



Finance & Operations Committee

May 2019

May 9, 2019

1:30 p.m.

Boardroom, McNamara Alumni Center

FIN - MAY 2019

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

May 9, 2019

AGENDA ITEM: Annual Report on Workforce and Total Compensation

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

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

PURPOSE & KEY POINTS

This purpose of this item is discussion of the Annual Report on Workforce and Total Compensation. The discussion will address the importance of workforce planning and aggressive compensation and benefits management as effective tools in this effort.

Board of Regents Policy: *Employee Compensation and Recognition*, Section. V, states :

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.*

Fundamental to a vibrant and successful organization is the ability to move priorities through the effective utilization of all available resources, and to ensure that expenses match that effort. The University’s talented faculty and staff are absolutely critical to its success in achieving priorities, and the cost of compensating them merits the same care and thought as any other resource conversation.

The detailed reports on compensation for senior leaders, faculty, and staff are included in the docket.

BACKGROUND INFORMATION

The Board receives the Report on Workforce and Total Compensation annually, currently in the first meeting of the spring semester.

Annual Report on Employee Compensation

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

Prepared November 1, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Human Resources

UNIVERSITY OF MINNESOTA
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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	\$181,037
FIN Dir 1	\$154,734
N/A	
FIN Analyst 3 / Mgr 3	\$132,111
FIN Analyst 2 / Mgr 2	\$112,952
FIN Analyst 1 / Mgr 1	\$96,607
FIN Pro 4 / Supv 4	\$82,424
FIN Pro 3 / Supv 3	\$70,405
FIN Pro 2 / Supv 2	\$60,179
FIN Pro 1	\$51,428



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: A measure of how closely an individual's salary, or a 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
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.



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 do not reflect the market for any one particular job in the level.
 - Example: The salary range midpoint for Finance Pro Level 2 (highlighted in green on a previous slide) is \$60,179 but this level and range midpoint are shared by people working in Cost Accounting (market of roughly \$73,000), Accounts Payable and/or Account Receivable (market of roughly \$54,000), Investment/Portfolio Analysis (market of roughly \$93,000), and Financial Planning and Analysis (market of roughly \$73,000). For this report, the salaries of people in these roles will be compared to the overall market midpoint of \$60,179.



Compa Ratio By Job Family

Family	# of Employees	Average Hourly Rate	Average Annualized U of M Base Salary	Compa-Ratio
Research-Researchers	1,720	\$28.42	\$59,110	0.79
Education-Extension	356	\$27.01	\$56,173	0.87
Legal-Student Legal Services	10	\$35.26	\$73,333	0.88
Recreation	30	\$27.84	\$57,916	0.88
Libraries and Museums-Curators and Librarians	136	\$34.54	\$71,839	0.89
Libraries and Museums-General	87	\$31.58	\$65,693	0.90
Athletics	39	\$39.52	\$82,206	0.90
Student Services-All Others	998	\$27.85	\$57,918	0.92
Audit	17	\$37.24	\$77,456	0.92
Health Care-Mental Health	118	\$29.88	\$62,153	0.93
Animal Health	119	\$27.82	\$57,858	0.93
Finance	590	\$36.09	\$75,058	0.93
Education-PreK-12	25	\$27.87	\$57,975	0.93
Information Technology-End User	264	\$29.12	\$60,560	0.94
Development-Gift	136	\$48.88	\$101,666	0.95
Student Services-Residential Life	38	\$20.85	\$43,365	0.95
Business Development	61	\$49.65	\$103,278	0.95

*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, continued

Family	# of Employees	Average Hourly Rate	Average Annualized U of M Base Salary	Compa-Ratio
Research-Support	715	\$31.33	\$65,156	0.95
Purchasing	33	\$31.39	\$65,294	0.96
Communications	509	\$29.97	\$62,333	0.96
Administration	1,113	\$37.57	\$78,138	0.97
Grants & Contracts	129	\$34.34	\$71,424	0.97
Campus Operations	365	\$31.36	\$65,228	0.97
Development-Planned Giving	6	\$56.50	\$117,520	0.97
Information Technology-Academic	85	\$34.17	\$71,070	0.98
Development-Prospect Devl	23	\$35.38	\$73,583	0.98
Information Technology-Other Non-Management	810	\$39.46	\$82,075	0.99
Legal-OGC	21	\$60.67	\$126,187	0.99
Research-Nursing	53	\$43.28	\$90,020	1.00
Health Care-Allied Health	121	\$35.43	\$73,686	1.02
Campus Operations-PES	202	\$41.90	\$87,158	1.03
Health Care-Patient Care	66	\$46.02	\$95,729	1.04
Alumni Relations	64	\$31.49	\$65,494	1.04
Education-General	361	\$32.16	\$66,899	1.05
Information Technology-Management	117	\$53.05	\$110,335	1.06

*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.



Refinements to Compa Ratio Stats

- We will be refining the market data within our job family structures which will result in more exact market midpoints and compa ratios.
- We have completed this work for the Human Resource Job Family. This change resulted in the overall compa ratio moving from 1.01 to 0.92.

Family	# of Employees	Average Hourly Rate	Average Annualized U of M Base Salary	Compa-Ratio
Human Resources	216	\$38.40	\$79,881	0.92

- Once we have refined the market data within a particular job family, that data will be updated each January 1st thereafter to ensure it remains tied to market.



Refinements to Compa Ratio Stats

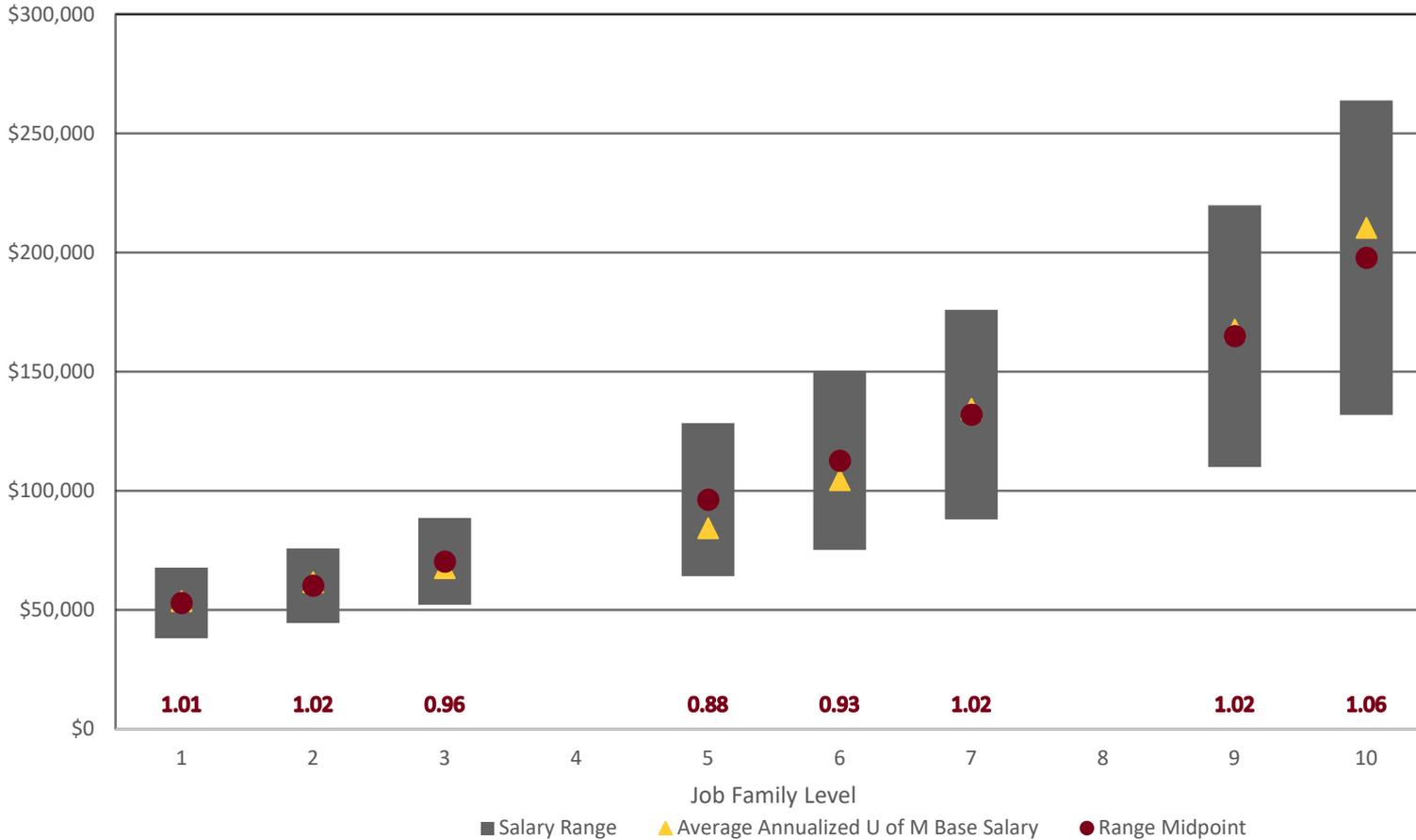
- These refinements to the HR market data now allow us to drill down to compa ratio by job title and identify job titles in greatest need of adjustment based on low compa ratio, high turnover, high difficulty to fill, and mission critical nature of the role.

Level	General	Benefits	Compensation	HR Call Center	Generalist	Leadership/ Talent Development	Payroll	Talent Acquisition	Training	Grand Total
1	1.06	0.93		0.99	0.89	0.79	0.89	0.89	0.88	0.93
2	0.92		0.97		0.90			0.80		0.90
3	0.99	0.96	0.92		0.86		0.96	0.76	1.02	0.87
5	1.22	0.90	0.96	1.35	0.96	0.80	0.98	0.92	0.98	0.94
6	0.90	1.03			0.98	0.94				0.96
7	1.15	0.91	1.03	0.96	0.93		0.95	0.86		0.95
9	1.02				0.94					0.95
10						0.83		0.79		0.88
Grand Total	1.01	0.95	0.96	1.03	0.92	0.86	0.94	0.81	0.96	0.92



