & Hlth Ctr Mech System Upgrade	1,845,000.00	1,845,000.00	0.00	0.00	Procurement	8/15/2018	
UMM Humanities HVAC Improvements	405,500.00	106,000.00	299,500.00	0.00	Design Development	7/1/2018	
UMM Student Ctr Edson Auditorium Interior Upgrd	205,000.00	0.00	205,000.00	0.00	Design Development	7/1/2018	
UMC Campus Electrical Distribution	410,900.00	322,310.14	88,589.86	0.00	Procurement	8/31/2018	
Horticulture Res Ctr Septic System Renewal	107,000.00	15,000.00	92,000.00	0.00	Design Development	8/3/2018	
NWROC Septic System Renewal	35,000.00	0.00	35,000.00	0.00	Programming	5/31/2018	
RROC Septic System Renewal	20,000.00	0.00	20,000.00	0.00	Programming	5/31/2018	
SWROC Septic System Renewal	10,000.00	208.69	9,791.31	0.00	Construction	3/31/2018	
SWROC Ext Windows Replacement	15,000.00	14,382.72	617.28	0.00	Construction	3/31/2018	
WCROC Replace Electrical Emergency Power	100,000.00	0.00	100,000.00	0.00	Schematic Design	6/1/2018	
CFANS ROC HEAPR Projects	12,800.00	0.00	0.00	12,800.00			
Cedar Creek Replace Septic & Drain Field	29,000.00	7,137.84	21,862.16	0.00	Design Development	7/16/2018	
Itasca HEAPR Projects	3,046.00	0.00	0.00	3,046.00			
Itasca HVAC Systems Upgrade in Cabin 10	4,966.00	1,550.00	3,416.00	0.00	Construction	3/31/2018	
Itasca HVAC Systems Upgrade in Cabin 11	4,966.00	1,550.00	3,416.00	0.00	Construction	3/31/2018	
Itasca HVAC Systems Upgrade in Cabin 12	4,966.00	1,550.00	3,416.00	0.00	Construction	3/31/2018	
Itasca HVAC Systems Upgrade in Cabin 13	2,330.00	1,100.00	1,230.00	0.00	Construction	3/31/2018	
Itasca Kitchen #53 Emergency Backup Generators	14,726.00	7,363.00	7,363.00	0.00	Construction	3/31/2018	
Itasca Women's Bathhouse Emerg Generators	5,000.00	2,500.00	2,500.00	0.00	Construction	3/31/2018	
Itasca Mens Bathhouse Emerg Generators	5,000.00	2,500.00	2,500.00	0.00	Construction	3/31/2018	
Subtotal - '17 Appropriations: HEAPR Projects	20,600,000.00	5,754,984.07	14,781,654.93	63,361.00			
Total - 2017 State Capital Appropriations	119,934,000.00	83,515,937.74	36,354,701.26	63,361.00			