Compa Ratios By Job Family

Administration Job Family

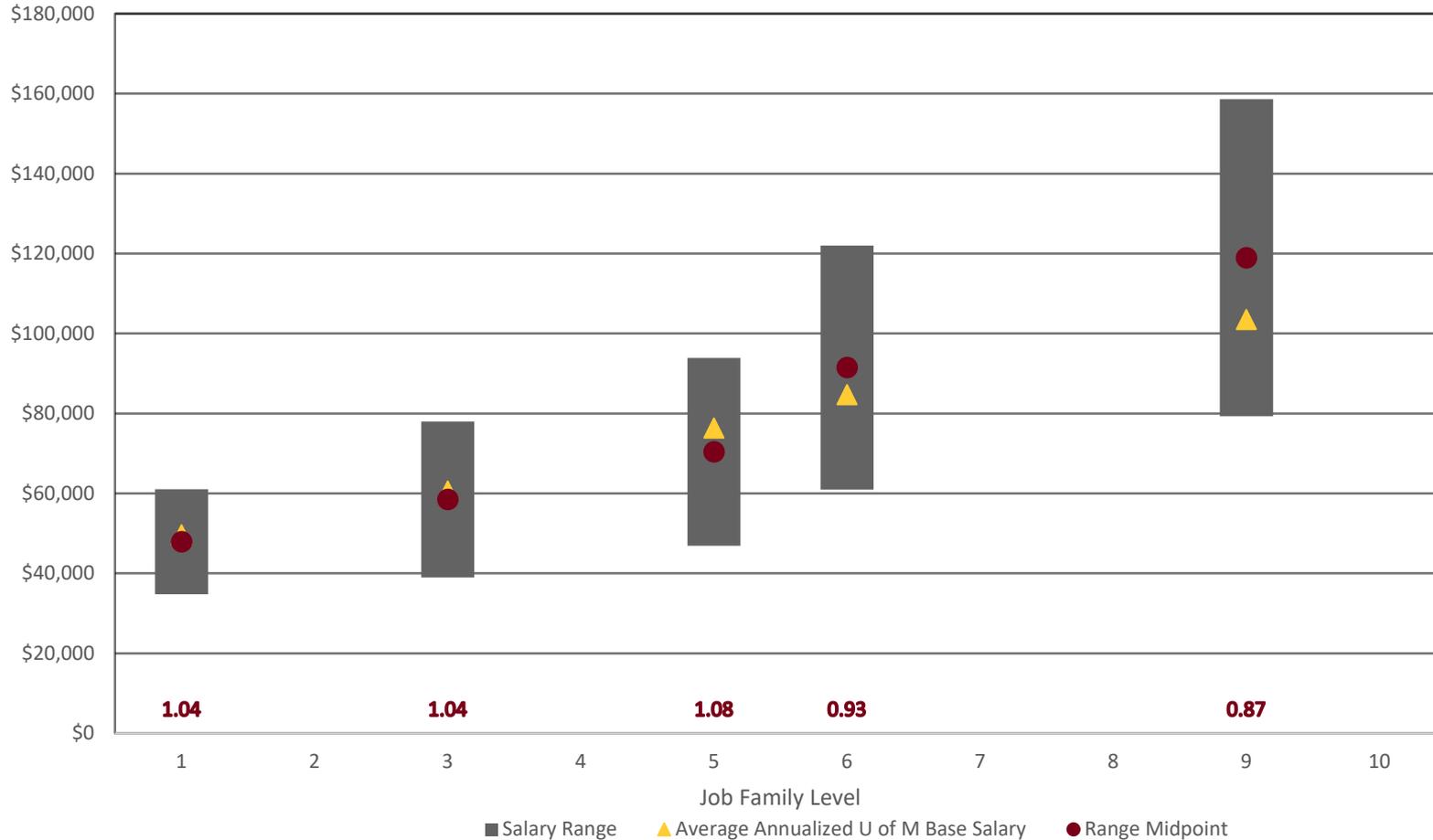


**Overall Average
Compa Ratio =
0.97**

Compa Ratio by Level



Alumni Relations/Advancement Ops Job Family

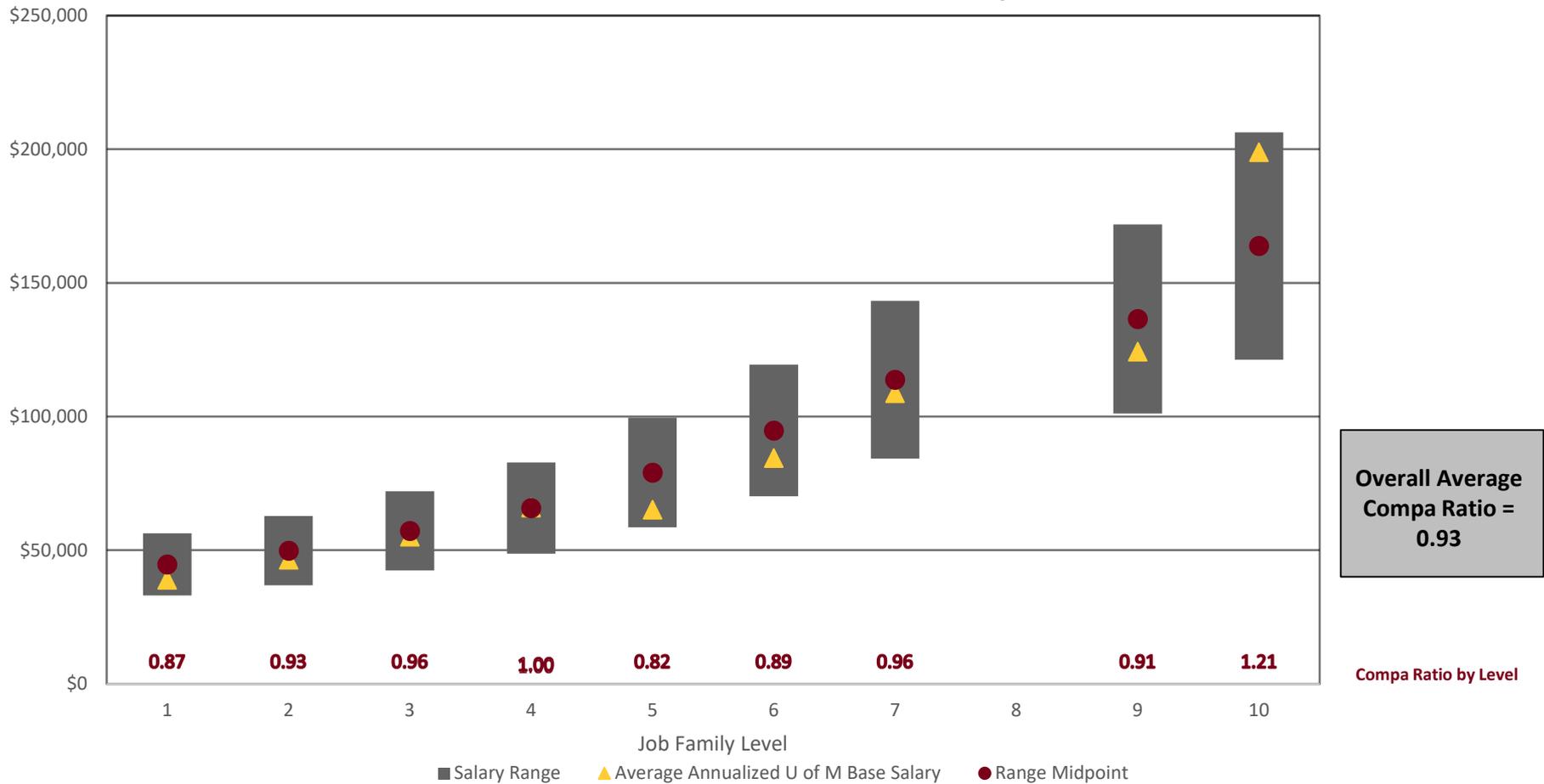


**Overall Average
Compa Ratio =
1.04**

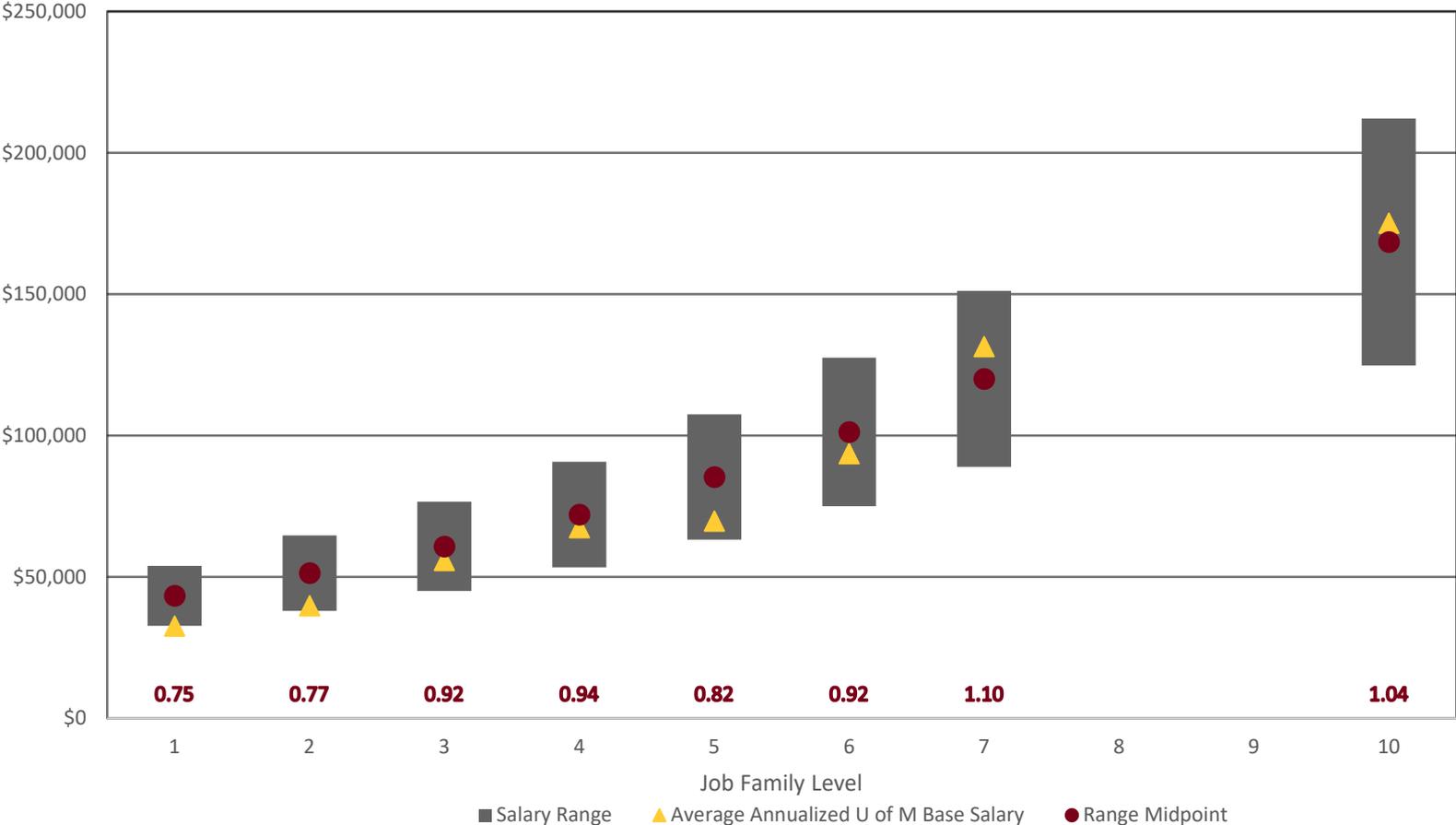
Compa Ratio by Level



Animal Health Job Family



Athletics Job Family

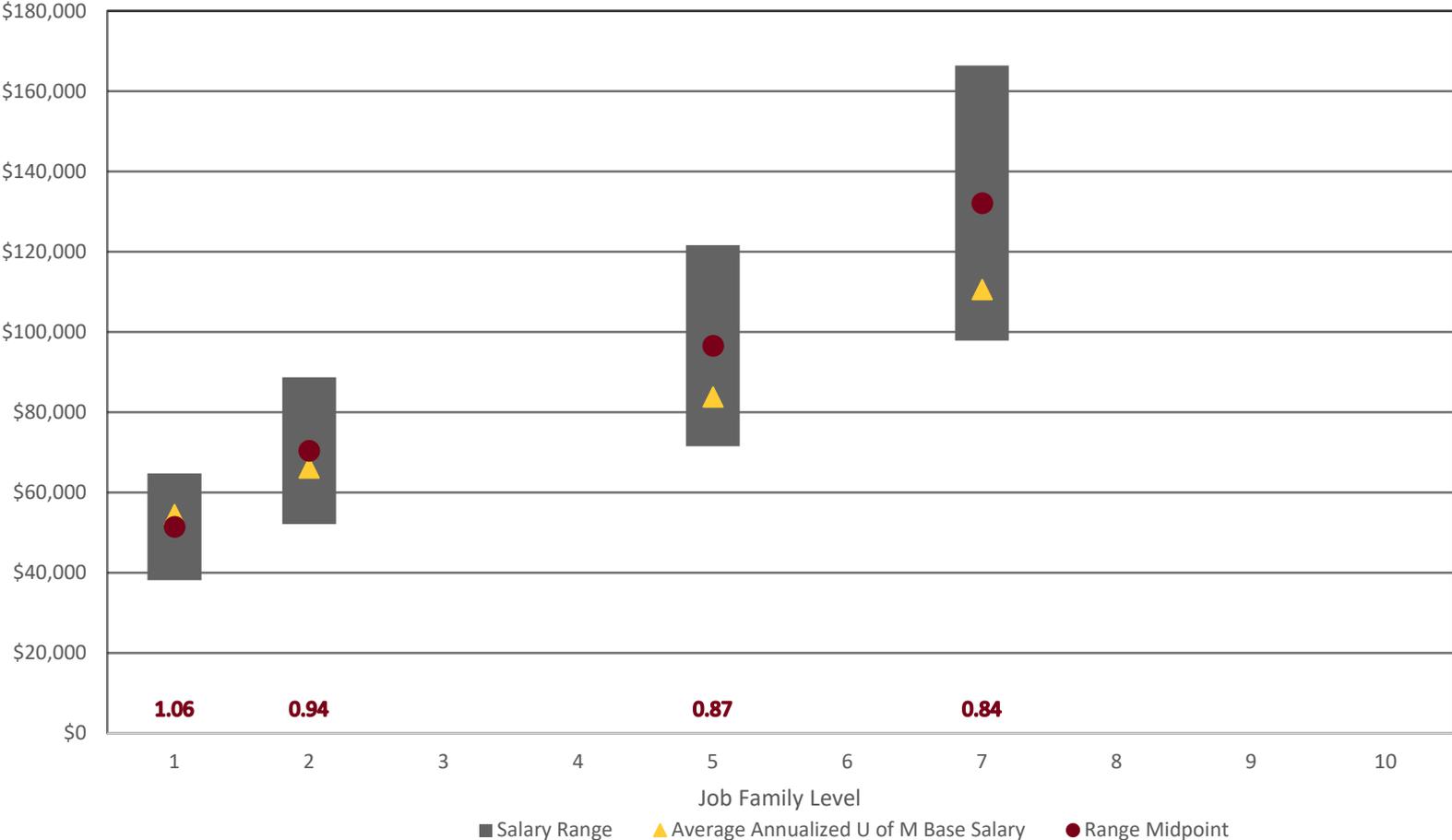


**Overall Average
Compa Ratio =
0.90**

Compa Ratio by Level



Audit Job Family

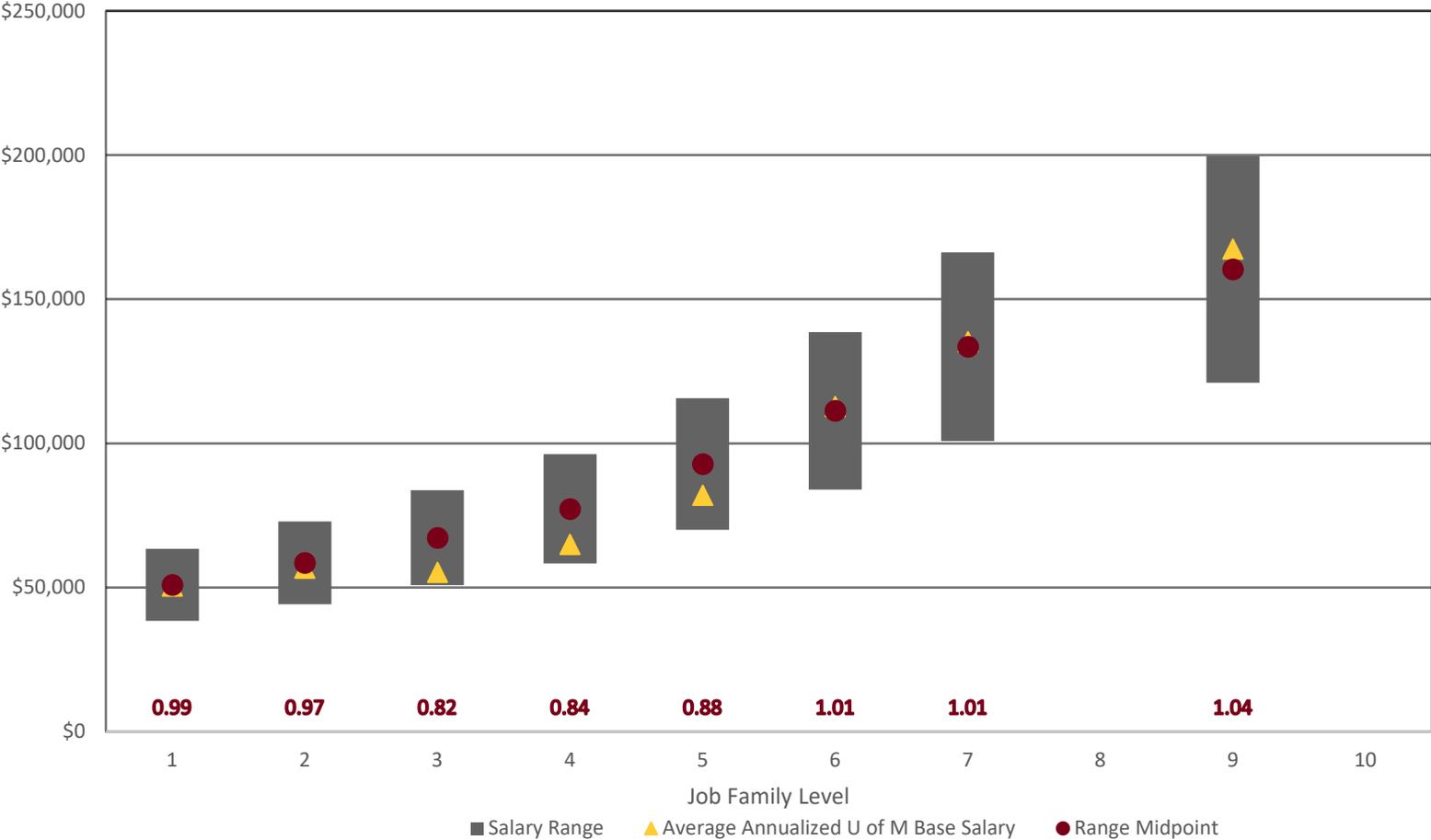


**Overall Average
Compa Ratio =
0.92**

Compa Ratio by Level



Business Development Job Family

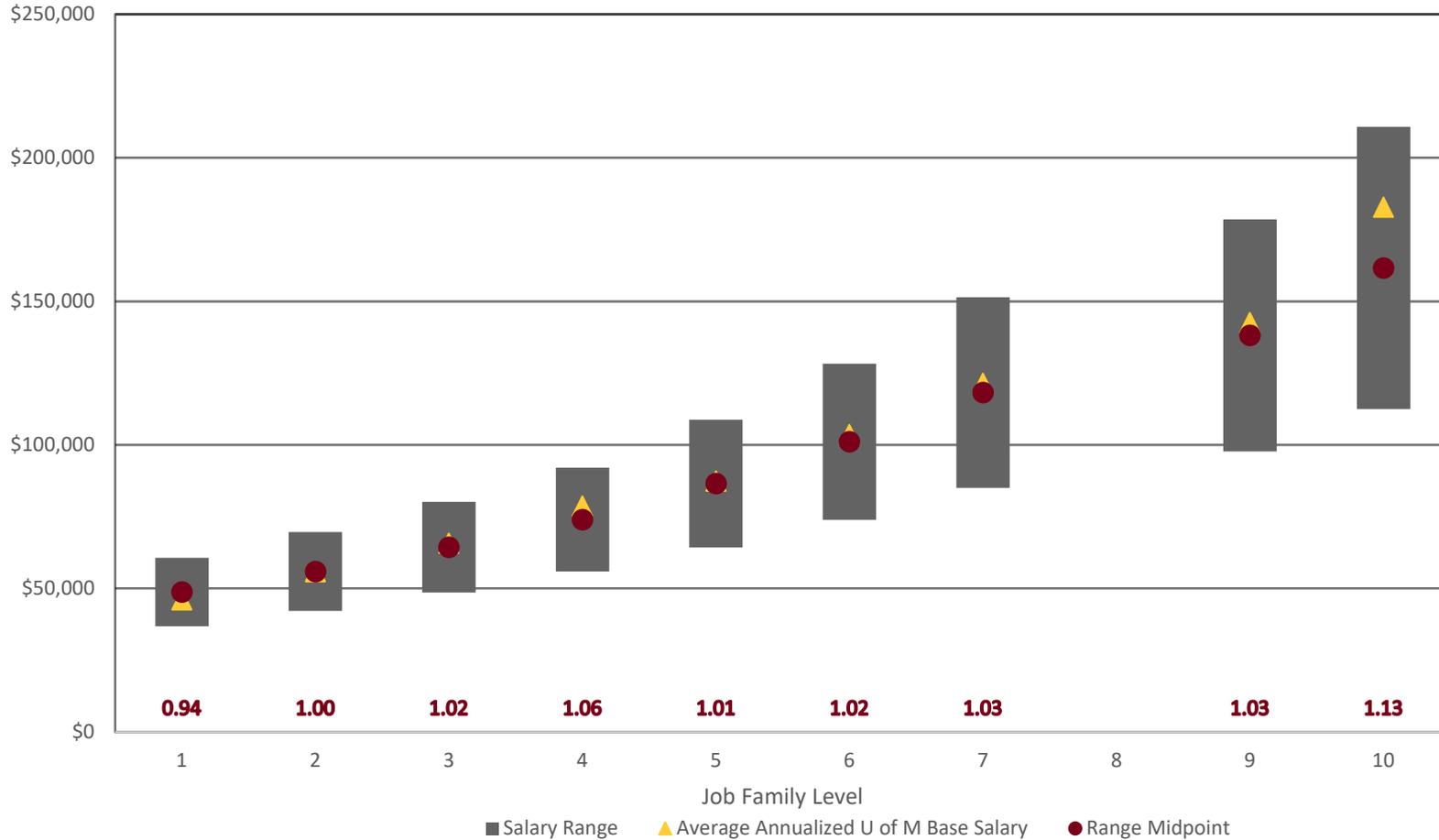


**Overall Average
Compa Ratio =
0.95**

Compa Ratio by Level



Campus Operations Planning/Engineering/Safety Job Family

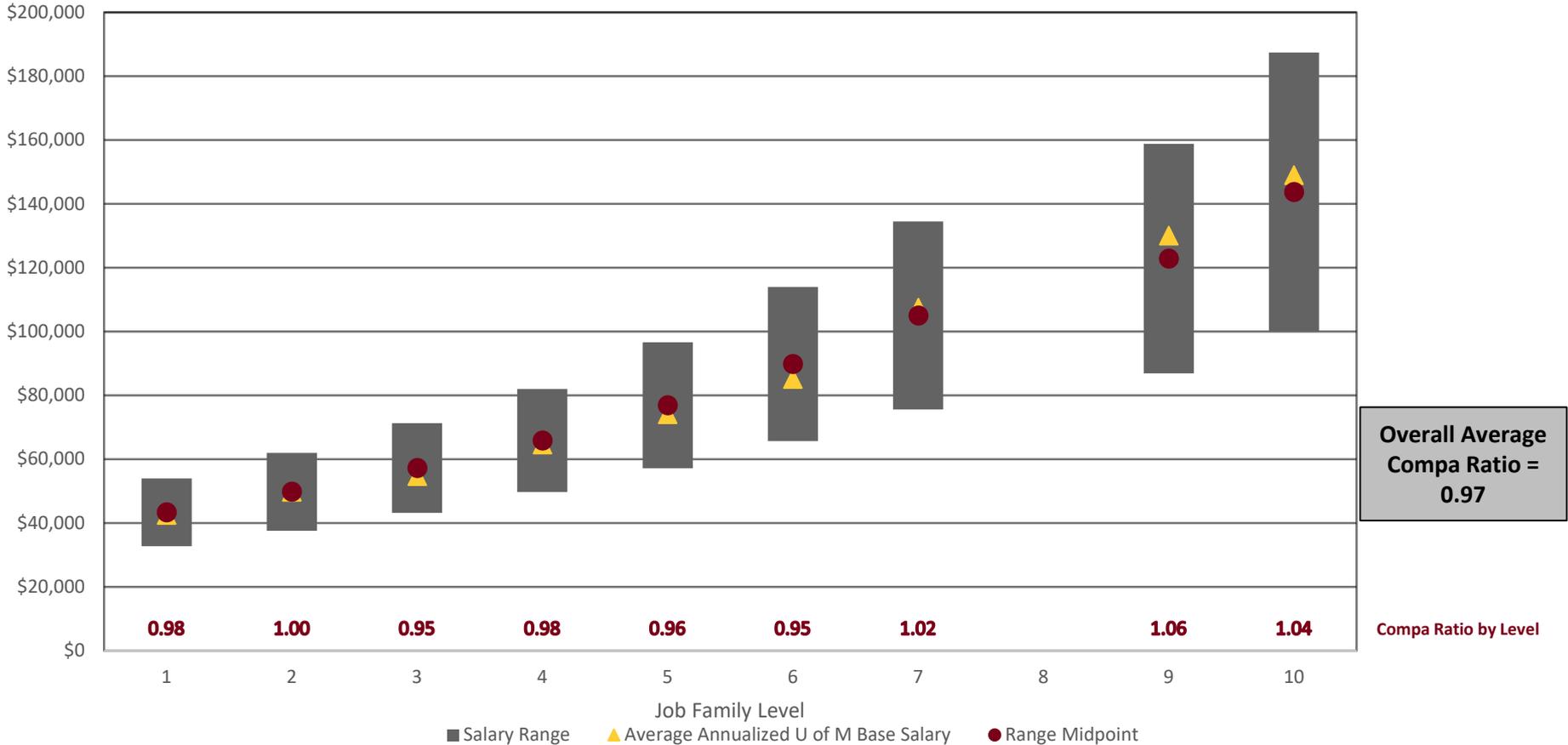


**Overall Average
Compa Ratio =
1.03**

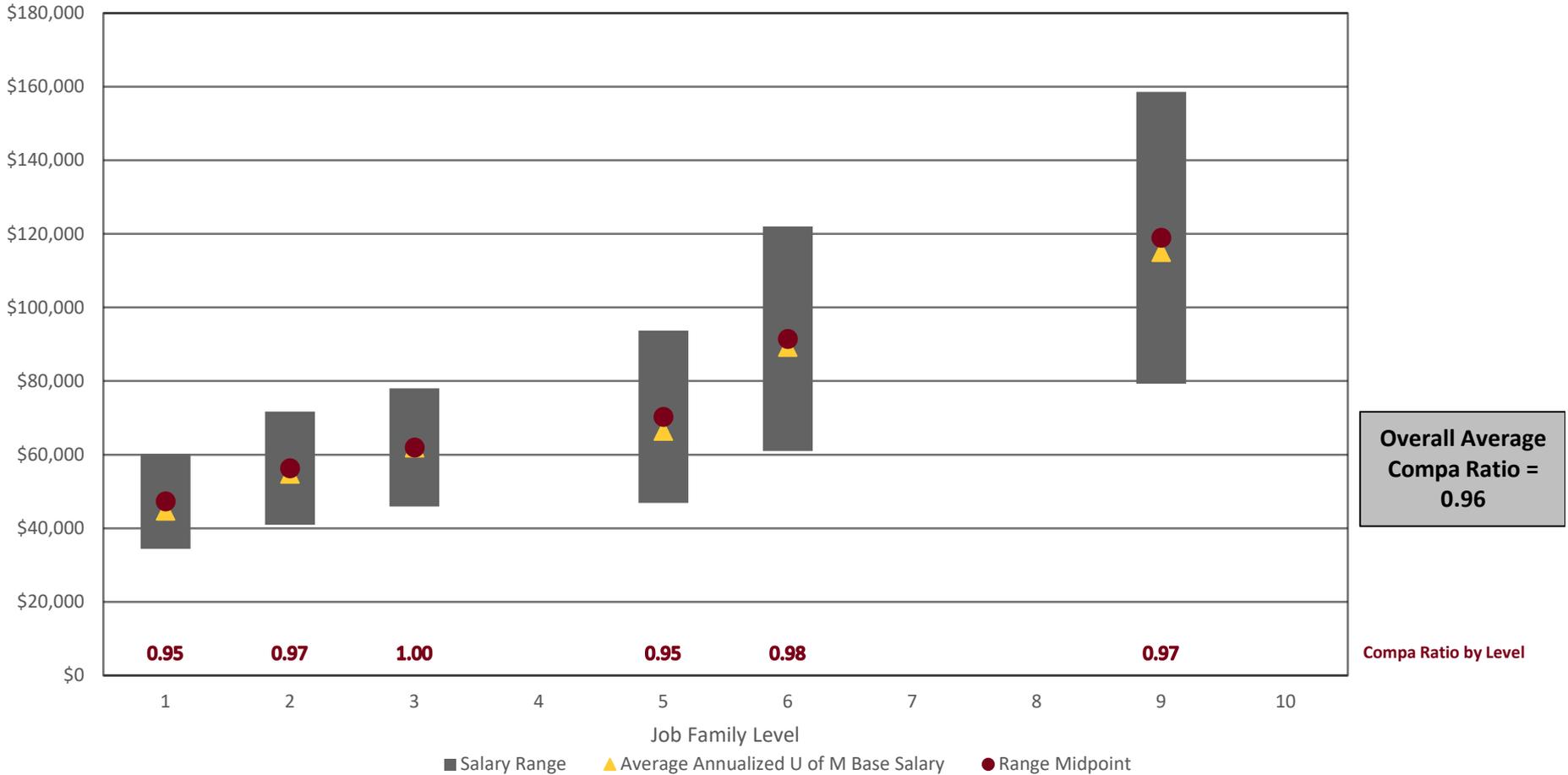
Compa Ratio by Level



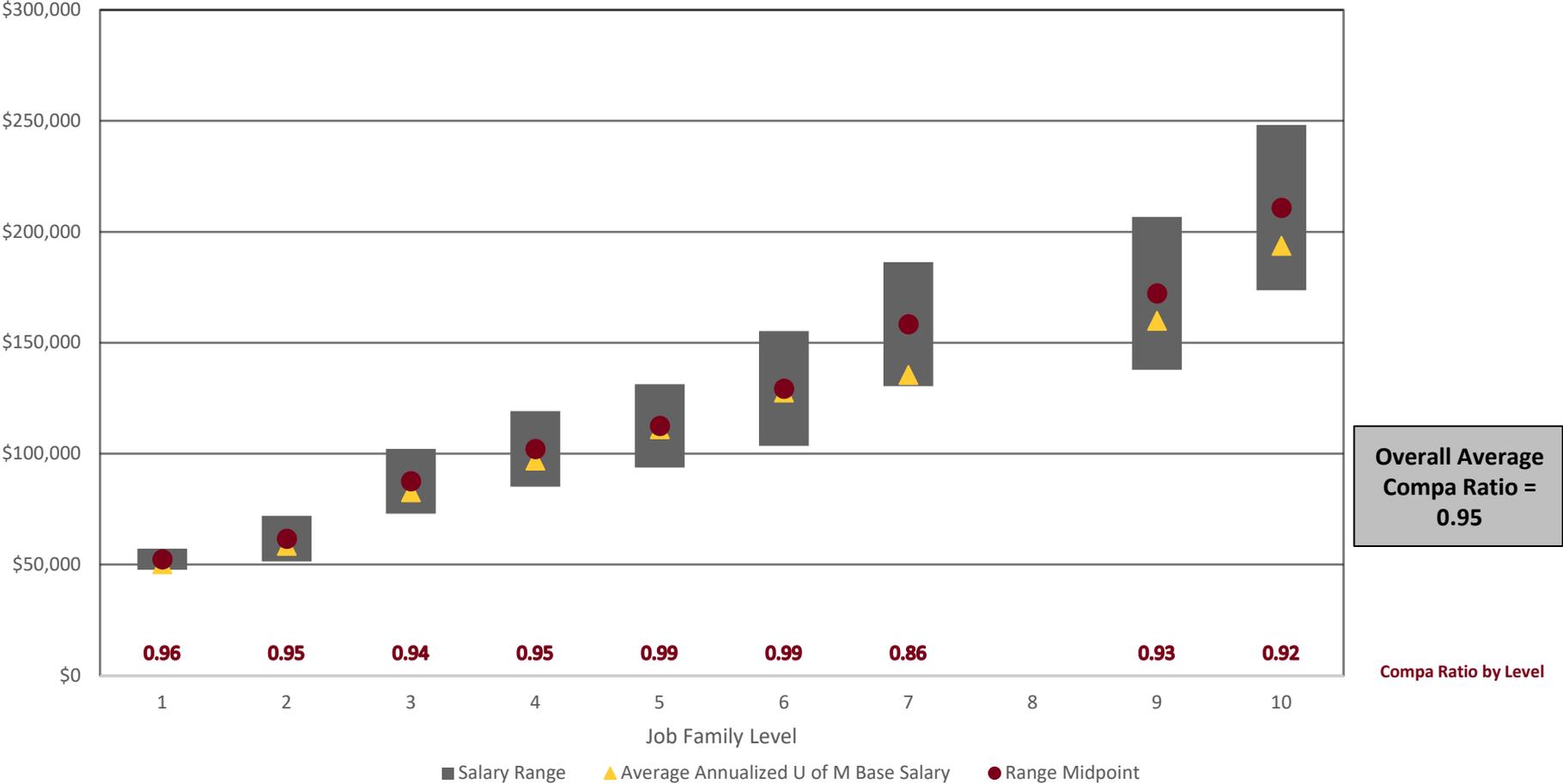
Campus Operations and Protection Job Family



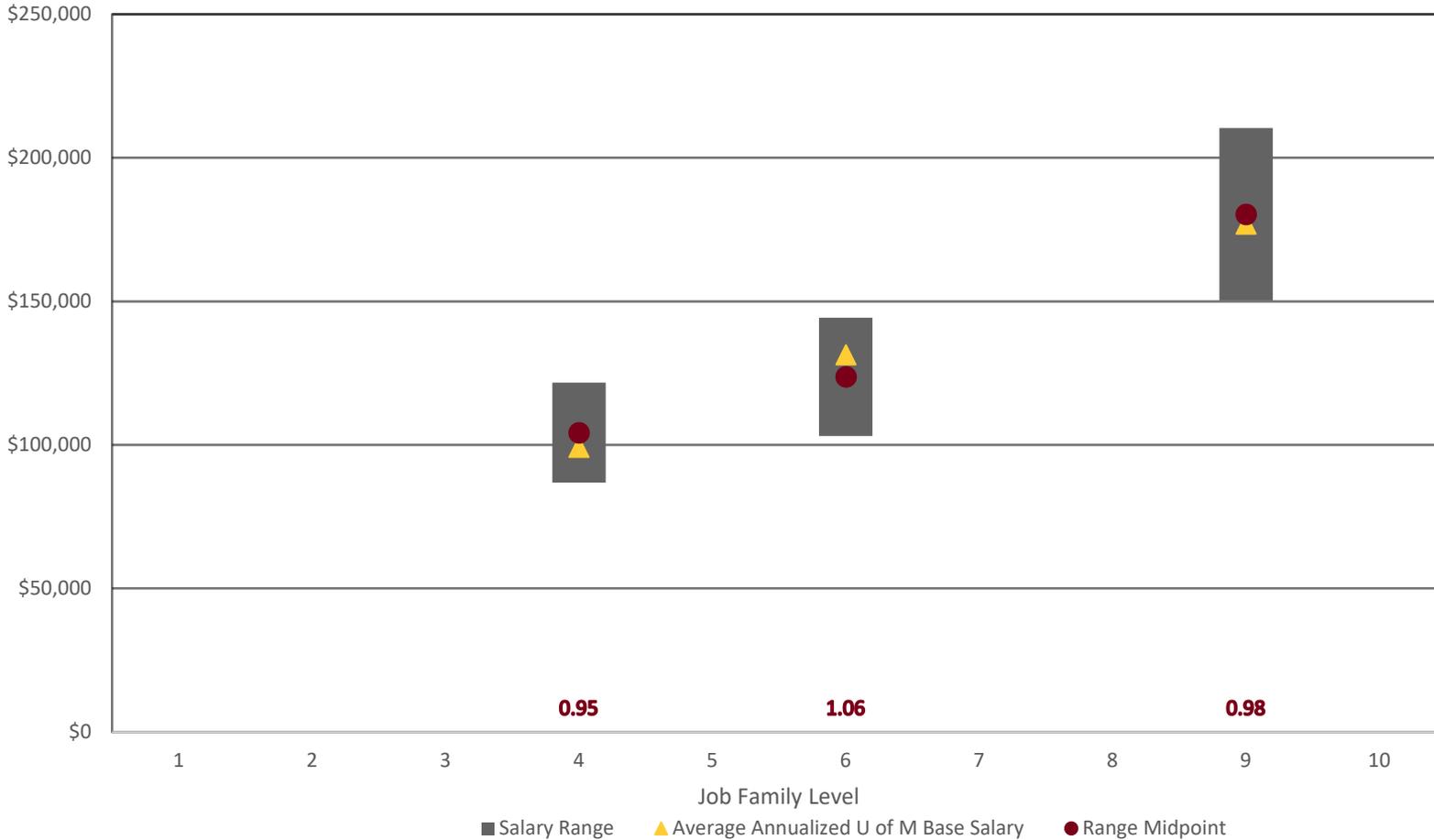
Communications Job Family



Development: Major Gifts Job Family



Development: Planned Giving Job Family

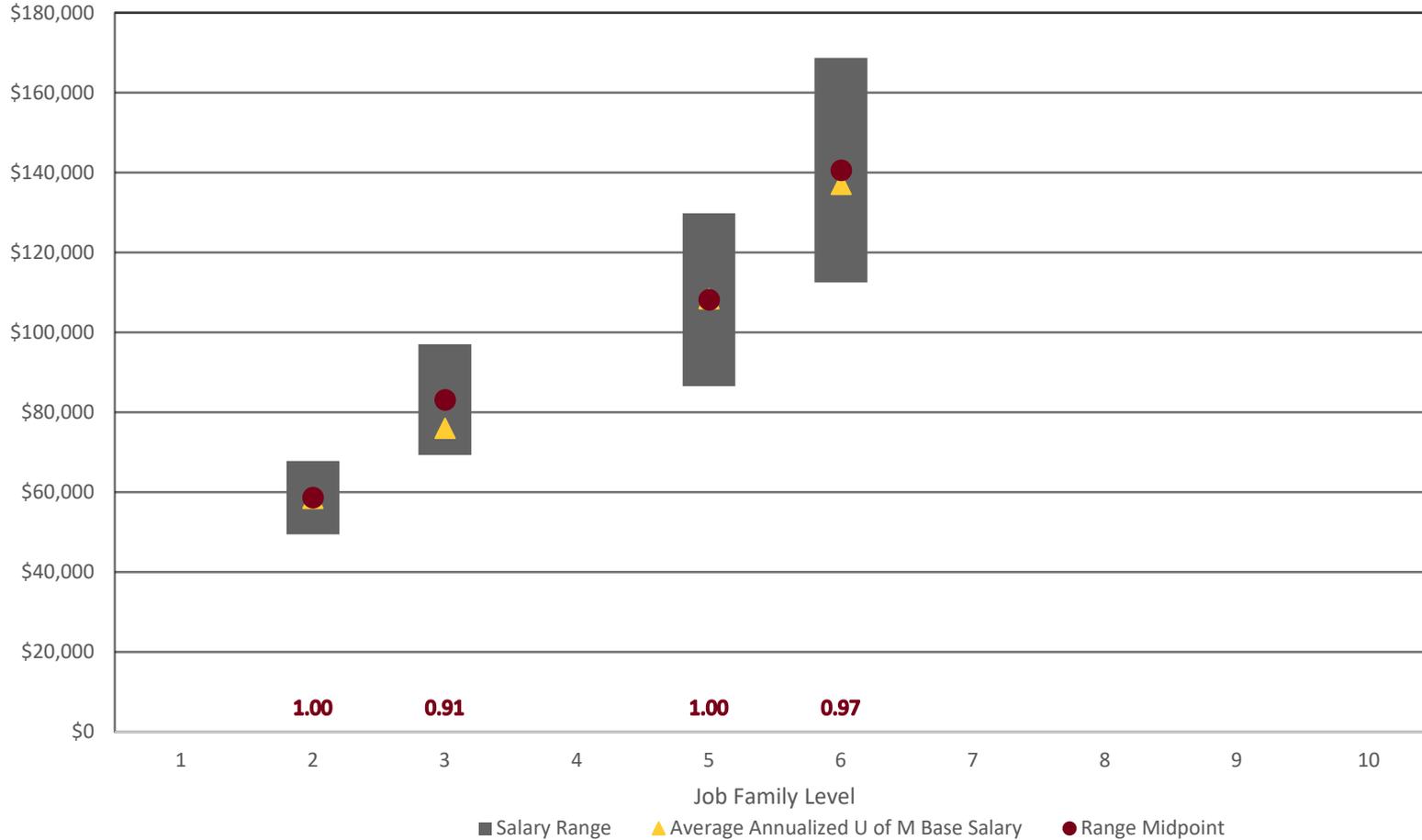


**Overall Average
Compa Ratio =
0.97**

Compa Ratio by Level



Development: Prospect Development Job Family

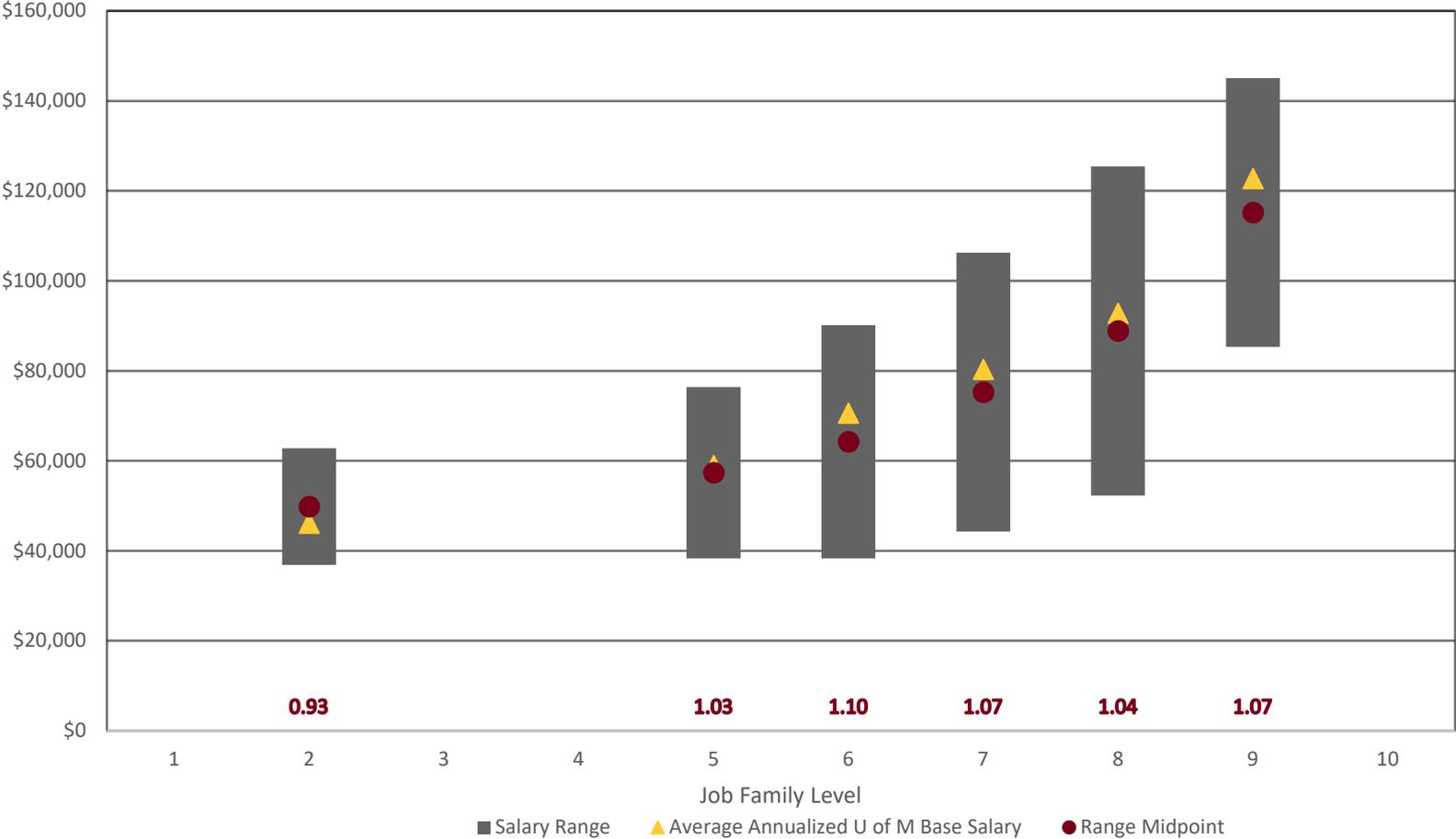


**Overall Average
Compa Ratio =
0.98**

Compa Ratio by Level



Education: General Job Family

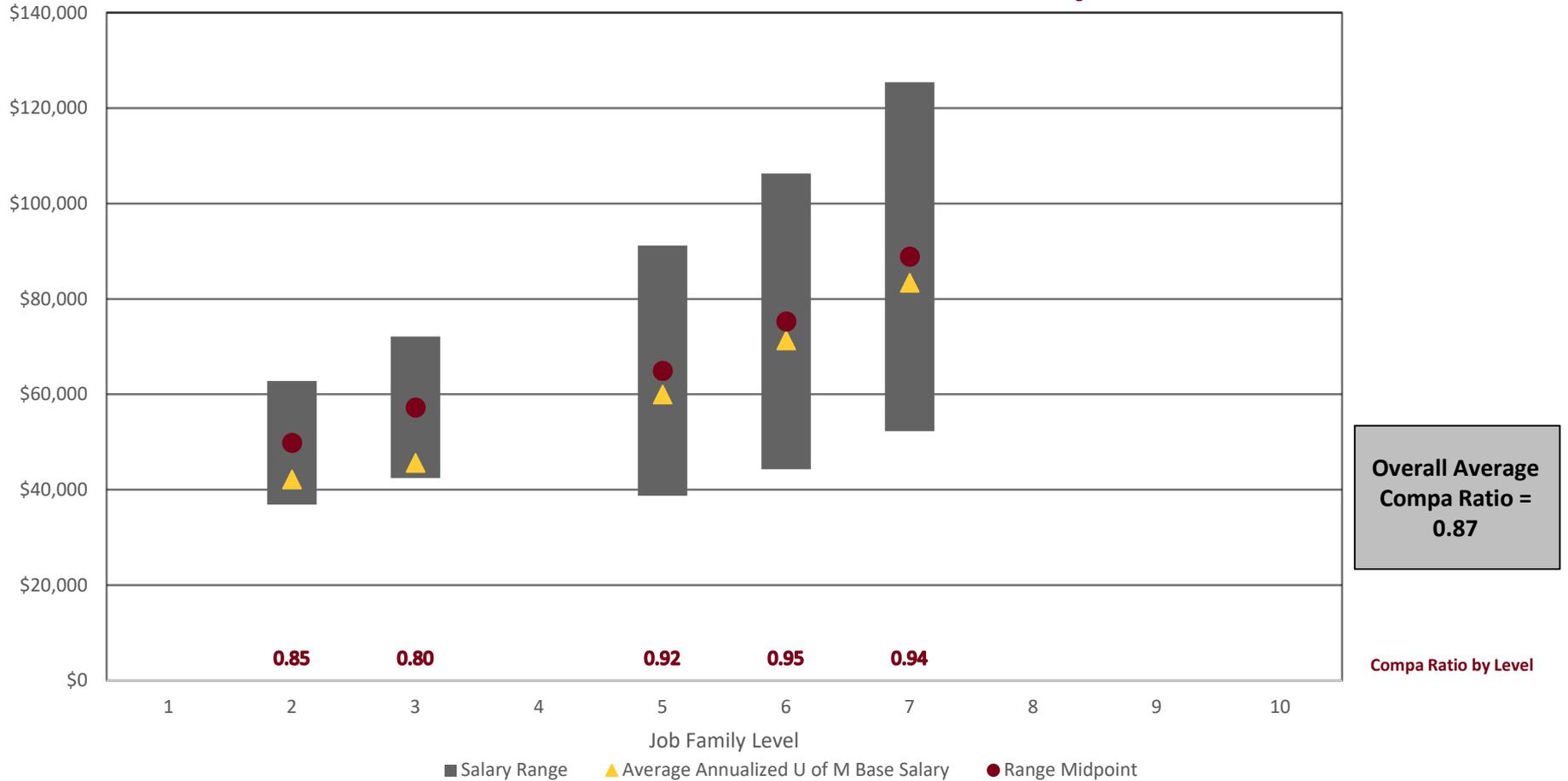


**Overall Average
Compa Ratio =
1.05**

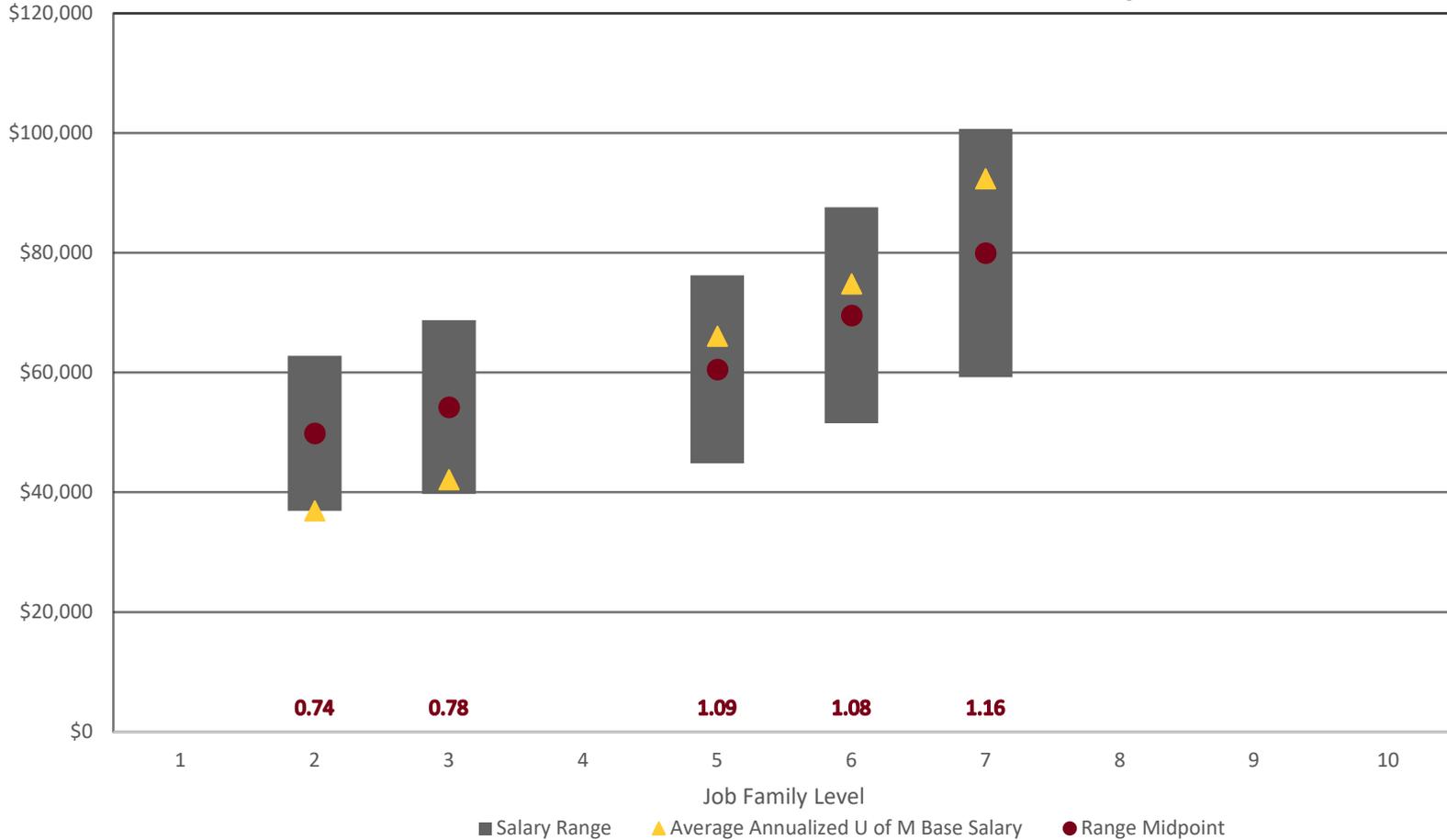
Compa Ratio by Level



Education: Extension Job Family



Education: Pre K-12 Job Family

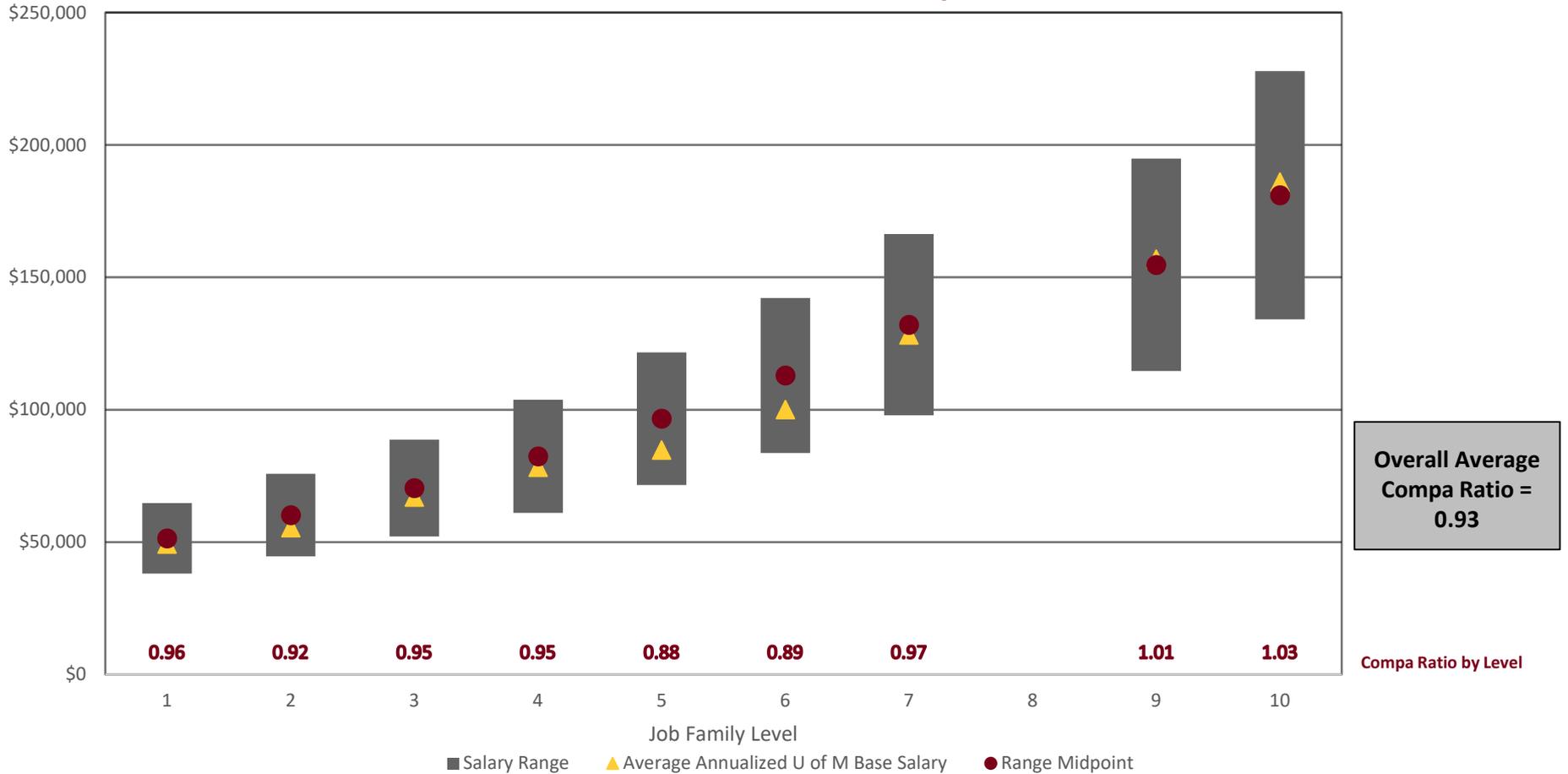


**Overall Average
Compa Ratio =
0.93**

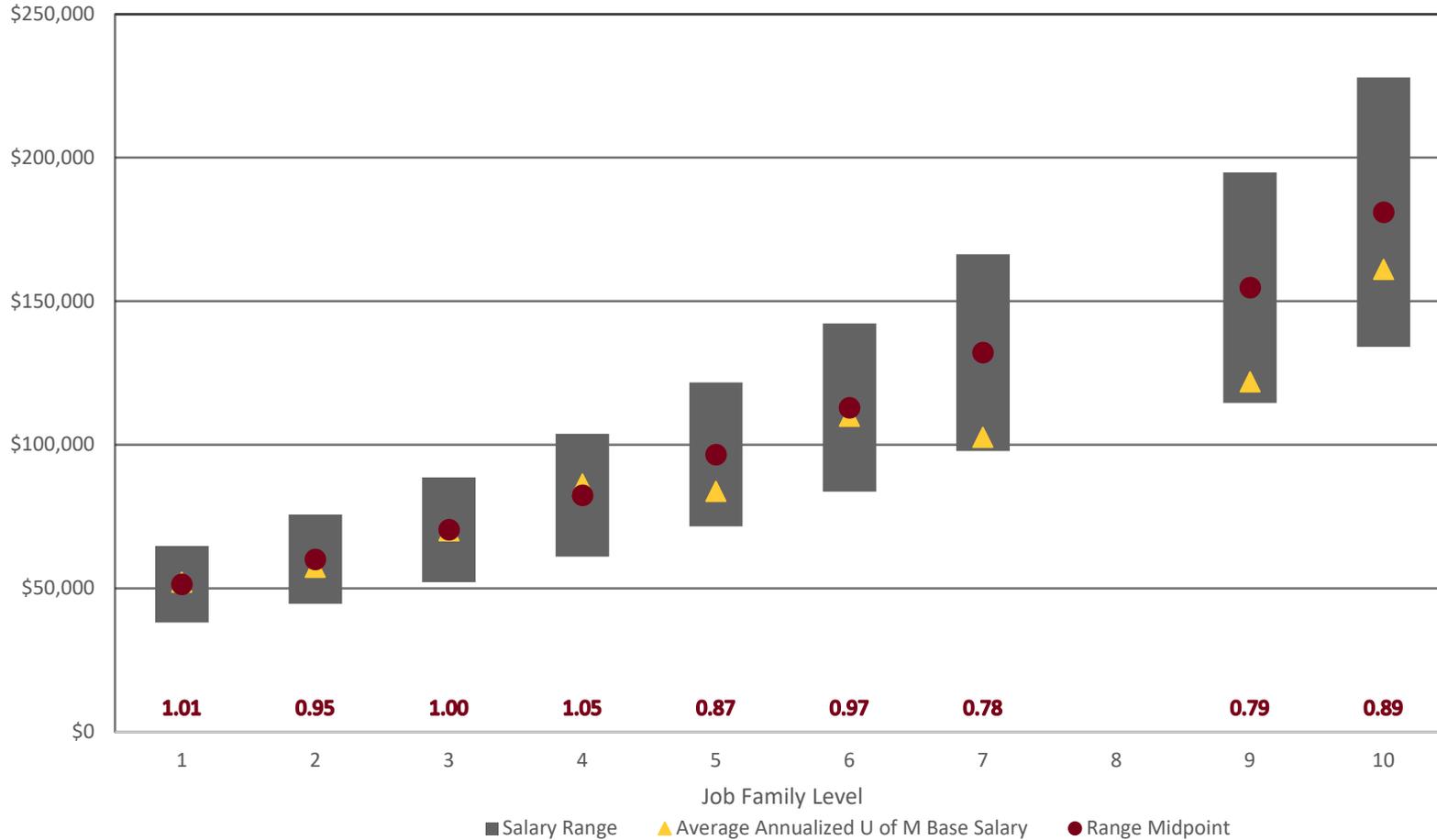
Compa Ratio by Level



Finance Job Family



Grants & Contracts Job Family

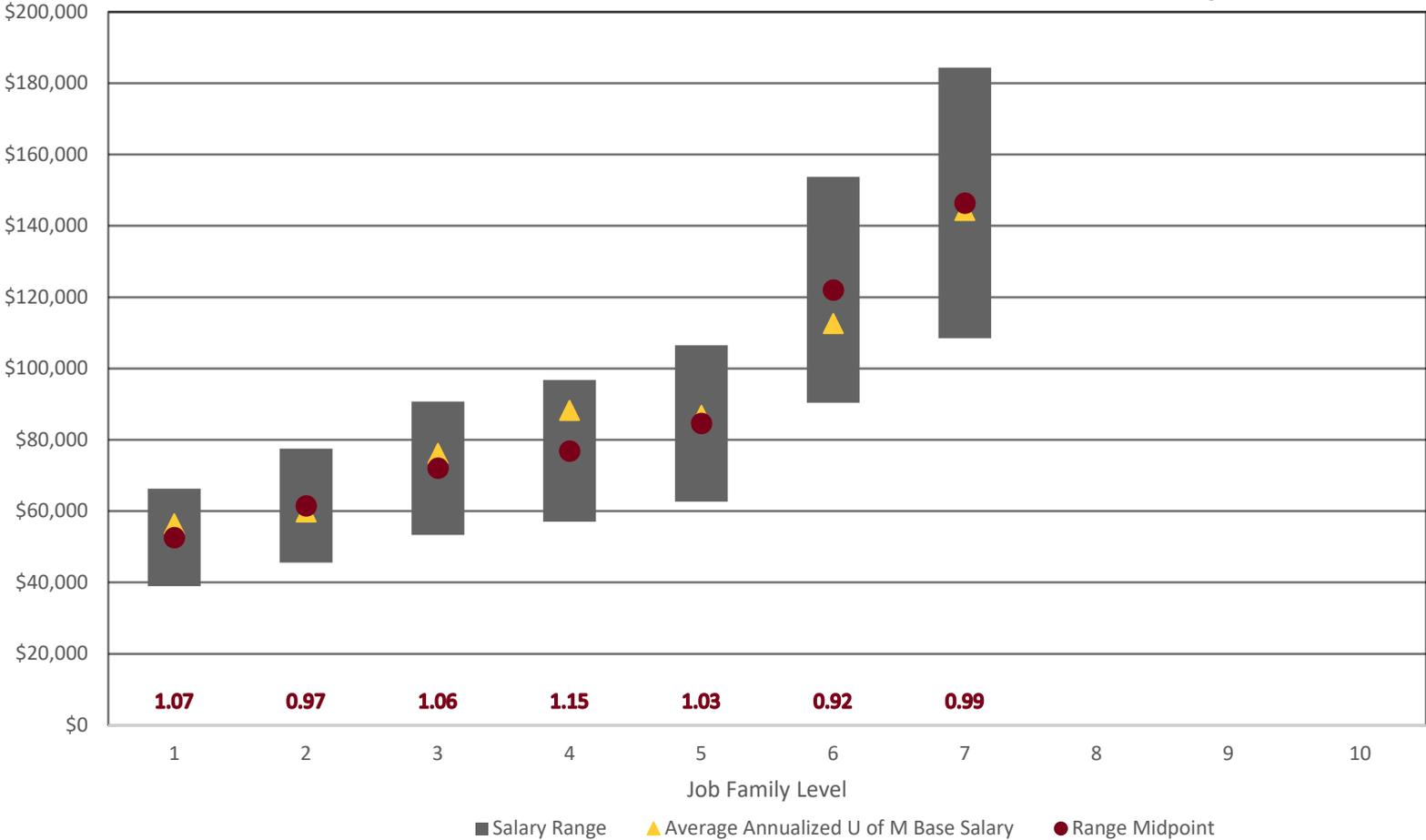


**Overall Average
Compa Ratio =
0.97**

Compa Ratio by Level



Health Care: Allied Health Job Family

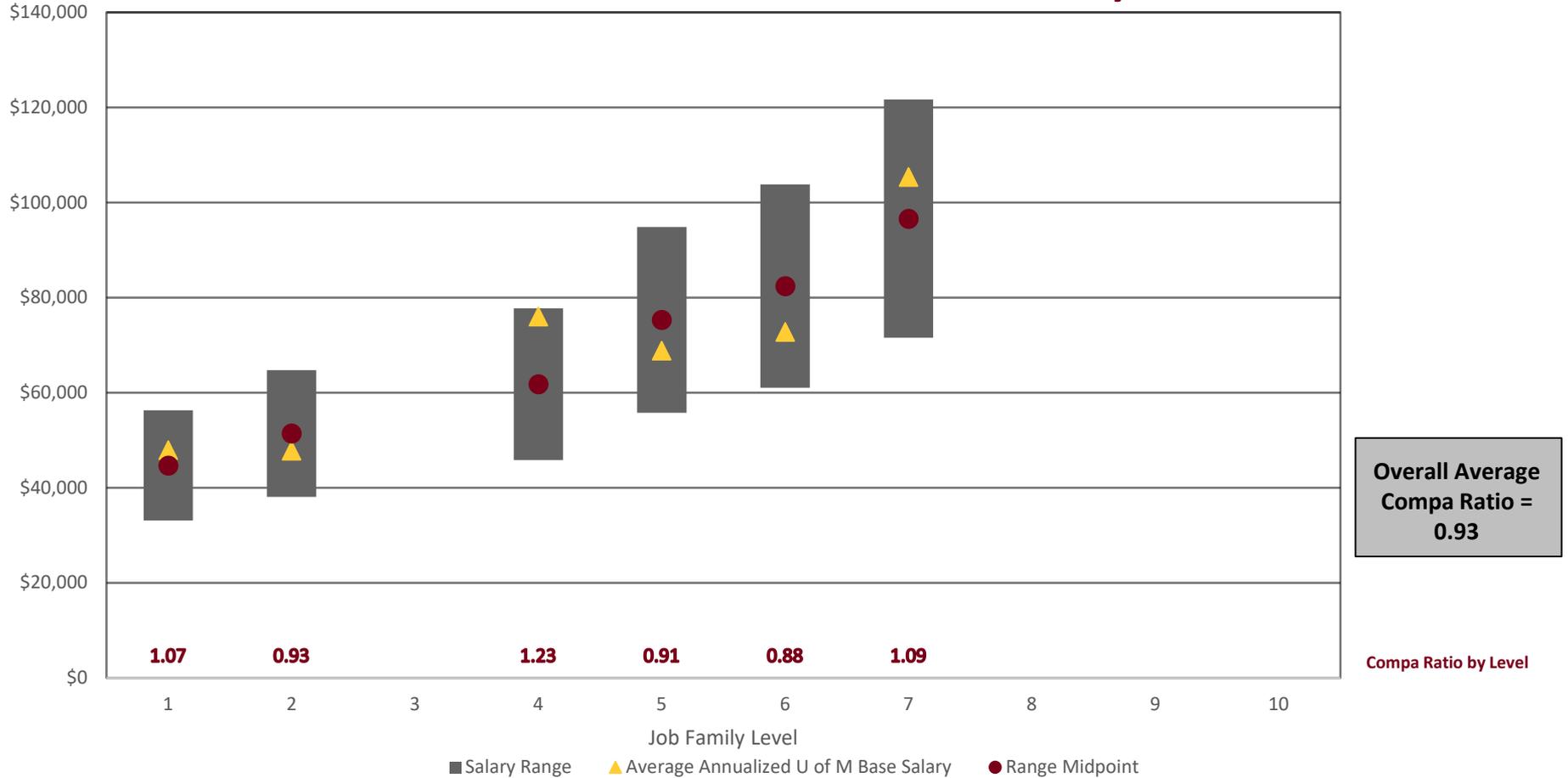


**Overall Average
Compa Ratio =
1.02**

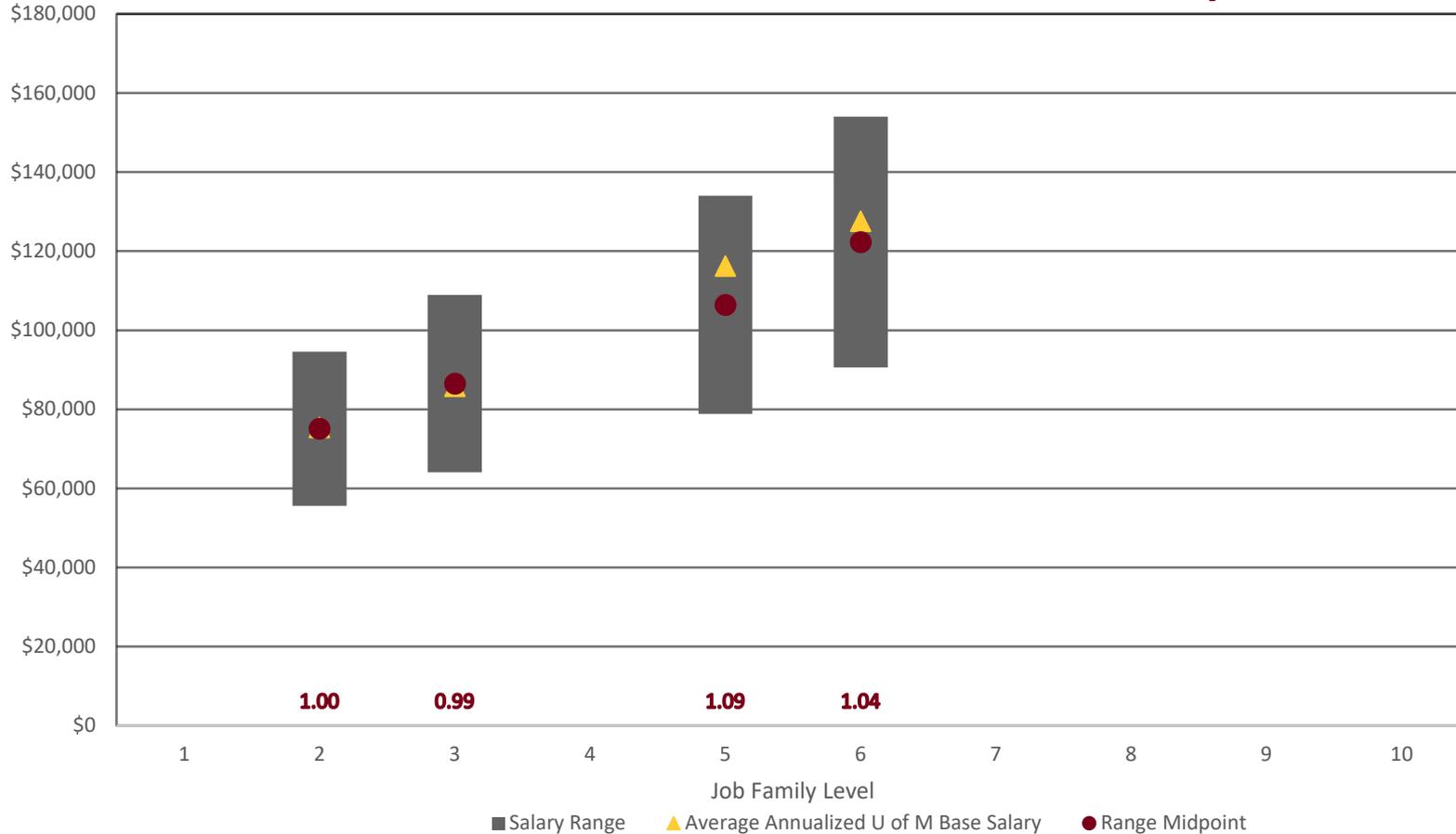
Compa Ratio by Level



Health Care: Mental Health Job Family



Health Care: Patient Care Job Family

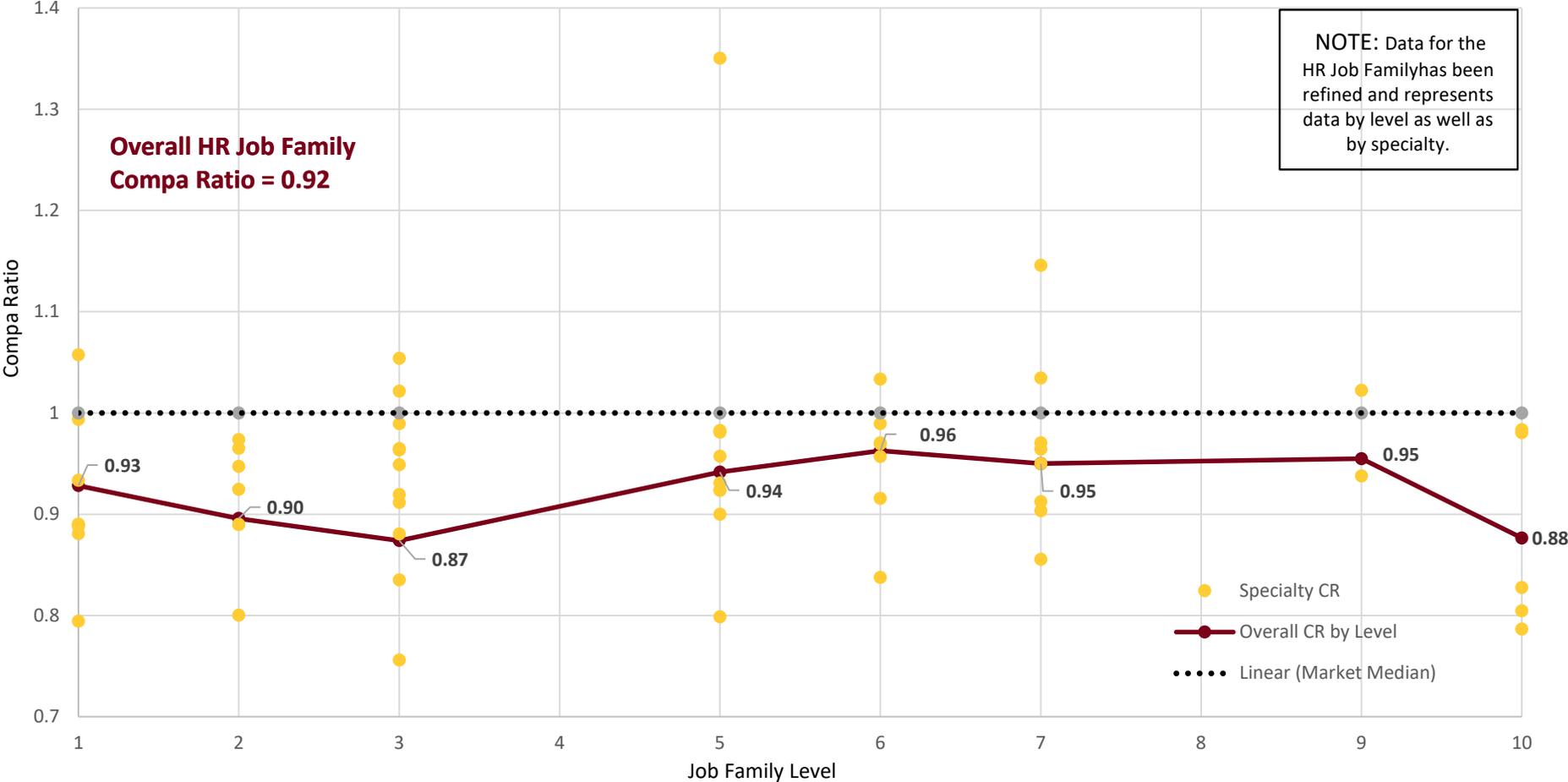