University of Minnesota

Status Report: Total Capital Appropriations 2012 to 2017

Projected 01/31/18 - Definitions on last page

(A) Project Name	(B) Appropriation Amount	(C) Spent and/or Encumbered	(D) (B-C) Obligated	(E) (B-C-D) Unencumbered	(F) Status	(G) Estimated Occupancy	(H) Comments
2015 State Capital Appropriations: Major Projects							
MN Poultry Testing Lab-Willmar	7,779,000.00	7,737,333.24	0.00	41,666.76	Pacloseout	Occupied	Remaining funds to be converted to HEAPR
Vet Isolation Facility	18,000,000.00	18,000,000.00	0.00	0.00	Construction	7/6/2018	
Subtotal - '15 Appropriations: Major Projects	25,779,000.00	25,737,333.24	0.00	41,666.76			
2015 State Capital Appropriations: HEAPR Projects							
Completed Projects							
UMM Building Controls Upgrades	500,000.00	500,000.00	0.00	0.00			
UMM Science Domestic Hot Water Lines Replacement	7,963.63	0.00	7,963.63	0.00	Programming	7/1/2018	Converted from MN Poultry Lab
UMM Main Campus Chiller & Boiler Repairs	100,000.00	100,000.00	0.00	0.00	Construction	3/31/2018	Converted from MN Poultry Lab
UMM Regional Fitness Ctr HVAC Dampers	75,000.00	71,501.84	0.00	3,498.16	Substantial Completion	Occupied	Converted from MN Poultry Lab
UMM Regional Fitness Ctr HVAC Dampers	67,036.37	66,137.64	898.73	0.00	Construction	3/31/2018	Converted from MN Poultry Lab
Subtotal - '15 Appropriations: HEAPR Projects	750,000.00	737,639.48	8,862.36	3,498.16			
Total - 2015 State Capital Appropriations	26,529,000.00	26,474,972.72	8,862.36	45,164.92			
2014 State Capital Appropriations: Major Projects							
Tate Science & Teaching Renovation	56,700,000.00	56,700,000.00	0.00	0.00	Substantial Completion	Occupied	
UMC Lysacker Wellness Rec Ctr Addition/Remodel	9,432,195.92	9,432,195.92	0.00	0.00	Pacloseout	Occupied	
UMD Chemical Science & Advanced Mat'ls Building	1,500,000.00	1,500,000.00	0.00	0.00	Construction	1/31/2019	Appropriation is for design only
Engineering & Fisheries Lab Fish Lab Renovation	4,403,667.00	4,403,667.00	0.00	0.00	Substantial Completion	Occupied	
Bee Lab Facility	4,263,333.00	4,246,457.83	0.00	16,875.17	Pacloseout	Occupied	Remaining funds to be converted to HEAPR
Research Laboratories	8,667,000.00	8,650,124.83	0.00	16,875.17	Pacloseout	Occupied	
Subtotal - '14 Appropriations: Major Projects	76,299,195.92	76,282,320.75	0.00	16,875.17			
2014 State Capital Appropriations: HEAPR Projects							
Completed Projects							
Childrens Rehab Roof Replacement	10,124,287.97	10,124,287.97	0.00	0.00			
Armory Fire Range Abatement	139,203.03	0.00	139,203.03	0.00	Predesign	9/1/2018	
Field House Exterior Panels & Envelope	39,140.40	39,044.36	0.00	96.04	Substantial Completion	Occupied	
Moos Tower North Entrance Stairway Replacement	516,667.00	100,940.00	415,727.00	0.00	Schematic Design	7/31/2018	
Keller Hall Exterior Building Envelopment Replacement	200,000.00	13,192.92	186,807.08	0.00	Design Development	8/1/2018	
Mech Eng Phase II Renewal-Mech/Elec/Plumbing	2,358,977.73	2,330,768.64	(0.00)	28,209.09	Pacloseout	Occupied	
Alderman Hall Fire Safety & Ventilation Imprvmnts	23,650,000.00	23,618,857.39	0.00	31,142.61	Substantial Completion	Occupied	
Andrew Boss Lab Fire Sprinklers, Lab Compliance	108,070.00	107,940.84	0.00	129.16	Pacloseout	Occupied	
Vet Med Ctr North Surgery Suite HVAC/Code Imprvmnts	4,512,270.72	4,445,759.15	0.00	66,511.57	Pacloseout	Occupied	
UMM Blakely Hall Elevator Installation	300,000.00	109,311.60	190,688.40	0.00	Procurement	8/3/2018	
UMC Electrical Infrastructure Stabilization	887,126.23	868,595.48	18,530.75	0.00	Construction	4/30/2018	
UMC Heating Plant Boiler House Roof Replacement	101,992.95	0.00	101,992.95	0.00	Construction	9/1/2018	
UMC Heating Plant Boiler House Roof Replacement	85,000.00	0.00	85,000.00	0.00	Programming	6/30/2018	

University of Minnesota

Status Report: Total Capital Appropriations 2012 to 2017

Projected 01/31/18 - Definitions on last page

(A) Project Name	(B) Appropriation Amount	(C) Spent and/or Encumbered	(D) (B-C) Obligated	(E) (B-C-D) Unencumbered	(F) Status	(G) Estimated Occupancy	(H) Comments
NWROC Old Farm Shop Underground Tank Removal	30,112.42	20,984.50	9,127.92	0.00	Construction	6/30/2018	
Cloquet Forestry Center HEAPR Projects	14,955.63	0.00	0.00	14,955.63			
Subtotal - '14 Appropriations: HEAPR Projects	43,067,804.08	41,779,682.85	1,147,077.13	141,044.10			
Total - 2014 State Capital Appropriations	119,367,000.00	118,062,003.60	1,147,077.13	157,919.27			
<u>2012 State Capital Appropriations: Major Projects</u>							
Completed Projects	14,060,000.00	14,053,276.62	0.00	6,723.38			Letter sent to MMB for cancellation of unspent balance.
Subtotal - '12 Appropriations: Major Projects	14,060,000.00	14,053,276.62	0.00	6,723.38			
<u>2012 State Capital Appropriations: HEAPR Projects</u>							
Completed Projects	50,000,000.00	50,000,000.00	0.00	0.00			
Subtotal - '12 Appropriations: HEAPR Projects	50,000,000.00	50,000,000.00	0.00	0.00			
Total - 2012 State Capital Appropriations	64,060,000.00	64,053,276.62	0.00	6,723.38			
Grand Totals - 2012 to 2017	329,890,000.00	292,106,190.68	37,510,640.75	273,168.57			