**Overall Average
Compa Ratio =
1.04**

Compa Ratio by Level



Human Resources Job Family



IT: Academic Technology Job Family

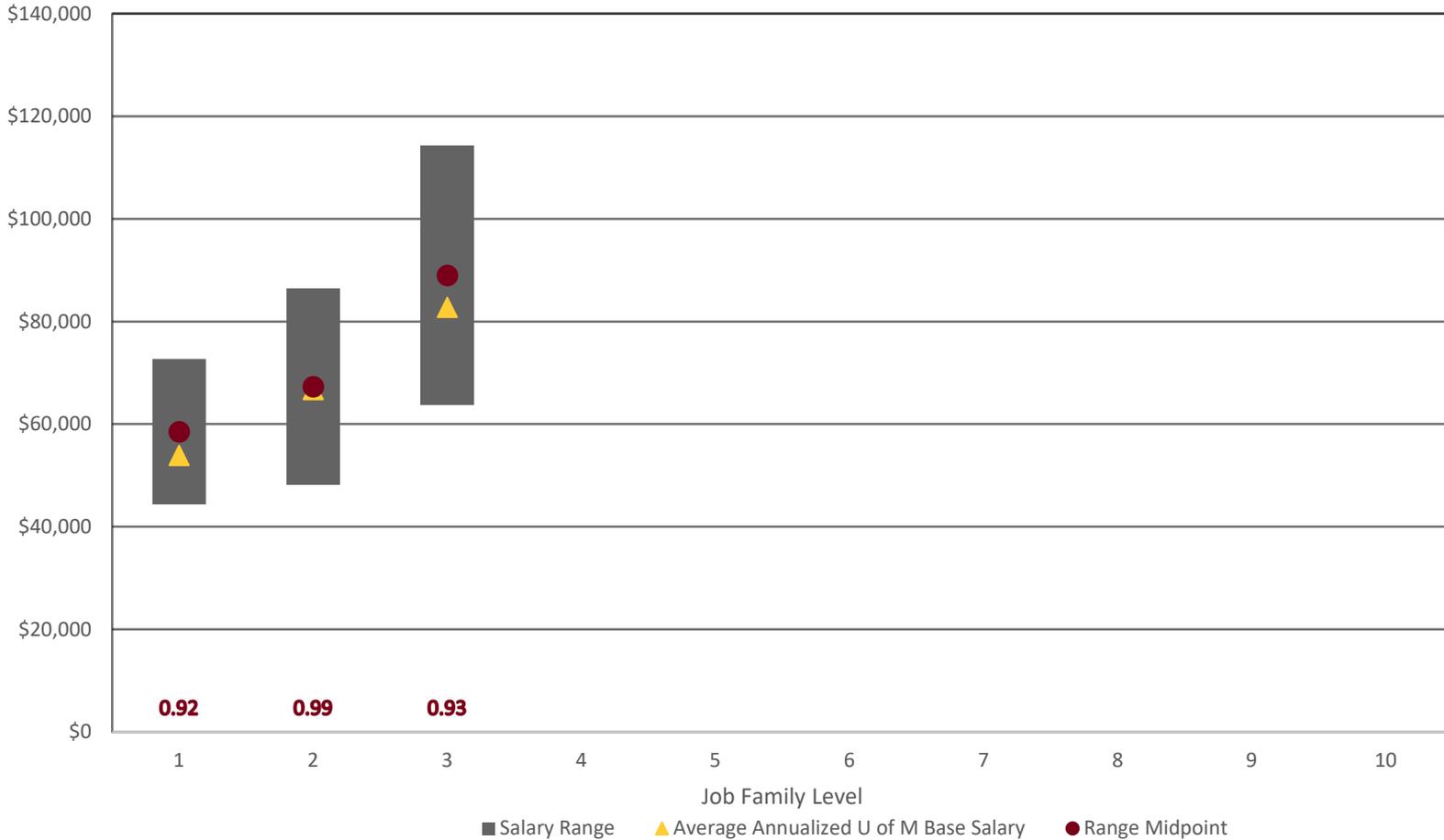


**Overall Average
Compa Ratio =
0.98**

Compa Ratio by Level



IT: End User Job Family

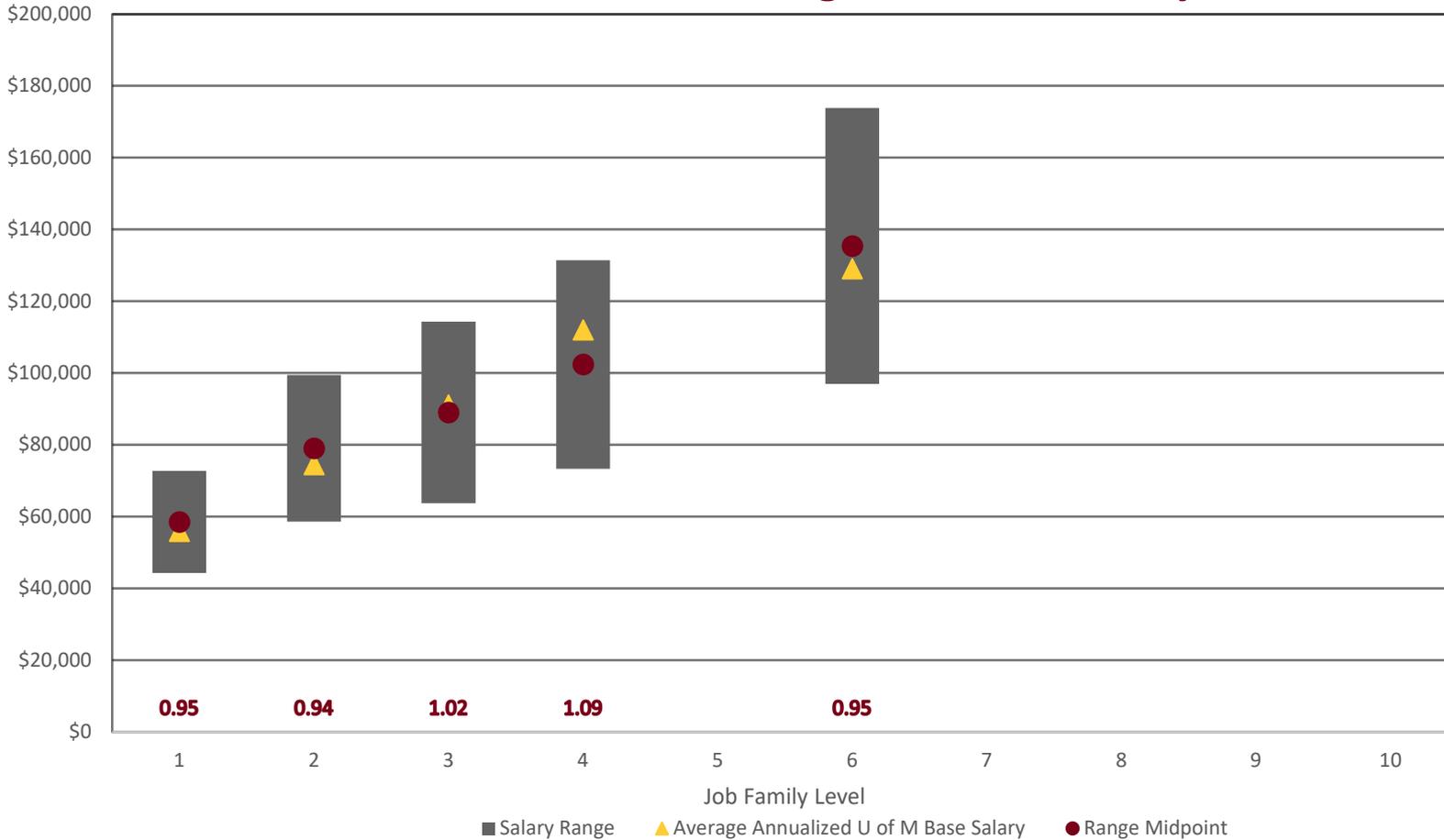


**Overall Average
Compa Ratio =
0.94**

Compa Ratio by Level



IT: Other Non-Management Job Family

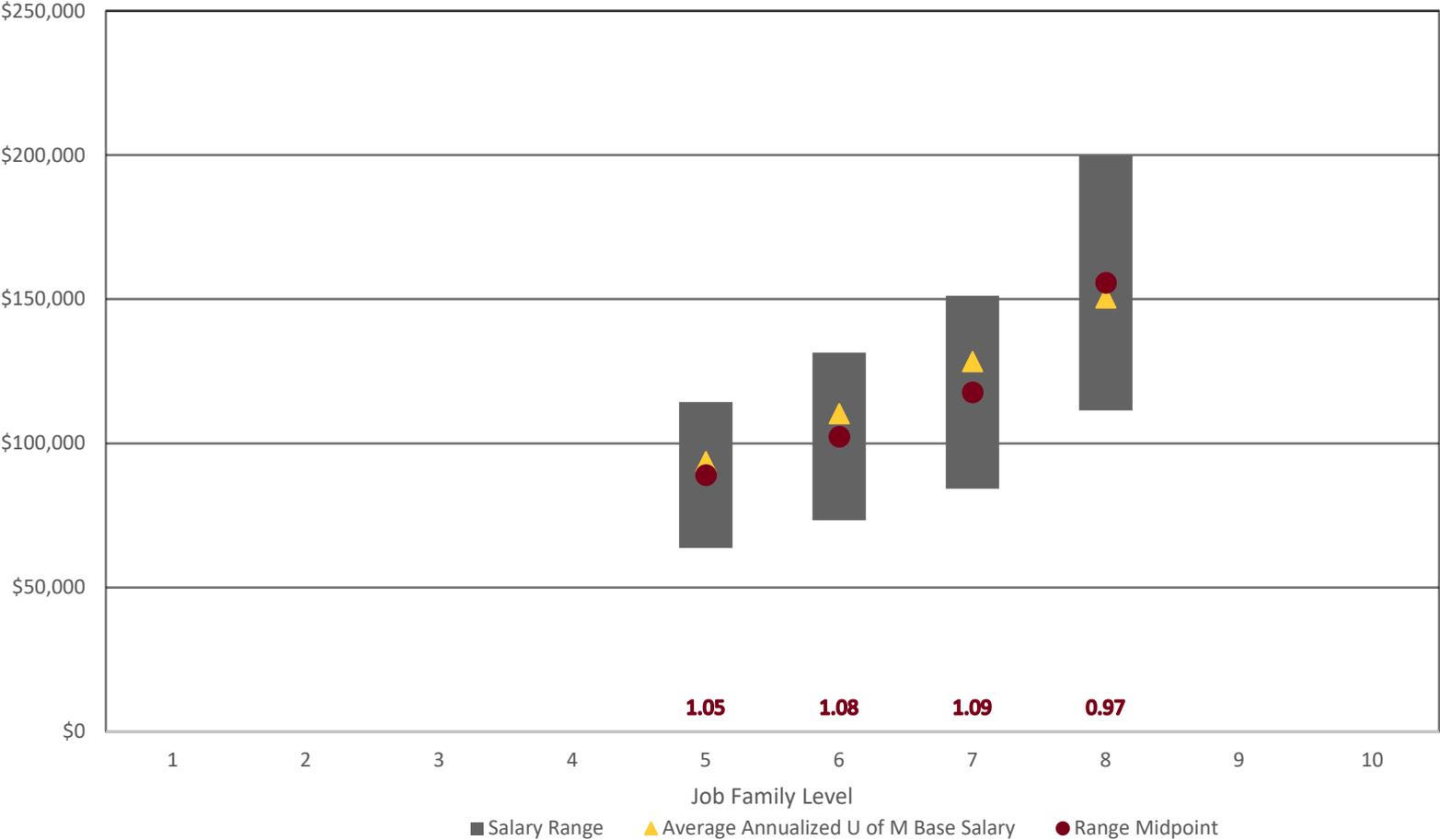


**Overall Average
Compa Ratio =
0.99**

Compa Ratio by Level



IT: Management Job Family

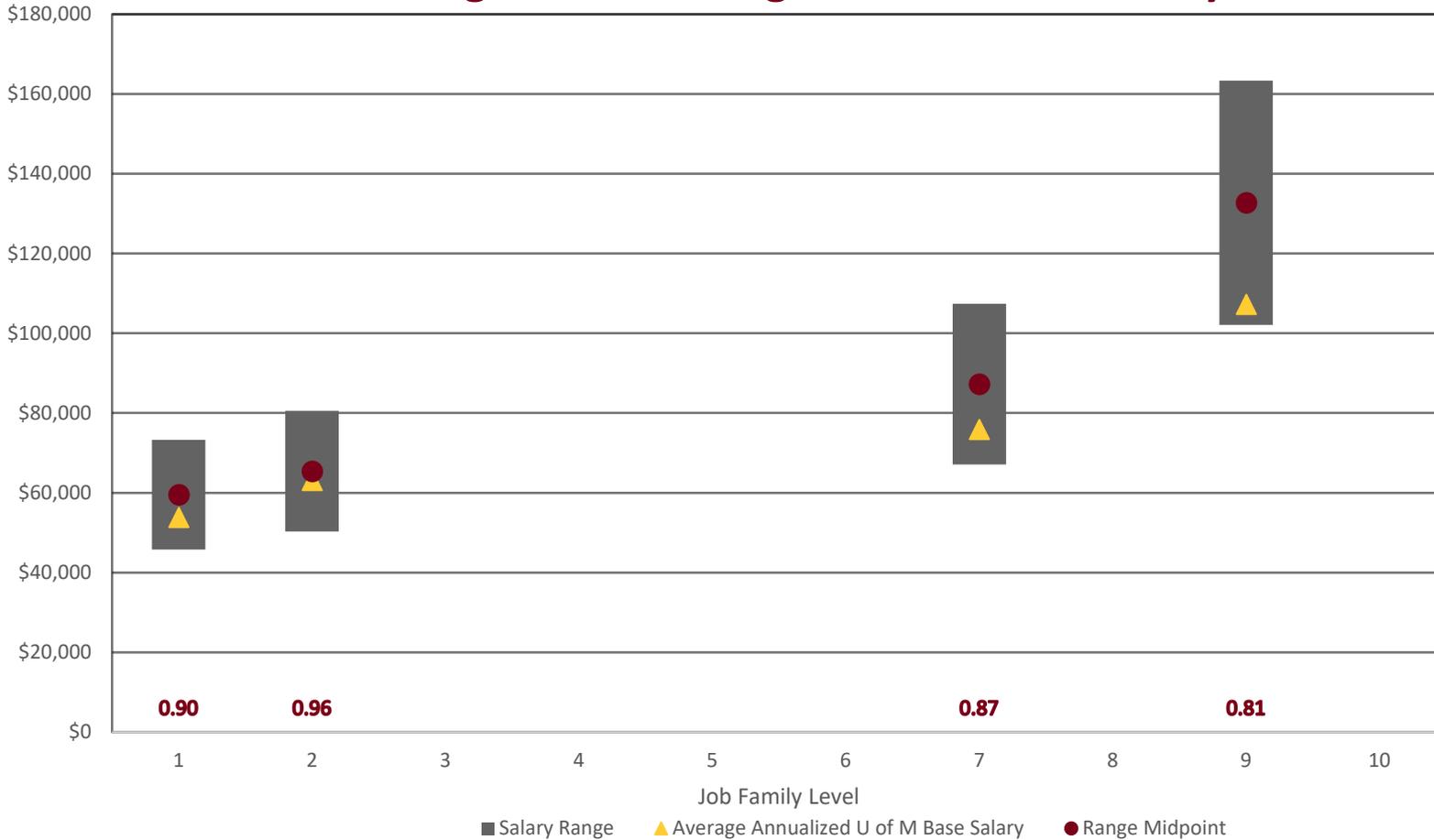


**Overall Average
Compa Ratio =
1.06**

Compa Ratio by Level



Legal: Student Legal Services Job Family

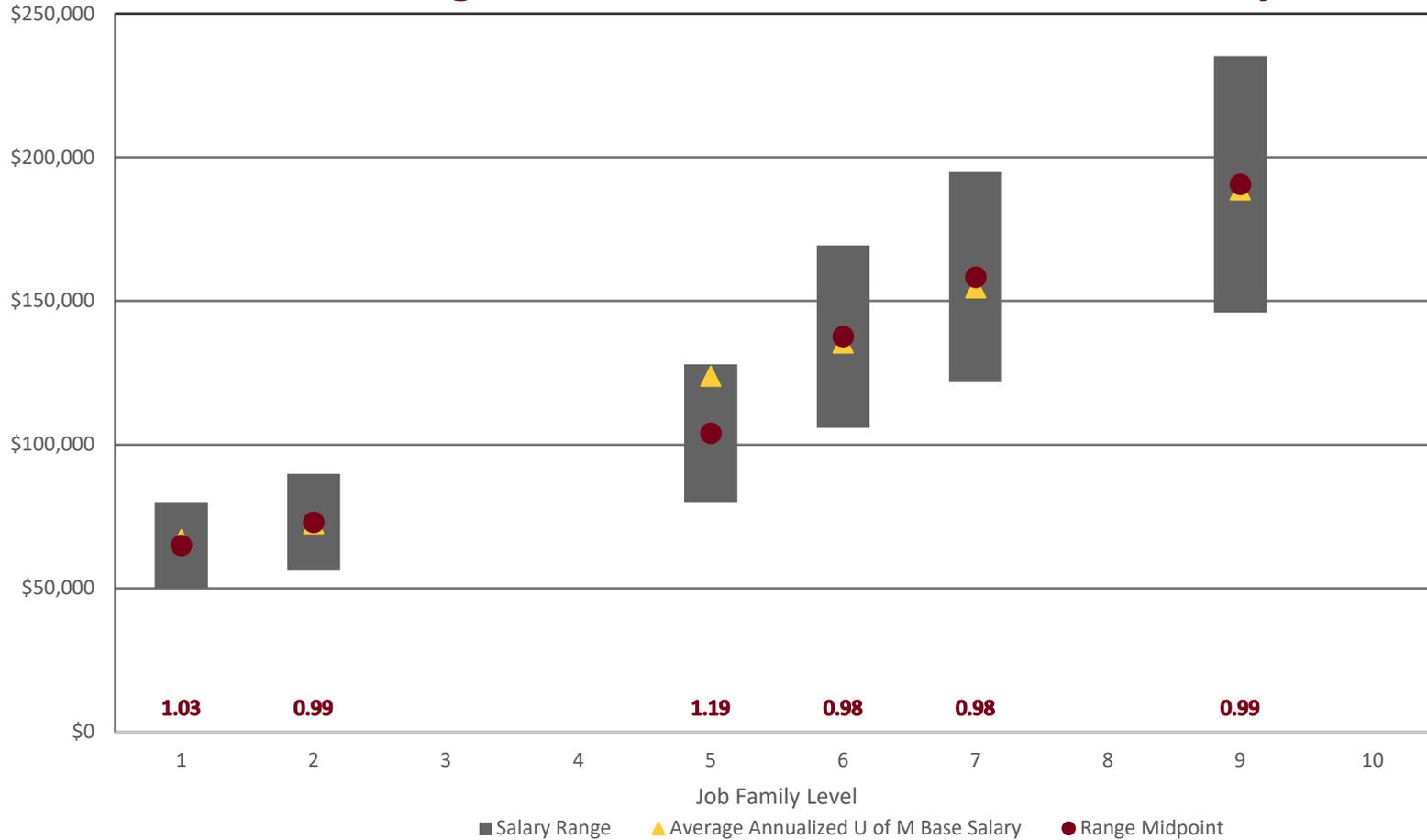


**Overall Average
Compa Ratio =
0.88**

Compa Ratio by Level



Legal: Office of General Counsel Job Family

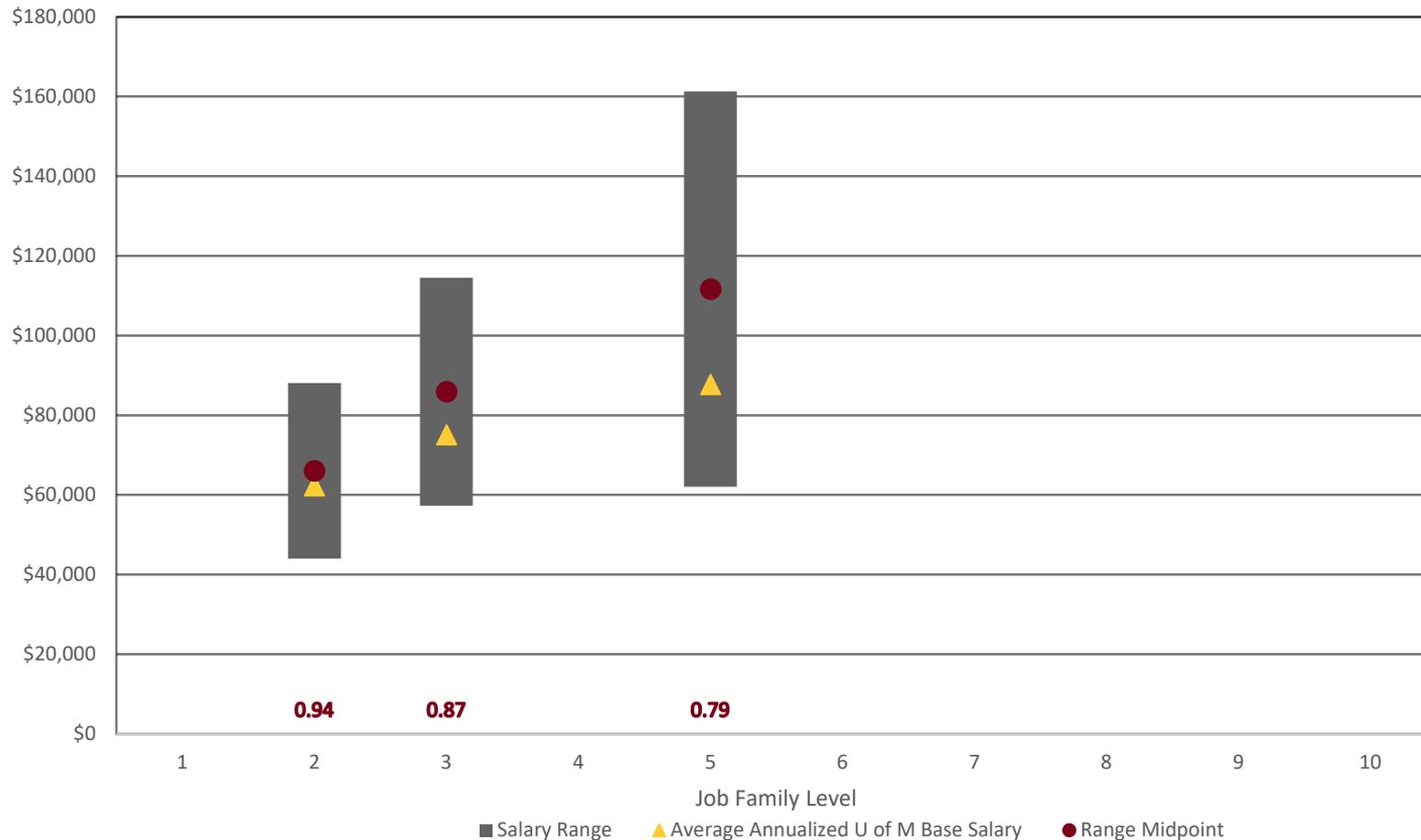


**Overall Average
Compa Ratio =
0.99**

Compa Ratio by Level



Libraries & Museums: Curators & Librarians Job Family

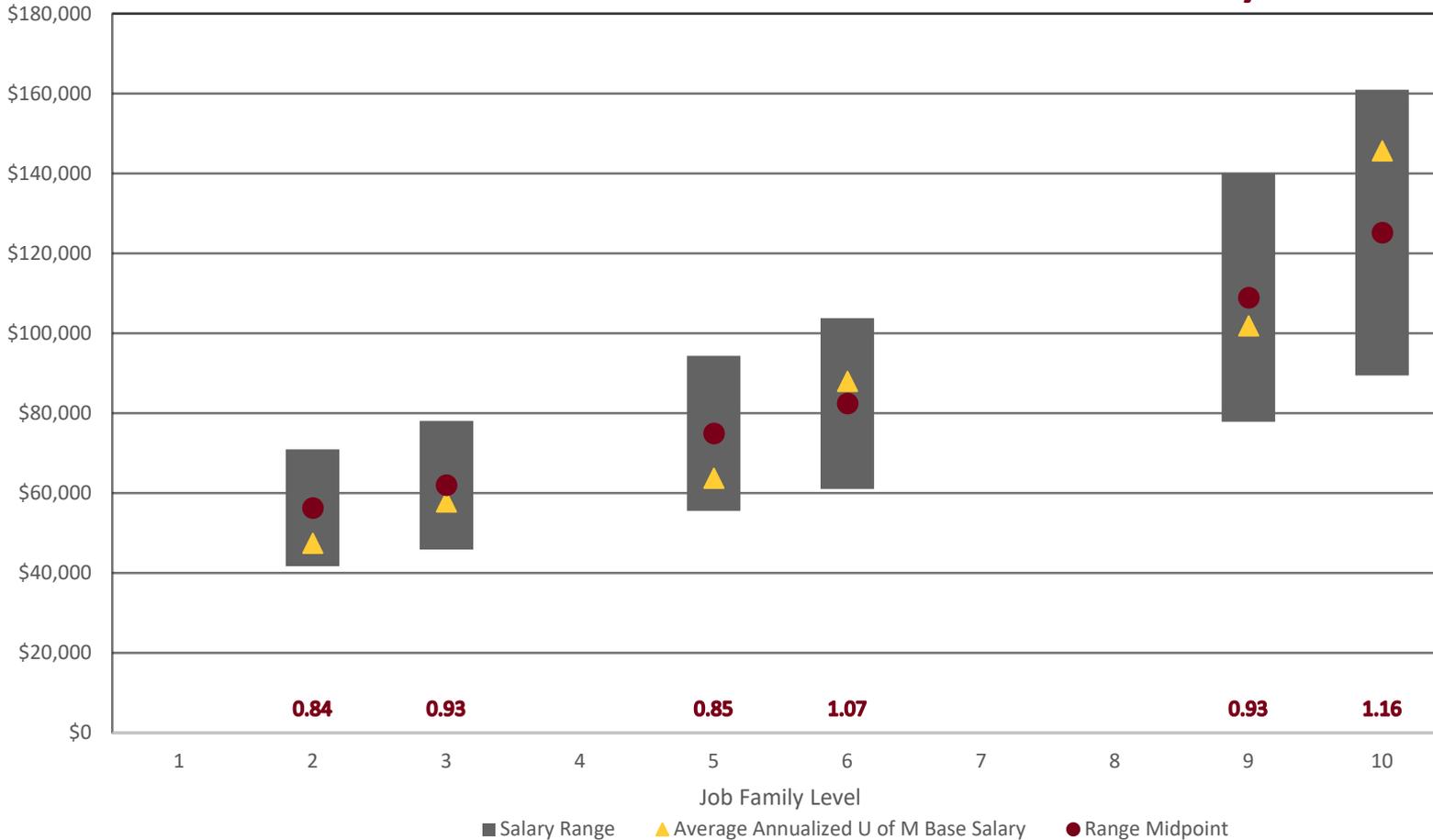


**Overall Average
Compa Ratio =
0.89**

Compa Ratio by Level



Libraries & Museums: General Job Family

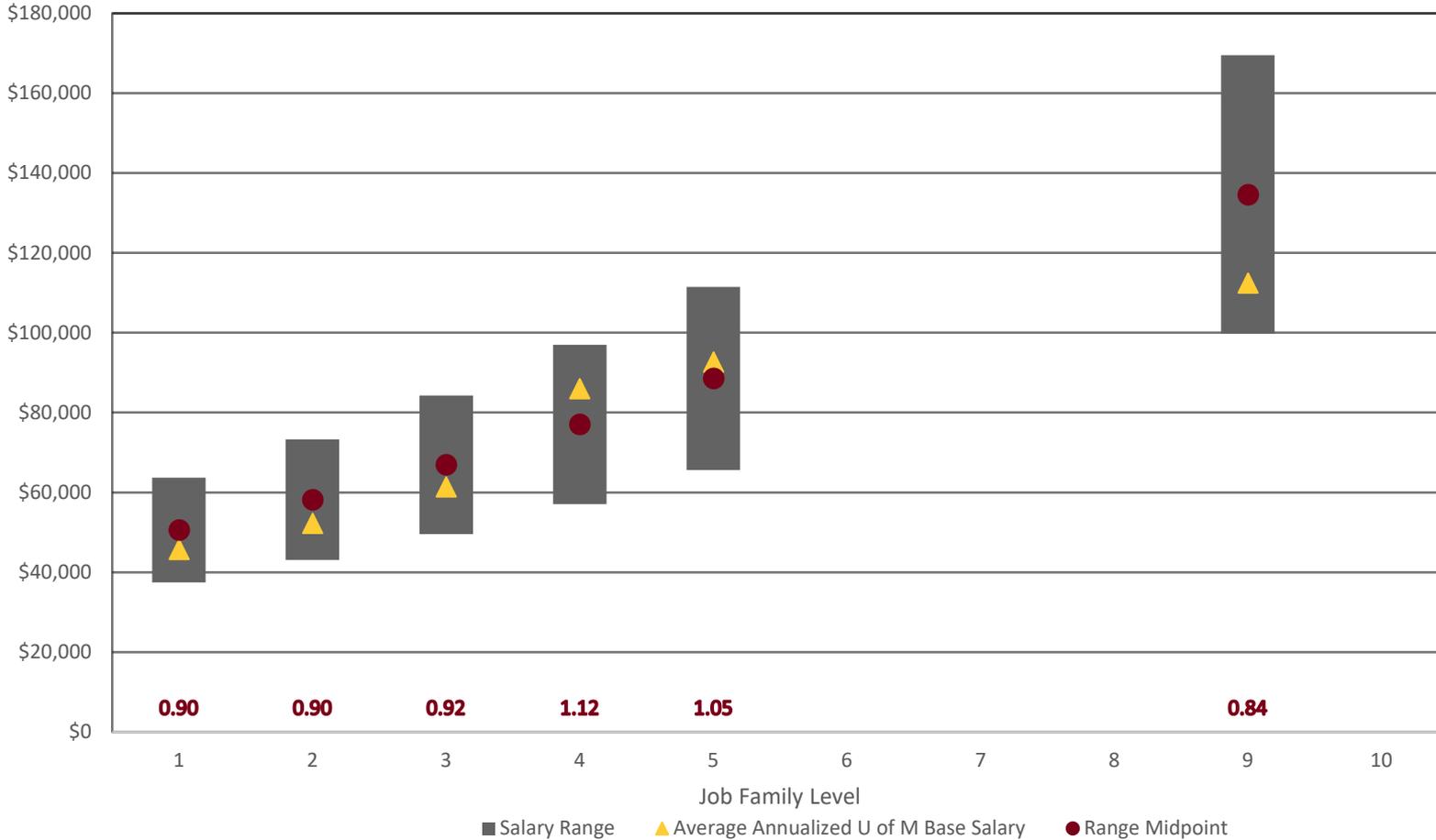


**Overall Average
Compa Ratio =
0.90**

Compa Ratio by Level



Purchasing Job Family

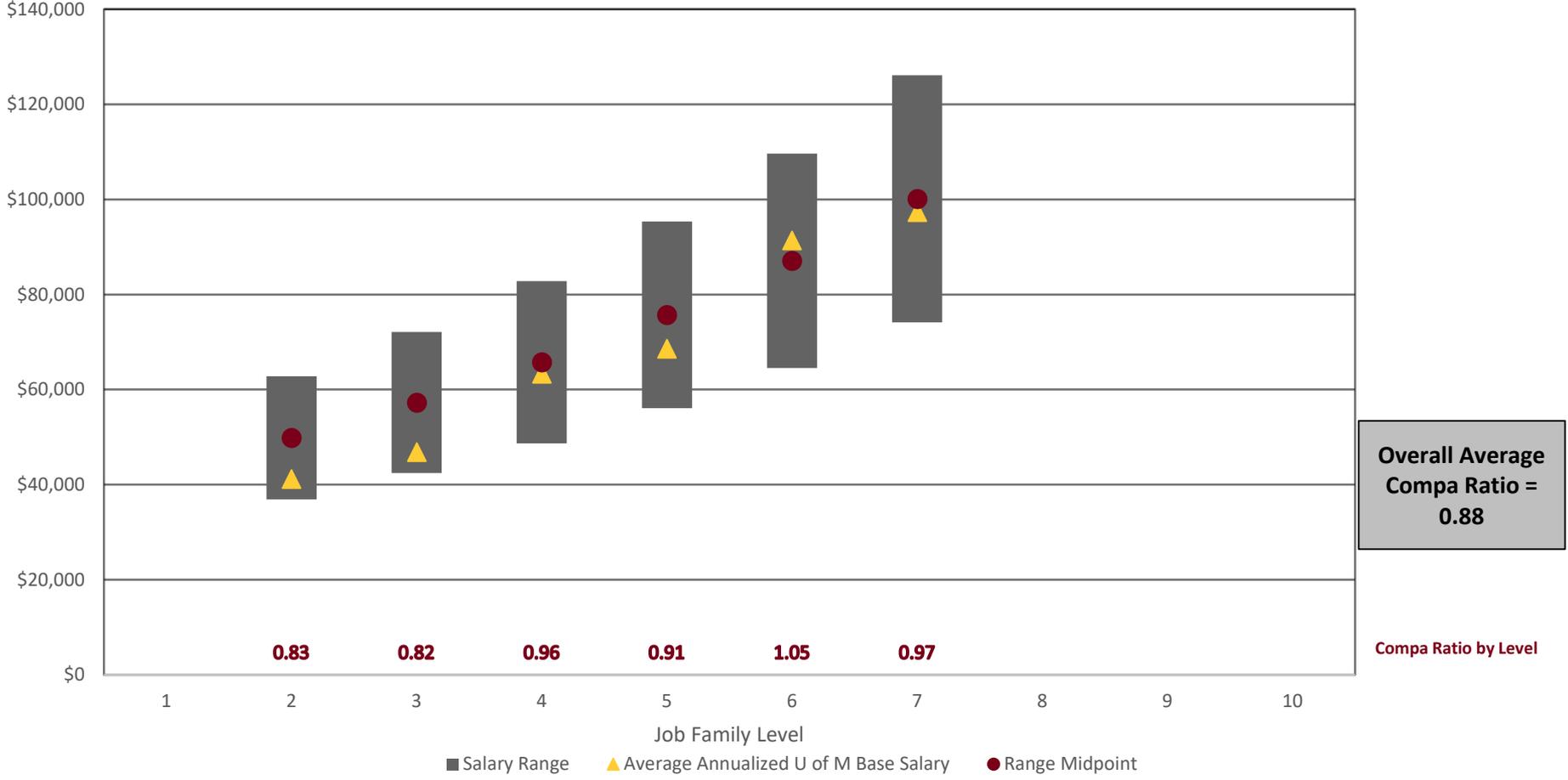


**Overall Average
Compa Ratio =
0.96**

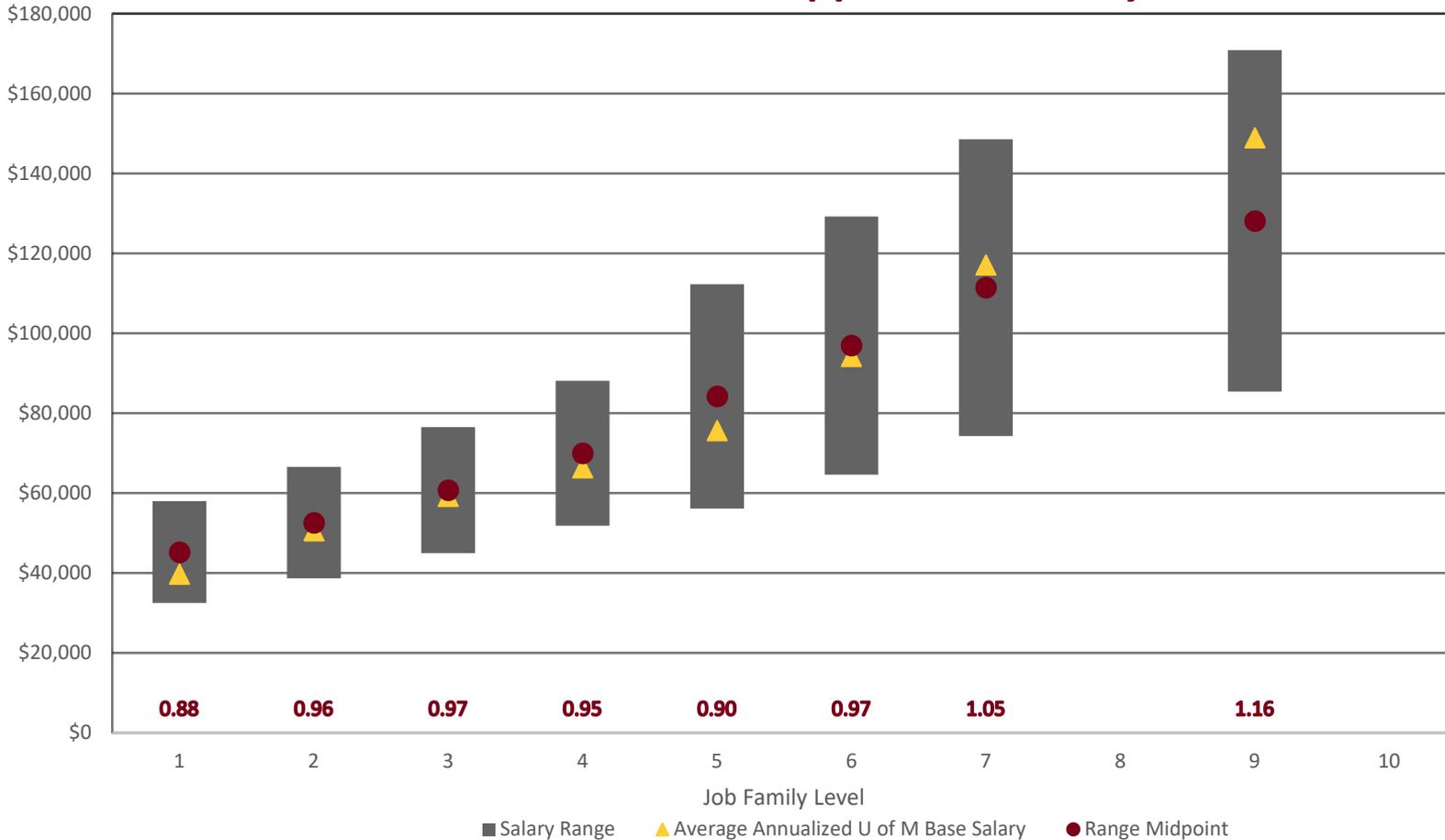
Compa Ratio by Level



Recreation Job Family



Research: Support Job Family

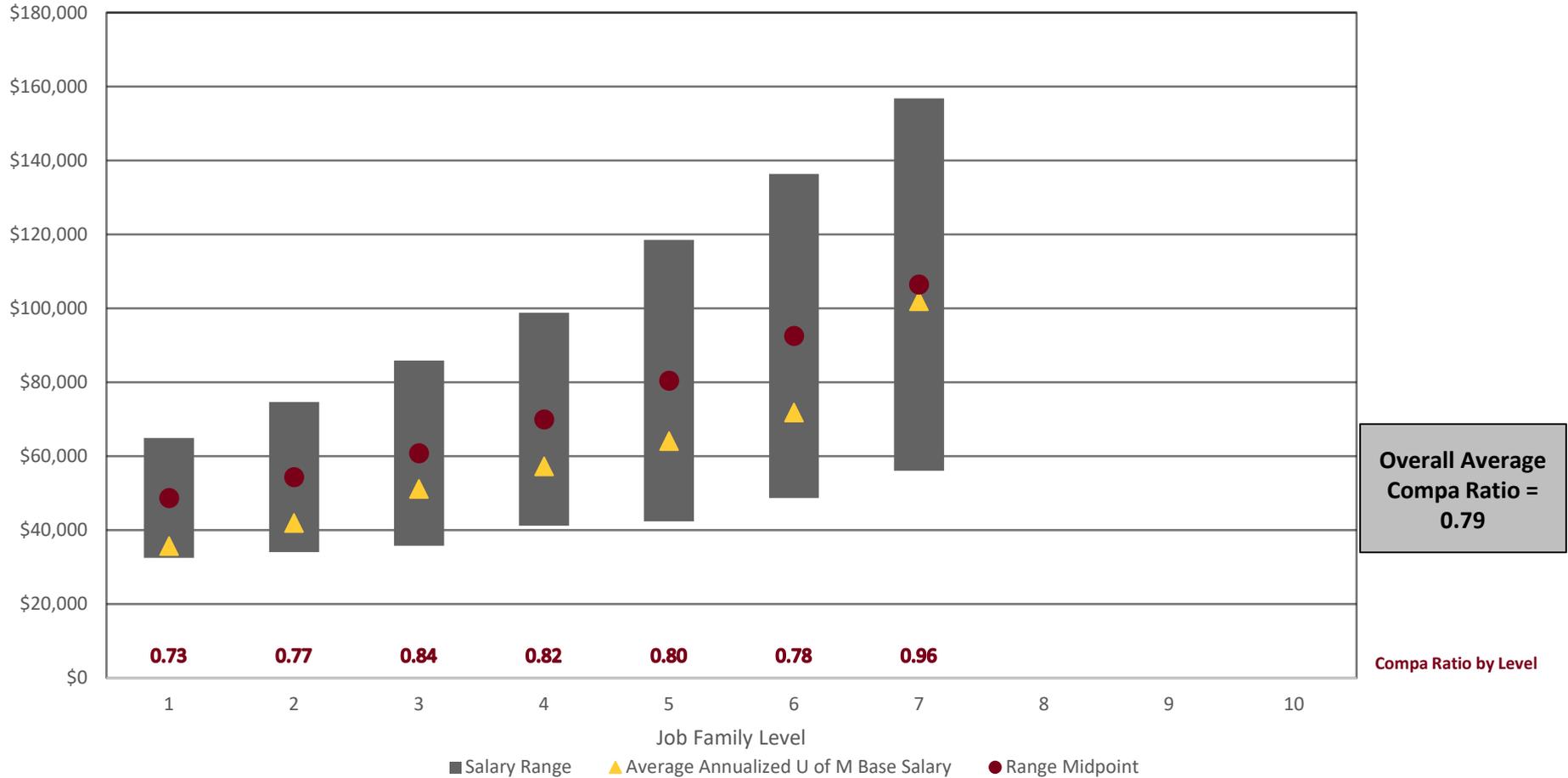


**Overall Average
Compa Ratio =
0.95**

Compa Ratio by Level



Research: Researchers Job Family



Research: Research Nurses Job Family

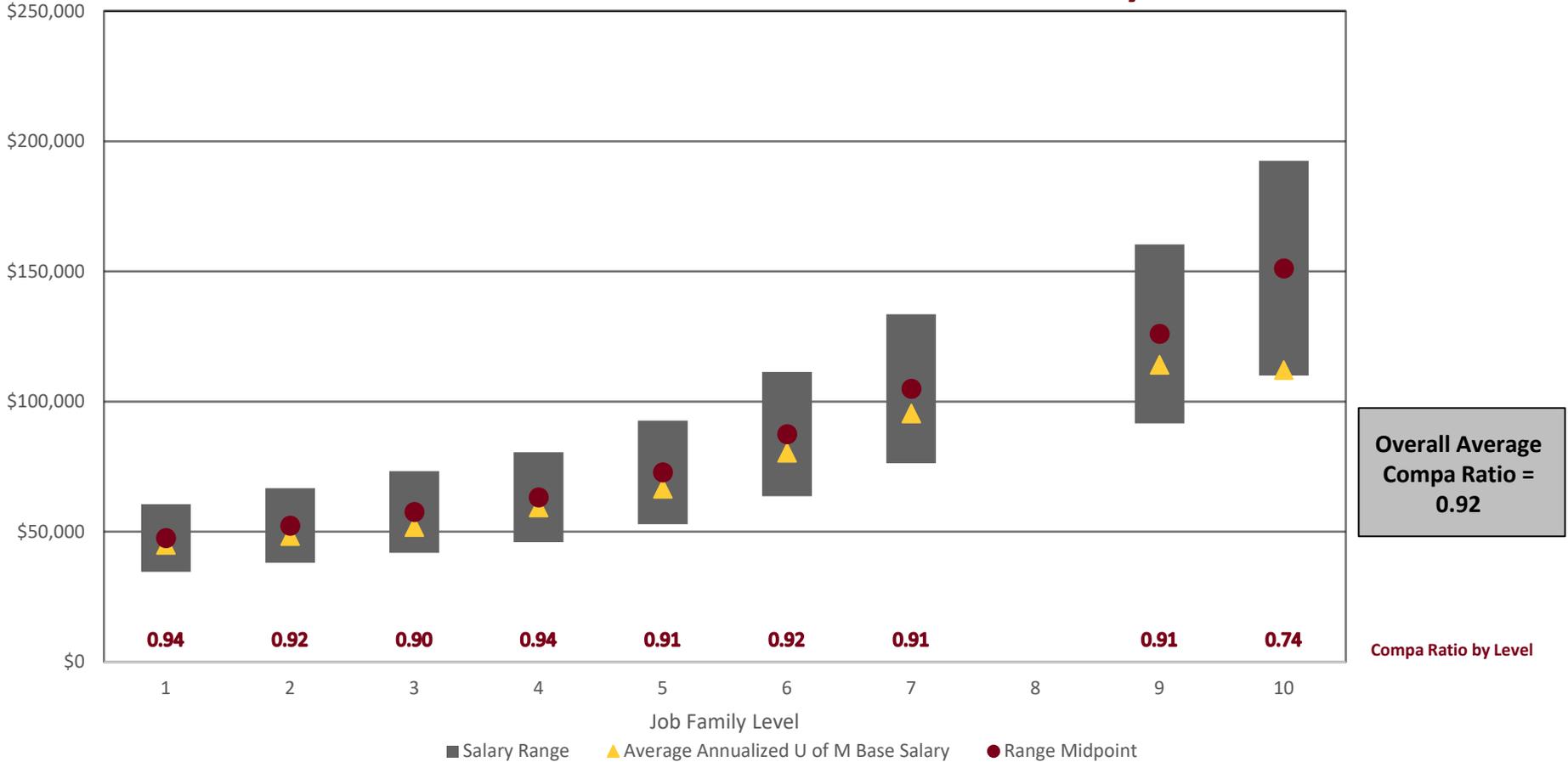


**Overall Average
Compa Ratio =
1.00**

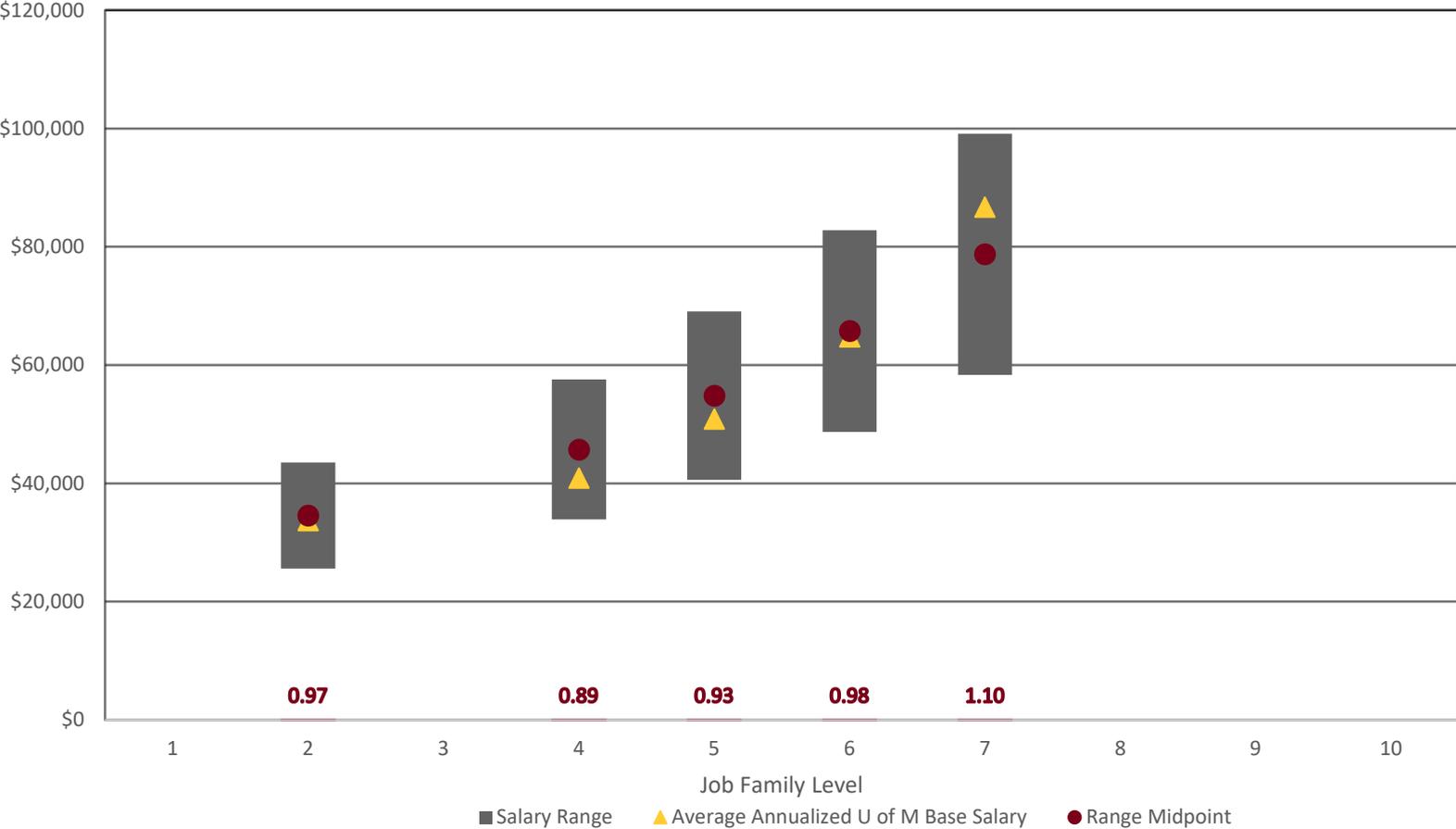
Compa Ratio by Level



Student Services: All Others Job Family



Student Services: Residential Life Job Family



**Overall Average
Compa Ratio =
0.95**

Compa Ratio by Level





UNIVERSITY OF MINNESOTA
Driven to Discover®

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



Annual Report on Faculty Compensation

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

Prepared October 4, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Human Resources

UNIVERSITY OF MINNESOTA
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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 list of peer institutions 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.

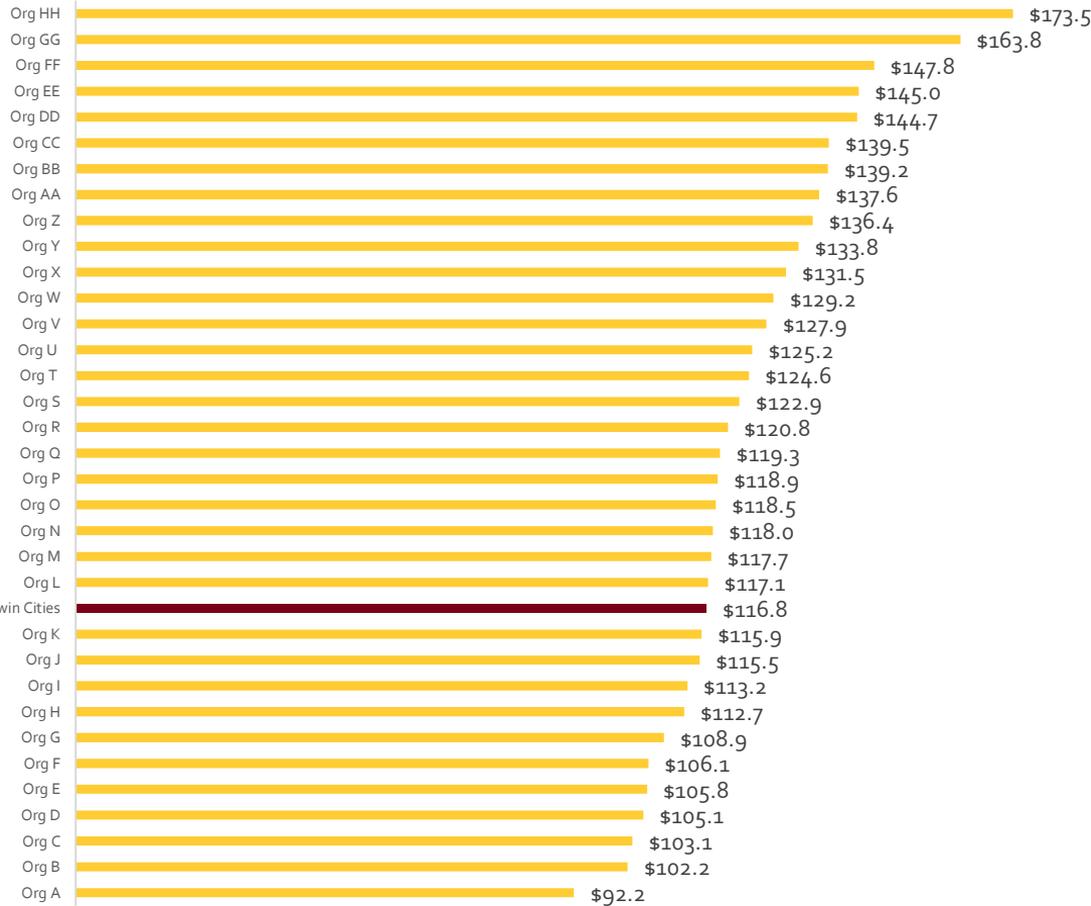


Faculty Compensation