University of Minnesota

Status Report: Total Capital Appropriations 2012 to 2017

Projected 01/31/18 - Definitions on last page

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Project Name	Appropriation Amount	Spent and/or Encumbered	(B-C) Obligated	(B-C-D) Unencumbered	Status	Estimated Occupancy	Comments

Notes:

1) Definitions of columns:

- B. Appropriation Amount: The state appropriation for each project. Although HEAPR funds are appropriated in a block of funds, they are detailed in this report by the University's allocation.
- C. Spent or Encumbered: This includes three categories.
 - a. Amount the University has paid to contractors from signed contracts.
 - b. Project amount specifically under contract with a general contractor, architect, engineer, or other vendor.
 - c. Internal project where work has begun and/or internal purchase order/work has been completed.
- D. Obligated: Funds required to complete the project that are not yet under contract.
- E. Unencumbered: Contingency funds remaining in the project after the construction phase.

2) Definitions of project phases:

- a. Programming: Defining in detail the scope of the project, describing the facility components required to accommodate the academic/operational program, and establishing the functional and physical relationships of those components.
- b. Schematic Design Development: Evaluating alternatives for meeting the project program and establishing the general size, shape, and massing of building elements; exterior finishes; and Design Development criteria for structural, mechanical, and electrical systems.
- c. Design Development: Developing the preliminary Design Development into a detailed Design Development that establishes final floor plans, building elevations, interior and exterior materials, room finishes, building systems, furnishings, and equipment.
- d. Construction Documents: Preparing detailed drawings and specifications required to obtain bids and to describe and direct the construction work.
- e. Procurement: Soliciting bids from contractors for completing the work described in the construction documents.
- f. Construction: Mobilizing of the contractor's equipment, purchasing of building materials, and implementing the work described in the construction documents.
- g. Substantial Completion: Completing work on the project to a point that the Owner can occupy and use the facility for its intended use.
- h. Pacloseout: Making final payments to contractors and vendors, closing all contracts, and preparing the final project accounting.

University of Minnesota

Status Report: Total Capital Appropriations 2012 to 2017

Projected 01/31/18 - Definitions on last page

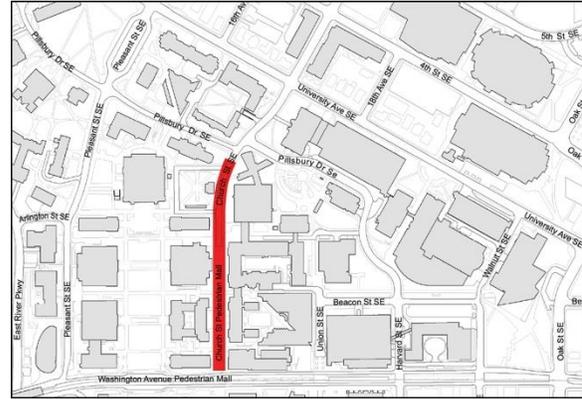
(A) Project Name	(B) Appropriation Amount	(C) Spent and/or Encumbered	(D) (B-C) Obligated	(E) (B-C-D) Unencumbered	(F) Status	(G) Estimated Occupancy	(H) Comments
Summary of University State Capital Appropriations							
Total Dollars by Status							
2017 Appropriations							
Major Projects	99,334,000.00	77,760,953.67	21,573,046.33	0.00			
HEAPR Projects	20,600,000.00	5,754,984.07	14,781,654.93	63,361.00			
Subtotal	119,934,000.00	83,515,937.74	36,354,701.26	63,361.00			
2015 Appropriations							
Major Projects	25,779,000.00	25,737,333.24	0.00	41,666.76			
HEAPR Projects	750,000.00	737,639.48	8,862.36	3,498.16			
Subtotal	26,529,000.00	26,474,972.72	8,862.36	45,164.92			
2014 Appropriations							
Major Projects	76,299,195.92	76,282,320.75	0.00	16,875.17			
HEAPR Projects	43,067,804.08	41,779,682.85	1,147,077.13	141,044.10			
Subtotal	119,367,000.00	118,062,003.60	1,147,077.13	157,919.27			
2012 Appropriations							
Major Projects	14,060,000.00	14,053,276.62	0.00	6,723.38			
HEAPR Projects	50,000,000.00	50,000,000.00	0.00	0.00			
Subtotal	64,060,000.00	64,053,276.62	0.00	6,723.38			
	Major Projects	215,472,195.92	193,833,884.28	21,573,046.33	65,265.31		
	HEAPR Projects Only	114,417,804.08	98,272,306.40	15,937,594.42	207,903.26		
	Grand Total: 2012-2017 Appropriations	329,890,000.00	292,106,190.68	37,510,640.75	273,168.57		
Total Percent by Status							
2017 Appropriations							
Major Projects	99,334,000.00	78.3%	21.7%	0.0%			
HEAPR Projects	20,600,000.00	27.9%	71.8%	0.3%			
Subtotal	119,934,000.00	69.6%	30.3%	0.1%			
2015 Appropriations							
Major Projects	25,779,000.00	99.8%	0.0%	0.2%			
HEAPR Projects	750,000.00	98.4%	1.2%	0.5%			
Subtotal	26,529,000.00	99.8%	0.0%	0.2%			
2014 Appropriations							
Major Projects	76,299,195.92	100.0%	0.0%	0.0%			
HEAPR Projects	43,067,804.08	97.0%	2.7%	0.3%			
Subtotal	119,367,000.00	98.9%	1.0%	0.1%			
2012 Appropriations							
Major Projects	14,060,000.00	100.0%	0.0%	0.0%			
HEAPR Projects	50,000,000.00	100.0%	0.0%	0.0%			
Subtotal	64,060,000.00	100.0%	0.0%	0.0%			
	Major Projects	215,472,195.92	90.0%	10.0%	0.0%		
	HEAPR Projects Only	114,417,804.08	85.9%	13.9%	1.2%		
	Grand Total: 2012-2017 Appropriations	329,890,000.00	88.5%	11.4%	1.1%		