- 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 2017 Faculty Salaries

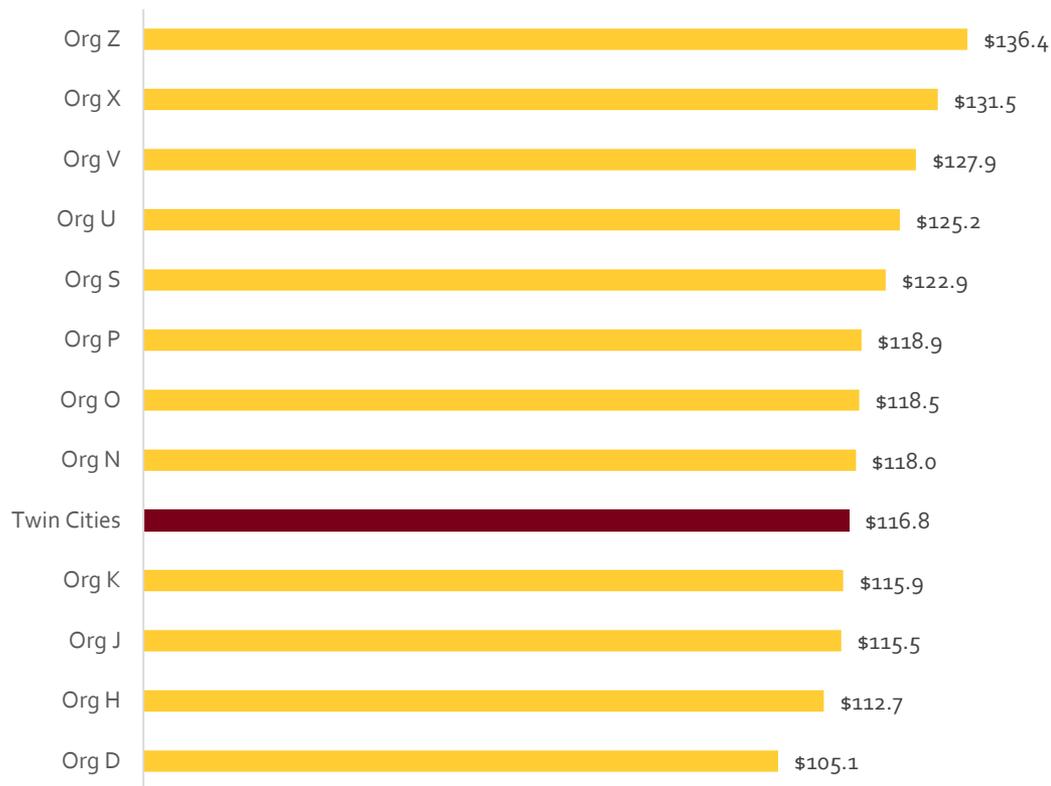


Twin Cities Average = \$116.8
Market Median = \$119.3
Compa Ratio = 0.98

Source: American Association of University Professors (AAUP)



Twin Cities Ranking of 2017 Big 10 Faculty Salaries

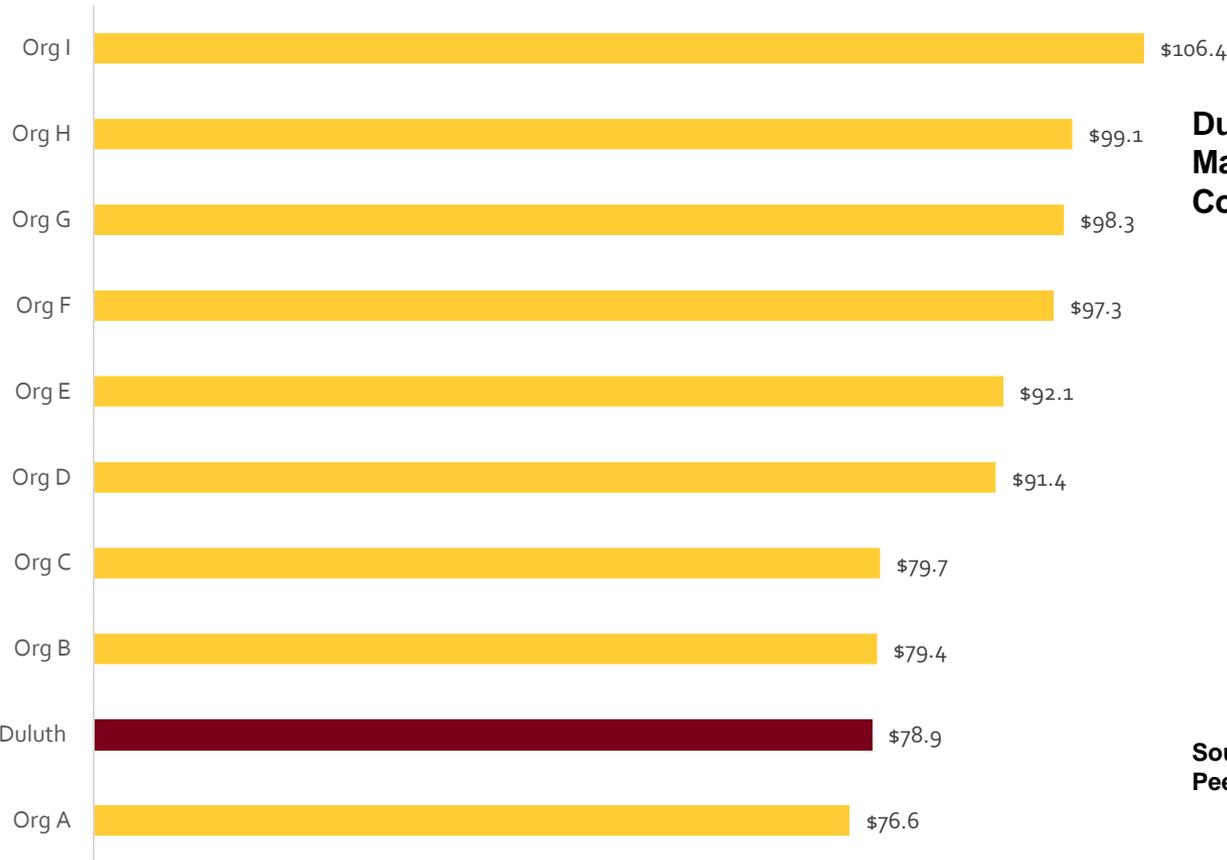


Twin Cities Average = \$116.8
Market Median = \$118.5
Compa Ratio = 0.99

Source: American Association of University Professors (AAUP)



Duluth Ranking of 2017 Faculty Salaries

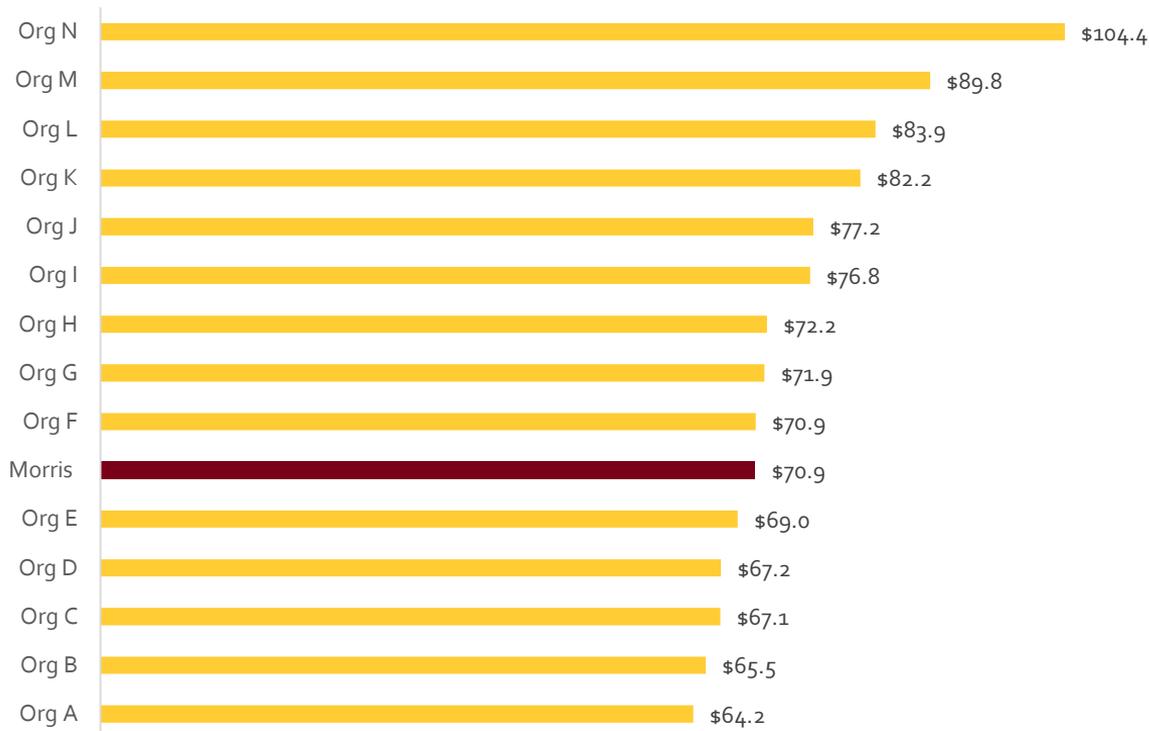


Duluth Average = \$78.9
Market Median = \$91.8
Compa Ratio = 0.86

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



Morris Ranking of 2017 Faculty Salaries

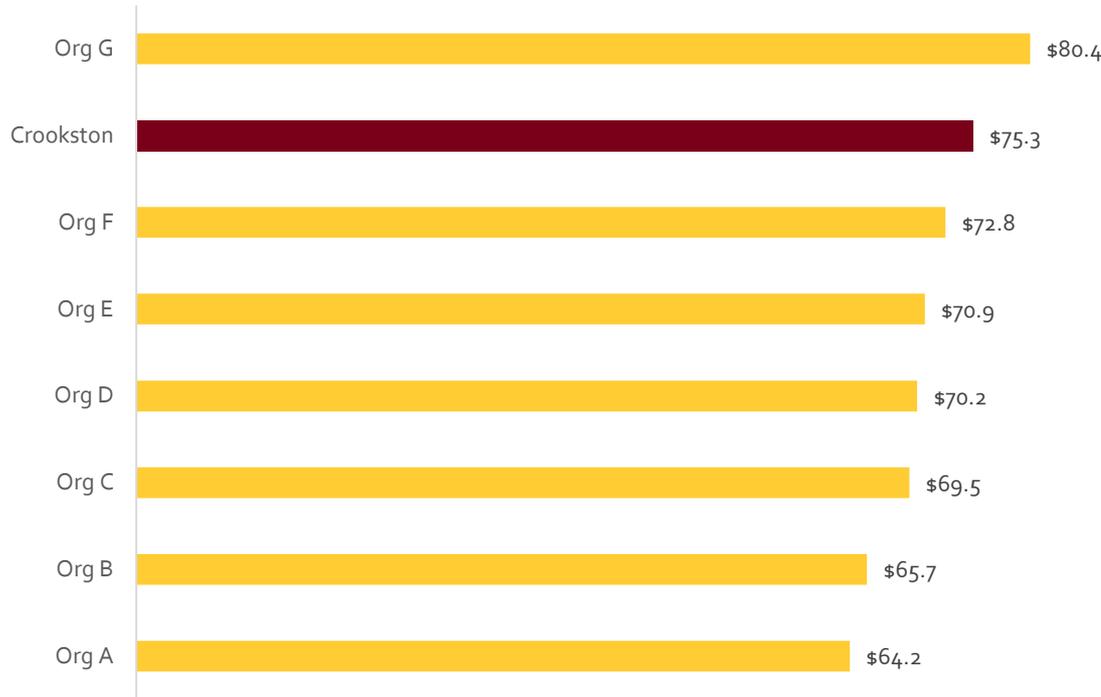


Morris Average = \$70.9
Market Median = \$71.9
Compa Ratio = 0.99

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



Crookston Ranking of 2017 Faculty Salaries



Crookston Average = \$75.3
Market Median = \$70.6
Compa Ratio = 1.07

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 composed 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. That leaves the 33 public universities who are AAU members to which we will be comparing faculty compensation.