NORTH CHURCH STREET CORRIDOR RECONSTRUCTION

VISUAL IMPACT ASSESSMENT • BOARD OF REGENTS FINANCE AND OPERATIONS COMMITTEE

Summary

This project will renovate the heavily used Church Street pedestrian corridor between Washington Avenue and Lilly Plaza. The streets and sidewalks will be rebuilt, and additional plantings as well as bike parking areas will be incorporated into the project. Stormwater management techniques will be improved, and additional outdoor gathering spaces will be created along the corridor. Irregular and aging pavement, utilities, exterior lighting, and site furnishings will be replaced in order to meet campus standards. The project will not affect adjacent buildings, building entrances, campus operations, or use of the corridor.



Detail

Church Street is a busy corridor in the academic core of the Twin Cities' East Bank campus serving pedestrians and cyclists but also used by service and emergency vehicles. Pavement installed in 1990 is beyond its useful life, with loose pavers and temporary patches presenting safety hazards and maintenance challenges. The corridor needs reinvestment to reflect its role in the heart of campus, and to meet goals for campus safety, operations, and aesthetics.

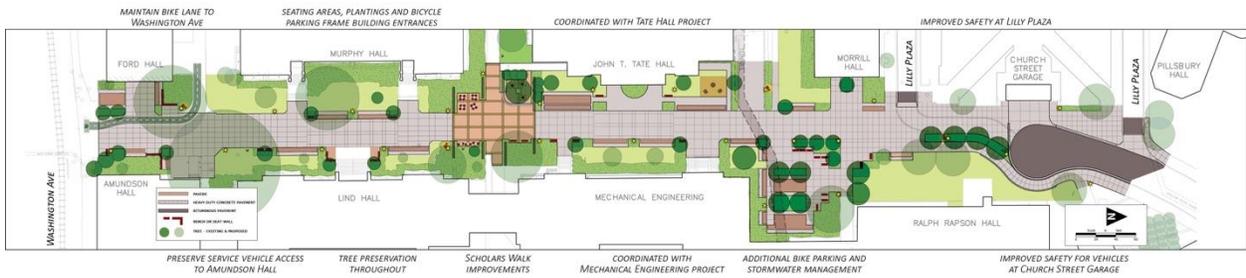


Within the construction area the project will replace all pavement, upgrade utilities including stormwater management, enhance campus safety and security, increase pedestrian circulation capacity, expand bicycle parking facilities, and protect mature trees. At Scholars Walk, the Gateway Corporation is partnering with the University to renew honorary exhibits, seating, and other amenities. Vehicle access to Lilly Plaza drive and the Church Street parking ramp will be maintained. The project design will not change building entrances and is coordinated with ongoing building renovations. Existing bicycle lanes and service vehicle access points will be accommodated.

Construction is scheduled for summer 2018, beginning after spring semester commencements and achieving substantial completion before fall semester classes begin. The total project value is \$4.7 million. Funding is committed from several University Services units and was included in the FY2018 annual capital budget.



Sketch showing proposed improvements to Scholars Walk and the Church Street corridor.



Rendering of North Church project.
Church Street Garage at upper right, Washington Avenue at left.