Big 10 institutions (13 comparison universities)

Twelve of the Big 10 schools are already included in the list 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 it is not included on the comparison list. Since the University of Nebraska is a public Big 10 school that is not part of the AAU, we decided to include it 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 identified by the Office of Institutional Research and Morris leadership as Morris peer institutions are featured on the next page. In identifying its 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 in the future. This list includes:

- 5 institutions that are part of the Council of Public Liberal Arts Colleges (COPLAC) and are true peers to Morris
- 5 institutions that are not part of the Council of Public Liberal Arts Colleges (COPLAC) but are currently true peers to Morris
- 5 institutions that 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 following universities 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

Prepared November 1, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Human Resources

UNIVERSITY OF MINNESOTA
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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.

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 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 list of peer institutions 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 and 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
- Chief Auditor
- Dean
- Division I Director Of Intercollegiate Athletics
- Executive Vice President and Provost
- General Counsel
- Senior Vice President for Finance and Operations
- University Librarian and Dean of Libraries
- Vice Chancellor for Academic Affairs
- Vice President
- Such other administrative positions as the Board may specify from time to time



Senior Leader Positions Included in the 2018 Study

The following positions have been included in the 2018 analysis of senior leader compensation:

Title	Incumbent
Associate Vice President and Dean International Programs	Meredith Mc Quaid
Chancellor Crookston	Mary Holz-Clause
Chancellor Duluth	Lendley Black
Chancellor Morris	Michelle Behr
Chancellor Rochester	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 (Interim)	Robert Stine
Dean, College of Design	Carol Strohecker
Dean, College of Education and Human Development	Jean Quam
Dean, College of Liberal Arts	John Coleman
Dean, College of Pharmacy	Lynda Welage
Dean, College of Science and Engineering	Mostafa Kaveh
Dean, College of Veterinary Medicine	Trevor Ames
Dean, Hubert H. Humphrey School of Public Affairs	Laura Bloomberg
Dean, Law School	Garry Jenkins

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Title	Incumbent
Dean, School of Dentistry	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	Wendy Reed
Dean, University Extension	Beverly Durgan
Dean, College of Food, Agricultural and Natural Resource Sciences	Brian Buhr
Division I Director of Intercollegiate Athletics	Mark Coyle
Executive Vice Chancellor for Academic Affairs, UMD	Fernando Delgado
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 Chancellor for Academic Affairs and Dean, UMM (Interim)	Janet Ericksen
Vice Chancellor for Academic Affairs and Innovation, UMR	Jeffrey Ratliff-Crain
Vice Chancellor for Academic and Student Affairs, UMC	John Hoffman
Vice President and Chief Information Officer	Bernard Gulachek
Vice President Equity and Diversity	Michael Goh
Vice President for Clinical Affairs and Dean of the Medical School	Jakub Tolar
Vice President Human Resources	Kathryn Brown
Vice President Research	Chris Cramer
Vice President University and Government Relations	Matt Kramer
Vice President University Services	Michael Berthelsen



Senior Leader Compensation Surveys Used

Surveys are 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

Data for our 2018 analysis was pulled from the following formal surveys:

- CUPA Administrators in Higher Education Salary Survey 2018 for Twin Cities campus
- CUPA Administrators in Higher Education Salary Survey 2017 for system campuses
- Sibson Executive Total Compensation Study 2016

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



Senior Leader Compensation Surveys Used

Limitations of this year's data set:

- Sibson survey was supposed to be replaced by a new CUPA Executive Compensation & Benefits survey that would include total cash and total remuneration data. CUPA's data reporting methodology was flawed, rendering the survey data unusable. A decision was made to include Sibson data again, aging it forward for another year.
- Due to CUPA's significant price increases, a decision was made to purchase the CUPA Administrators in Higher Education Salary Survey every other year.
- The CUPA Administrators in Higher Education Salary Survey for 2018 changed their methodology to only report 25th and 75th percentile data when 10 or more institutions reported data. As a result, percentile rankings are frequently based solely on aged Sibson data from 2016.

All external market data was aged to 7/1/19 using an aging assumption of 2.9%. This percentage represents the annual merit pool 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 7/1/19.



Definition of Survey Terms

To ensure accurate comparisons of University of Minnesota data against the 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 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 FY19) and also includes augments paid during calendar year 2018.

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

- Incentives and bonuses reported for University of Minnesota senior leaders reflect payments made in calendar year 2018. Housing allowances for campus presidents or chancellors and perquisites are excluded from total cash.

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

- Retirement contributions and deferred compensation for University of Minnesota leaders reflect contributions made in calendar year 2018.



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 39th 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	36th	39%	23%	14%	14%	5%	7%
Total Remuneration	39th	23%	11%	16%	11%	2%	36%



Senior Leader Compensation—Change in Overall Distribution & Findings

Base Salary			Total Remuneration		
	2017	2018		2017	2018
Overall Average Percentile Ranking	39th	36th	Overall Average Percentile Ranking	38th	39th
<25	37%	39%	<25	26%	23%
25-44	18%	23%	25-44	13%	11%
45-55	18%	14%	45-55	21%	16%
56-74	18%	14%	56-74	8%	11%
>75	5%	5%	>75	5%	2%
ISD	3%	7%	ISD	26%	36%

Overall percentile rankings for base salary are down slightly from 2017. This is most likely because Vice Chancellor for Academic Affairs positions were added to the analysis, and they tend to fall beneath the 25th percentile.



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 & Dean International Programs	\$126.0	\$159.6	\$204.3	\$250.7	\$301.9	\$235.6	66.9	\$129.8	\$162.0	\$205.4	\$243.3	\$318.5	\$235.6	69.9	\$157.2	\$184.7	\$218.1	\$289.9	\$372.5	\$266.3	66.8
Chancellor Crookston	\$248.6	\$269.0	\$270.6	\$270.6	\$295.9	\$255.0	14.7	isd	isd	isd	isd	isd	\$255.0	isd	isd	isd	isd	isd	isd	\$280.5	isd
Chancellor Duluth	\$202.3	\$338.2	\$388.8	\$414.0	\$484.3	\$304.2	21.2	isd	isd	isd	isd	isd	\$304.2	isd	isd	isd	isd	isd	isd	\$369.9	isd
Chancellor Morris	\$295.6	\$322.2	\$333.6	\$350.8	\$567.0	\$255.0	<Lowest	isd	isd	isd	isd	isd	\$255.0	isd	isd	isd	isd	isd	isd	\$280.5	isd
Chancellor Rochester	isd	isd	isd	isd	isd	\$250.0	isd	isd	isd	isd	isd	isd	\$250.0	isd	isd	isd	isd	isd	isd	\$275.0	isd
Chief Auditor	\$151.5	\$158.2	\$196.3	\$221.7	\$270.7	\$217.0	70.4	\$157.1	\$159.3	\$190.3	\$210.9	\$274.8	\$217.0	76.4	\$179.8	\$195.6	\$213.3	\$233.9	\$296.9	\$245.2	77.7
Dean and Vice Provost Graduate Education	\$208.6	\$241.4	\$278.6	\$311.9	\$332.9	\$238.8	23.8	\$203.0	\$241.8	\$273.8	\$298.3	\$330.2	\$238.8	23.8	\$238.8	\$273.4	\$301.7	\$344.3	\$279.7	\$269.8	23.4
Dean and Vice Provost Undergraduate Education	\$206.1	\$221.8	\$254.3	\$255.0	\$351.1	\$248.8	45.8	\$206.1	\$221.8	\$243.4	\$255.0	\$351.1	\$248.8	61.7	\$227.8	\$246.6	\$284.4	\$304.2	\$425.3	\$281.2	47.8
Dean, Carlson School of Management	\$330.4	\$383.2	\$437.1	\$500.0	\$578.4	\$560.0	86.5	\$270.0	\$345.5	\$435.8	\$513.7	\$585.6	\$560.0	84.7	\$315.8	\$408.3	\$477.7	\$598.3	\$663.2	\$595.7	74.5
Dean, College of Biological Sciences	\$184.4	\$246.7	\$336.0	\$349.3	\$405.8	\$277.3	33.6	\$184.4	\$246.7	\$320.4	\$349.3	\$405.8	\$277.3	35.4	\$215.8	\$286.5	\$361.7	\$405.4	\$465.6	\$304.8	31.1
Dean, College of Design	\$221.7	\$245.9	\$287.8	\$306.6	\$328.9	\$244.8	24.3	isd	isd	isd	isd	isd	\$244.8	isd	isd	isd	isd	isd	isd	\$269.3	isd
Dean, College of Education and Human Development	\$215.7	\$246.9	\$282.1	\$314.2	\$357.2	\$270.3	41.6	\$196.2	\$231.8	\$275.0	\$311.7	\$372.2	\$270.3	47.3	\$231.3	\$266.2	\$312.6	\$368.6	\$427.3	\$305.4	46.1
Dean, College of Liberal Arts	\$288.8	\$314.1	\$337.1	\$366.9	\$396.9	\$287.0	<Lowest	\$267.2	\$291.2	\$309.3	\$353.7	\$375.2	\$287.0	22.4	\$313.3	\$322.3	\$364.0	\$398.0	\$428.2	\$314.5	12.0

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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+Incentive + Retire + Deferred	Percentile Ranking
Dean, College of Science and Engineering	\$330.3	\$351.4	\$378.0	\$398.0	\$473.3	\$381.0	53.8	\$324.7	\$348.7	\$370.6	\$396.6	\$459.1	\$381.0	60.0	\$343.3	\$398.5	\$439.0	\$467.8	\$536.1	\$416.8	36.3
Dean, Hubert H. Humphrey School of Public Affairs	\$272.5	\$316.1	\$333.9	\$362.1	\$370.0	\$244.8	<Lowest	\$294.9	\$325.0	\$341.5	\$363.6	\$369.2	\$244.8	<Lowest	\$335.6	\$361.4	\$370.9	\$410.2	\$410.6	\$276.6	<Lowest
Dean, Law School	\$307.8	\$360.1	\$373.8	\$401.1	\$479.6	\$383.7	59.0	\$280.7	\$370.1	\$373.8	\$388.6	\$462.0	\$383.7	66.7	\$331.3	\$408.0	\$444.4	\$469.9	\$522.1	\$411.2	27.2
Dean, School of Dentistry	\$369.2	\$376.4	\$387.1	\$392.4	\$438.3	\$320.0	<Lowest	\$369.2	\$376.4	\$388.1	\$392.4	\$438.3	\$320.0	<Lowest	\$395.7	\$400.8	\$406.0	\$458.1	\$482.2	\$355.8	<Lowest
Dean, School of Nursing	\$249.4	\$299.3	\$340.3	\$373.3	\$396.3	\$330.9	44.2	\$267.6	\$297.8	\$327.1	\$353.0	\$365.0	\$330.9	53.7	\$294.4	\$335.3	\$360.5	\$400.9	\$471.9	\$366.6	53.8
Dean, School of Pharmacy	\$247.8	\$297.3	\$342.6	\$359.7	\$379.9	\$306.0	29.8	\$263.5	\$305.9	\$337.2	\$352.7	\$396.7	\$306.0	25.1	\$293.1	\$344.1	\$367.8	\$379.7	\$419.1	\$333.5	21.9
Dean, School of Public Health	\$316.7	\$336.4	\$387.7	\$440.1	\$444.9	\$368.1	40.5	isd	isd	isd	isd	isd	\$368.1	isd	isd	isd	isd	isd	isd	\$403.9	isd
Dean, School of Veterinary Medicine	\$242.9	\$267.7	\$308.4	\$325.7	\$345.9	\$285.2	35.8	\$242.9	\$267.7	\$294.5	\$325.7	\$345.9	\$285.2	41.3	\$271.3	\$324.5	\$343.1	\$372.1	\$407.9	\$321.0	24.0
Dean, UMD College of Education and Human Service Professions	\$165.7	\$172.9	\$186.0	\$201.9	\$252.2	\$150.5	<Lowest	isd	isd	isd	isd	isd	\$150.5	isd	isd	isd	isd	isd	isd	\$165.6	isd
Dean, UMD College of Fine Arts	isd	isd	isd	isd	isd	\$144.8	isd	isd	isd	isd	isd	isd	\$144.8	isd	isd	isd	isd	isd	isd	\$159.3	isd
Dean, UMD College of Liberal Arts	\$180.8	\$199.9	\$229.9	\$252.5	\$258.3	\$153.6	<Lowest	isd	isd	isd	isd	isd	\$153.6	isd	isd	isd	isd	isd	isd	\$173.6	isd
Dean, UMD Labovitz School of Business and Economics	\$204.0	\$207.1	\$249.7	\$289.6	\$360.1	\$224.1	35.0	isd	isd	isd	isd	isd	\$224.1	isd	isd	isd	isd	isd	isd	\$246.5	isd
Dean, UMD Swenson College of Science and Engineering	\$200.6	\$217.7	\$242.8	\$278.6	\$291.0	\$215.0	22.6	isd	isd	isd	isd	isd	\$215.0	isd	isd	isd	isd	isd	isd	\$236.5	isd
Dean, University Extension	\$181.5	\$229.7	\$249.1	\$326.2	\$356.9	\$251.9	50.9	\$181.5	\$229.7	\$249.1	\$326.7	\$356.9	\$251.9	50.9	\$211.4	\$266.6	\$281.4	\$395.9	\$430.0	\$284.6	50.7
Dean, College of Food, Agricultural & Natural Resource Sciences	\$297.2	\$317.3	\$337.4	\$359.7	\$369.2	\$276.6	<Lowest	\$301.0	\$316.5	\$346.3	\$353.4	\$365.0	\$276.6	<Lowest	\$335.7	\$345.8	\$391.0	\$413.8	\$420.5	\$312.4	<Lowest
Division I Director of Intercollegiate Athletics - Big 10 Comparison (2)	\$570.7	\$647.0	\$725.3	\$1,006.9	\$1,064.4	\$867.0	62.6	isd	isd	isd	isd	isd	\$908.0	isd	isd	isd	isd	isd	isd	\$935.5	isd
Executive Vice Chancellor for Academic Affairs, UMD	\$238.9	\$258.4	\$285.9	\$310.9	\$351.3	\$239.2	10.2	isd	isd	isd	isd	isd	\$239.2	isd	isd	isd	isd	isd	isd	\$263.1	isd

(continued on next page)



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+Incentive + Retire + Deferred	Percentile Ranking	
Executive Vice President & Provost	\$382.9	\$412.9	\$469.3	\$496.5	\$518.3	\$458.0	45.0	isd	isd	isd	isd	isd	\$458.0	isd	isd	isd	isd	isd	isd	isd	\$485.5	isd
General Counsel	\$200.8	\$280.2	\$322.3	\$406.3	\$450.3	\$359.1	61.0	\$200.8	\$280.2	\$332.5	\$406.3	\$456.9	\$359.1	59.0	\$248.3	\$324.0	\$369.7	\$450.6	\$513.1	\$386.6	55.2	
President (1)	\$481.1	\$529.8	\$707.4	\$698.7	\$868.5	\$625.3	38.4	\$478.2	\$554.4	\$654.2	\$735.9	\$856.5	\$625.3	42.8	\$617.5	\$649.3	\$749.8	\$922.0	\$1,126.5	\$861.0	66.1	
Senior Vice President Finance & Operations	\$293.8	\$333.1	\$359.2	\$415.1	\$478.6	\$420.7	76.3	\$296.2	\$329.9	\$371.5	\$434.1	\$473.9	\$420.7	69.6	\$333.6	\$387.5	\$427.7	\$547.4	\$620.2	\$468.2	58.5	
University Librarian and Dean of Libraries	\$183.3	\$218.8	\$253.6	\$273.0	\$308.7	\$253.4	49.8	\$165.3	\$214.1	\$257.8	\$262.1	\$308.6	\$253.4	47.5	\$193.2	\$236.7	\$289.6	\$301.4	\$381.4	\$286.4	48.5	
Vice Chancellor for Academic Affairs and Innovation, UMR	isd	isd	isd	isd	isd	\$169.0	isd	isd	isd	isd	isd	isd	\$169.0	isd	isd	isd	isd	isd	isd	isd	\$191.0	isd
Vice Chancellor for Academic and Student Affairs, UMC	\$169.2	\$180.8	\$183.5	\$204.5	\$246.7	\$180.0	24.0	isd	isd	isd	isd	isd	\$180.0	isd	isd	isd	isd	isd	isd	isd	\$198.0	isd
Vice President and Chief Information Officer	\$249.8	\$278.6	\$308.1	\$343.4	\$366.6	\$271.1	21.1	\$232.3	\$268.9	\$304.9	\$337.1	\$358.7	\$271.1	26.5	\$262.1	\$307.4	\$352.2	\$395.9	\$421.5	\$306.3	24.7	
Vice President for Clinical Affairs & Dean of the Medical School	\$377.3	\$493.3	\$793.0	\$930.0	\$1,012.8	\$714.0	43.4	\$377.3	\$504.3	\$733.1	\$1,137.9	\$1,385.4	\$714.0	47.9	\$416.1	\$566.8	\$815.0	\$1,250.4	\$1,551.8	\$799.8	48.5	
Vice President for Equity & Diversity	\$163.5	\$193.7	\$224.5	\$251.2	\$289.6	\$240.0	64.5	\$149.9	\$173.8	\$216.3	\$237.7	\$283.4	\$240.0	75.7	\$172.2	\$204.6	\$257.0	\$272.5	\$328.2	\$271.2	72.8	
Vice President Human Resources	\$202.8	\$223.8	\$248.0	\$300.6	\$326.1	\$252.0	51.9	\$201.7	\$229.6	\$241.7	\$297.4	\$317.4	\$252.0	54.6	\$228.8	\$257.9	\$292.3	\$333.1	\$370.2	\$284.8	44.5	
Vice President Research	\$255.7	\$328.2	\$350.8	\$405.9	\$429.4	\$325.0	24.3	\$279.9	\$328.9	\$353.9	\$399.8	\$416.8	\$325.0	23.8	\$321.7	\$398.3	\$405.2	\$447.3	\$479.3	\$360.8	17.6	
Vice President University and Government Relations	\$173.7	\$213.2	\$300.0	\$337.8	\$346.2	\$230.6	30.0	\$173.7	\$213.2	\$275.8	\$337.8	\$346.2	\$230.6	32.0	\$200.3	\$248.5	\$342.9	\$369.2	\$386.7	\$260.6	28.2	
Vice President University Services	\$277.2	\$277.2	\$302.5	\$335.1	\$373.5	\$269.9	<Lowest	\$277.2	\$277.2	\$290.8	\$335.1	\$373.5	\$269.9	<Lowest	\$344.7	\$358.0	\$386.4	\$414.4	\$446.3	\$305.0	<Lowest	
Dean, College of Continuing and Professional Studies																						
Dean of Students and Vice Provost Student Affairs																						
Vice Chancellor for Academic Affairs and Dean, UMM																						

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) \$200K 415(m) Retirement Contribution for 2018 will move up each year and reach \$325K by 6/30/2020
 \$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 that are members of the Association of American Universities (AAU)

The AAU is composed 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. That leaves the 33 public universities that are AAU members to which we will be comparing senior leader compensation.

Big 10 institutions (13 comparison universities)

Twelve of the Big 10 schools are already included in the list 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 it is not included in the comparison list. Since the University of Nebraska is a public Big 10 school that is not part of the AAU, we decided to include it 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 identified by the Office of Institutional Research and Morris leadership as Morris peer institutions are featured on the next page. In identifying its 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 in the future. This list includes:

- 5 institutions that are part of the Council of Public Liberal Arts Colleges (COPLAC) and are true peers to Morris
- 5 institutions that are not part of the Council of Public Liberal Arts Colleges (COPLAC) but are currently true peers to Morris.
- 5 institutions that 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 following universities 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.





UNIVERSITY OF MINNESOTA
Driven to Discover[®]

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



Annual Report on Workforce and Total Compensation

Kathryn F. Brown, Vice President, Human Resources
Ken Horstman, Senior Director of Total Compensation,
Human Resources

Finance & Operations Committee

May 9, 2019

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

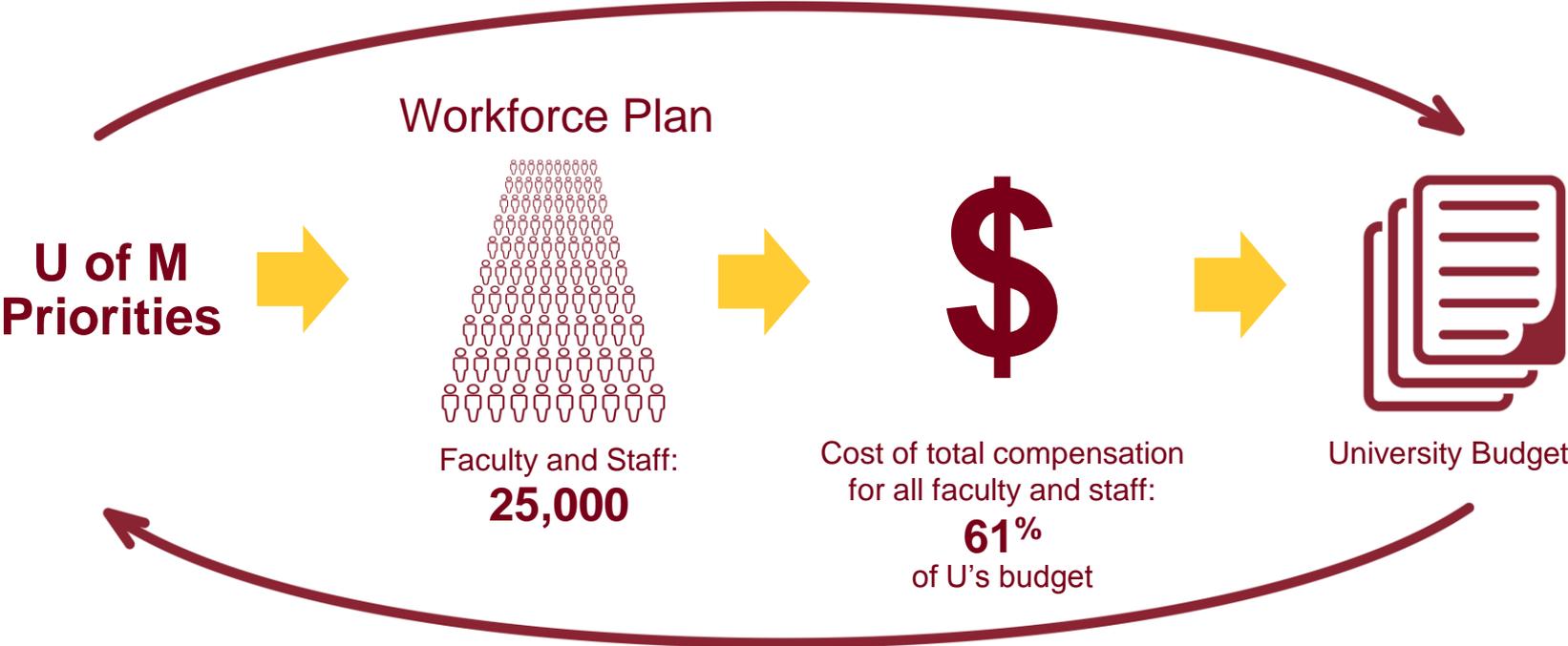
World Class Services for a World Class University



Office of Human Resources

UNIVERSITY OF MINNESOTA

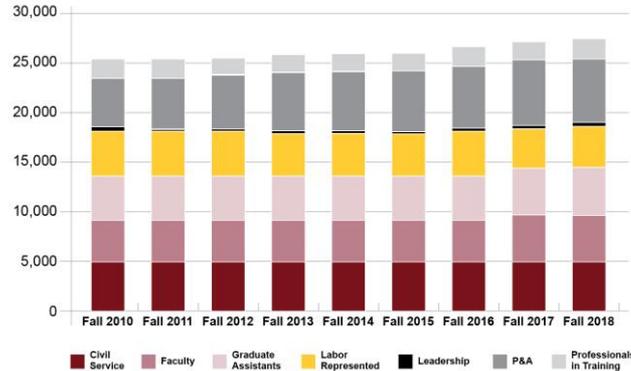
University priorities drive workforce planning and compensation considerations.



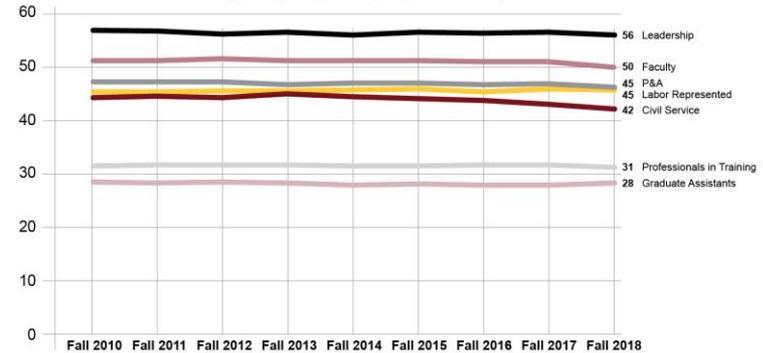
What do we know about our workforce?

Enterprise Data Dashboard: Workforce Distribution

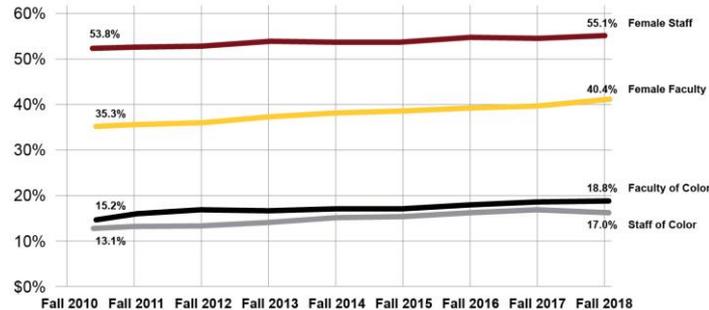
Headcount Distribution by Employee Group



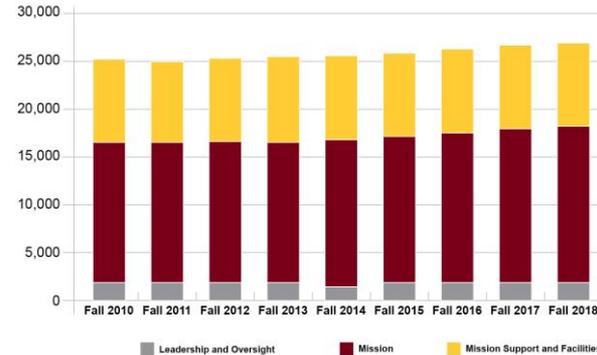
Average Age by Employee Group



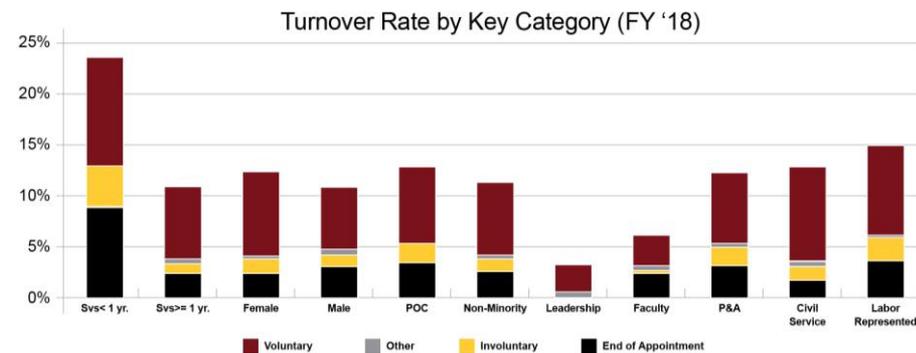
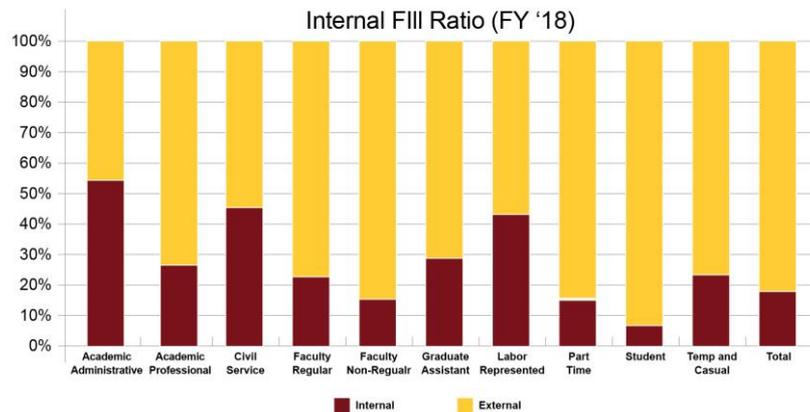
Diversity Headcount Distribution



Headcount Distribution by Organizational Role



Dashboard: Workforce Flow



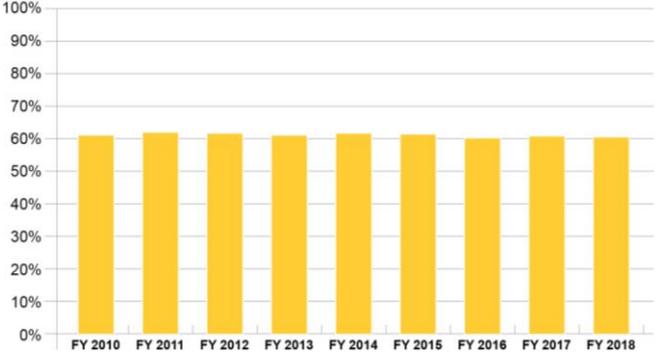
Percentage of Employees in Retirement Risk Zone

CAMPUS	Academic Administrative	Academic Professional	Civil Service	Faculty	Labor Represented	Leadership
University of Minnesota Crookston	26%	22%	24%	33%	40%	50%
University of Minnesota Duluth	32%	26%	33%	35%	38%	43%
University of Minnesota Morris	20%	19%	48%	33%	52%	50%
University of Minnesota Rochester	8%	15%	18%	0%	50%	75%
University of Minnesota, Twin Cities	30%	23%	24%	38%	29%	61%
LEGEND	0%-35% = Low		36%-50% = Mid		51% and higher = High	

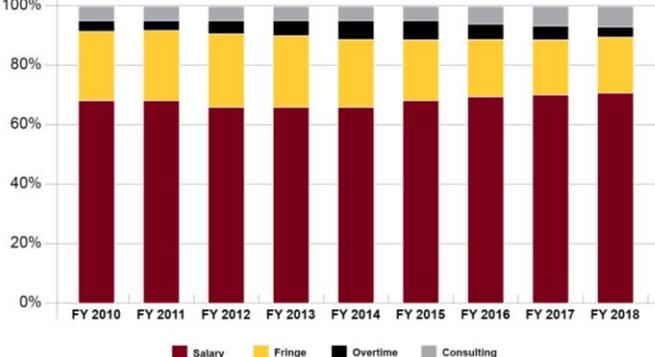


Dashboard: Workforce Cost

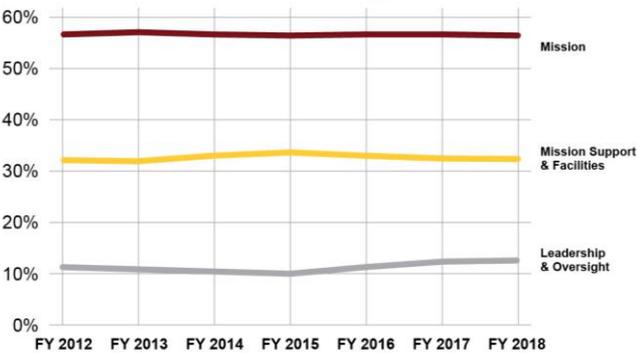
Labor Cost as a % of Total Expense



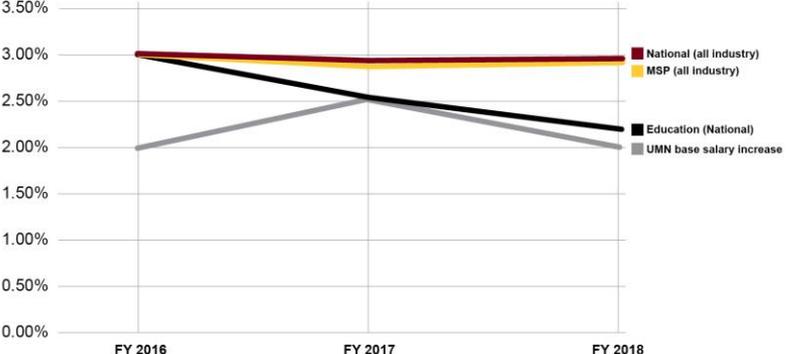
Distribution of Labor Cost by Component



Annual Cost Benchmarking: Personnel



U of M Base Salary Increases Compared to Benchmarks



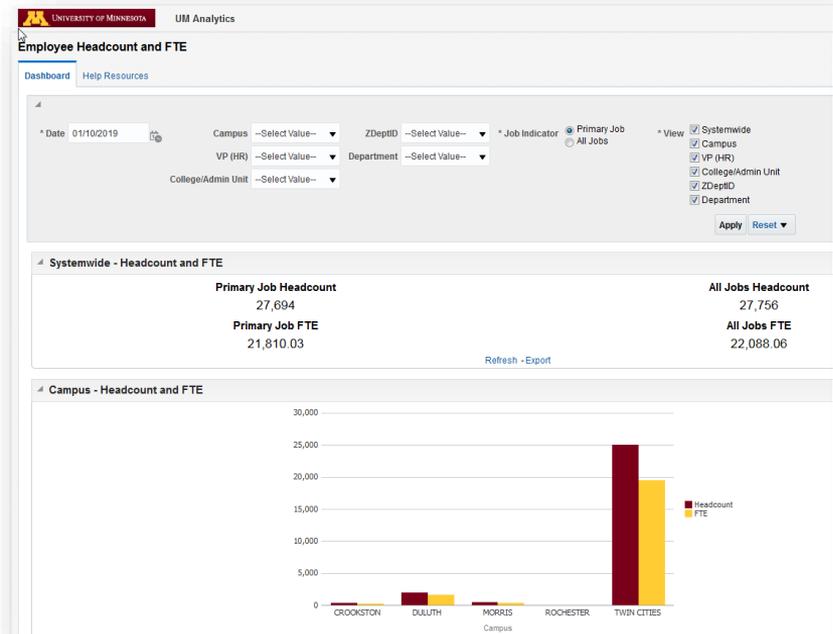
Powerful New HR Analytics Dashboards

OHR is part of a University-wide initiative to make vast stores of data more accessible and useful to leaders and managers. We are creating a series of HR Analytics dashboards to empower leaders with employee data such as headcounts and compensation. The dashboards are:

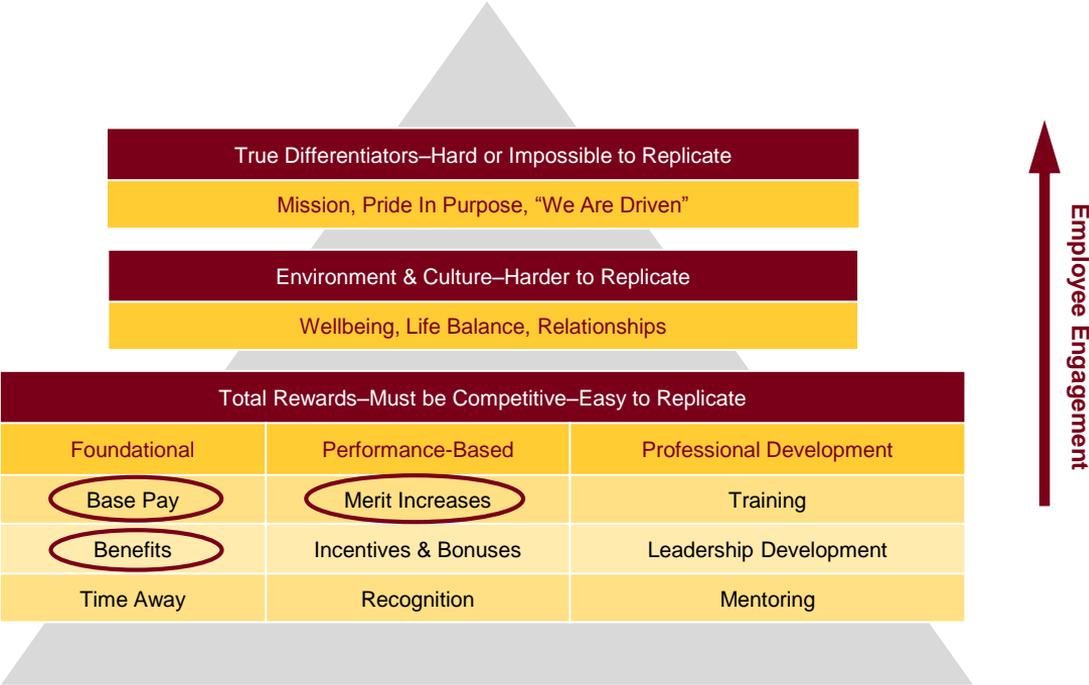
- Widely available
- Customizable and easy to use
- Consistent across the University

Examples:

- Number of FTE, down to department level
- Employees by job category
- Employees by job code
- Employee institutional base salary



Recruiting and retaining talent is driven by the University's employee value proposition.



Board Policy: *Employee Recruitment and Retention.*



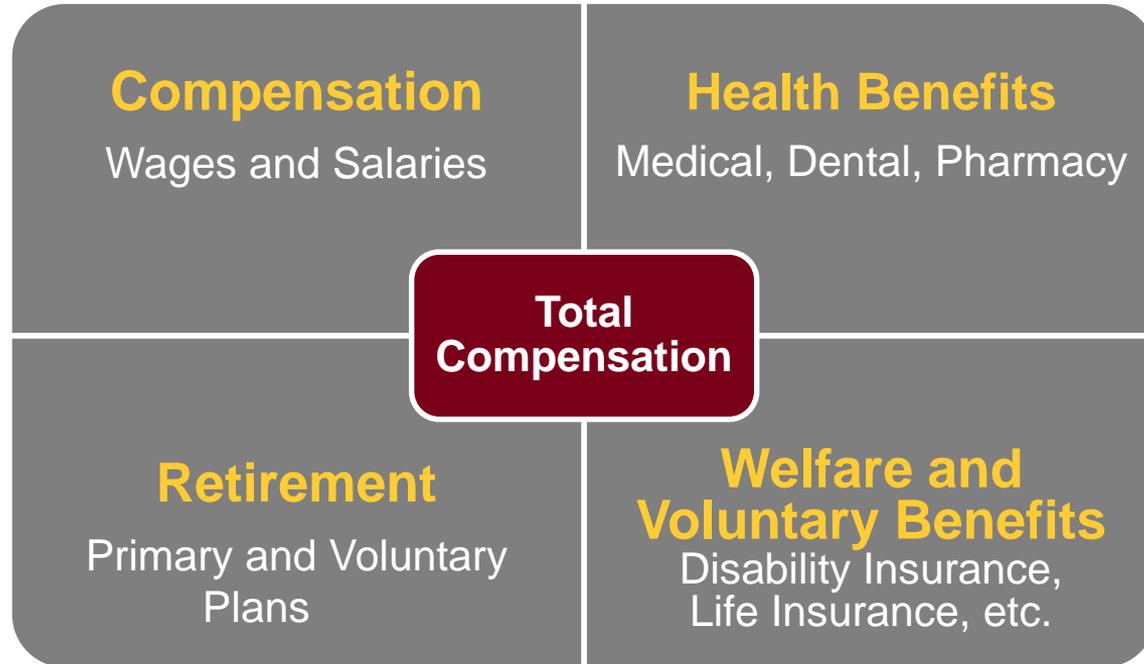
The scope of the compensation structure is written in Regents Policy.

“...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).



Our Total Compensation approach is comprehensive and market-based.



There are two lenses used to appraise compensation.

Expense

Budget decision

How much can we afford?

Investment

Compensation strategy

*How much do we want to pay?
Where should we focus our efforts
to advance University priorities?*



The five elements of an effective compensation plan.



Pay Philosophy

High-level organizational goals regarding compensation



Strategy

Define talent market(s); determine level of competitiveness; determine what to reward



Pay Ranges

Guidelines for pay based on market rates



Policies

Policies ensure compensation plan is carried out



Processes

Tactical steps and execution of the compensation plan

Source: Payscale.com



Compensation plans consider the market, compensation goals, and role.

Where the U currently operates

40th Percentile

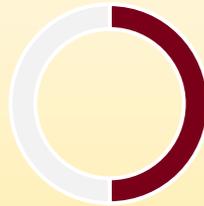


Pay is below market

Competitive market Attracts low-experience candidates

Non-competitive market
May attract good talent for some jobs; communicate other offerings

50th Percentile

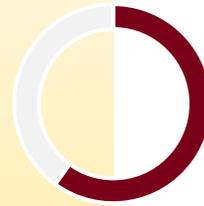


Pay meets market

Competitive market
May work for core jobs

Non-competitive market
Communicate that you pay at market

60th Percentile



Pay slightly exceeds market

Competitive market May work for core jobs

Non-competitive market
May result in overpay for core jobs

75th Percentile

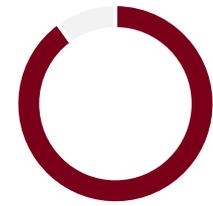


Pay exceeds market

Competitive market Key roles may be targeted here or higher, depending on the market

Non-competitive market
Organization may be overpaying

90th Percentile



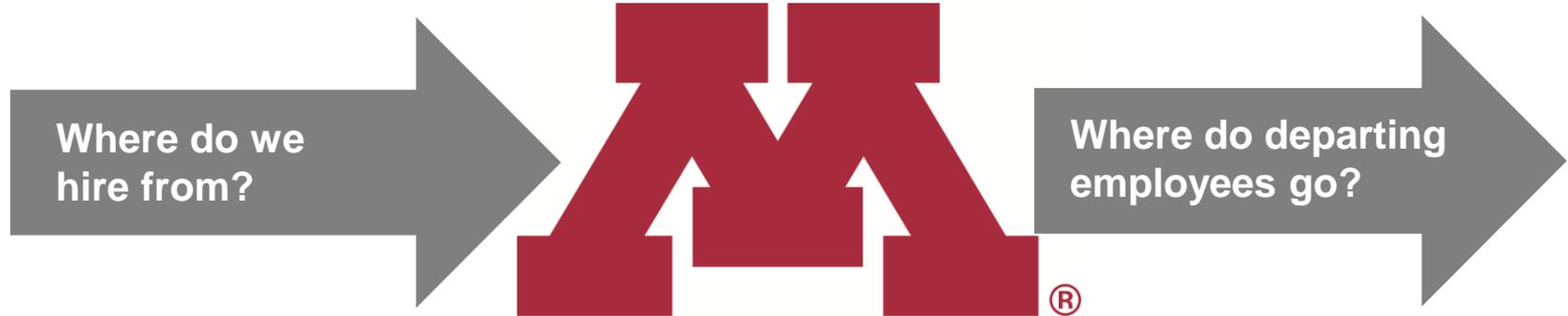
Pay is aggressive to market

Competitive market
Only critical roles are typically targeted at aggressive to market rates

Source: [Payscale.com](https://www.payscale.com)



To determine the relevant market, understand:



Examples of relevant geographic markets:

Position(s)	Markets
Building and Grounds Workers	Twin Cities Metro Area
Faculty in CFANS	International
Nurses	Twin Cities Metro Area
College President	National
Division I Coach	National
IT Professional	Twin Cities Metro Area

Markets are also focused on different industries: health care, technology, finance, human resources, construction, etc.



The job family work helps us manage to relevant market.

- Our Civil Service and P&A employee groups have job families that define salary ranges, average annualized U of M base salary, and the midpoint for each salary range.
- The 20 Civil Service and P&A job families are:

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 and Recreation	Communications	Grant	Legal	Student Services

- Salaries in job families are compared to markets through a compa ratio:



- All job families reviewed from 2014-16; refinement began in 2018.



Initial job family data provides titles and market rates with certain limitations.

Human Resources Job Family—Initial Results

Broad Titles

Titles cover a wide range of duties: call center staff, compensation, or talent acquisition

Mgmt	Individual Contributors	Midpoint	Compa Ratio
Director 2		\$155,202	1.01
Director1		\$134,933	.98
N/A			
Manager 3	Consult 3	\$117,263	1.01
Manager 2	Consult 2	\$101,929	1.03
Manager 1	Consult 1	\$88,717	.97
N/A			
Supervisor 3	Pro 3	\$67,080	1.04
Supervisor 2	Pro 2	\$58,375	1.03
	Pro 1	\$50,783	.99
Overall			1.01

Aggregated Market Data

- Data is five years old
- Aged 2% annually (yet some markets moved more, some moved less)
- High-level average across many HR specialties—but specialties have very different market rates with



Job Family Market Refinement Project provides more relevant titles and data.

Human Resources Job Family—Refinement Results

Mgmt	Individual Contributors	Other HR	Benefits	Comp	Call Center	Generalist	LTD	Payroll	Talent Acq	Training	CR by Level
Director 2							.83		.79		.88
Director1		1.02				.94					.95
N/A											
Manager 3	Consult 3	1.15	.91	1.03	.96	.93		.95	.86		.95
Manager 2	Consult 2	.90	1.03			.98	.94				.96
Manager 1	Consult 1	1.22	.90	.96	1.35	.96	.80	.98	.92	.98	.94
N/A											
Supervisor 3	Pro 3	.99	.96	.92		.86		.96	.76	1.02	.87
Supervisor 2	Pro 2	HR Pro 2 - General \$58,375	HR Pro 2 - Benefits \$58,291	HR Pro 2 - Comp \$67,990 .97	HR Pro 2 - Call Center \$46,274	HR Pro 2 - Gen \$67,990 .90	HR Pro 2 - LTD \$67,990	HR Pro 2 - Payroll \$67,990	HR Pro 2 - Talent Acq \$73,424 .80	HR Pro 2 - Train \$58,291	.90
	Pro 1	1.06	.93		.99	.89	.79	.89	.89	.88	.93
CR By Specialty		1.01	.95	.96	1.03	.92	.86	.94	.81	.96	.92

Specialties

Specialty lanes for those spending 80% of their time performing specialty work.

Precise ranges

Clear titles and precise midpoints from 30+ published salary surveys



The Market Refinement Project improves our ability to carry out three key HR functions.

- **Recruit and retain top talent**
 - Extend salary offers that are competitive and secure strong talent.
 - Recognize when pay increases are warranted based on top performance and low range position
 - Provide employees with a clear picture of lateral job opportunities
 - Analyze turnover by job and specialty
 - Promote honest conversations about the relationship of lower pay to lower performance
- **Understand our workforce**
 - Extend salary offers that are competitive and secure strong talent.
 - Recognize when pay increases are warranted based on top performance and low range position
 - Provide employees with a clear picture of lateral job opportunities
 - Analyze turnover by job and specialty
 - Promote honest conversations about the relationship of lower pay to lower performance
- **Strategically manage our salary budget**



Benefits are a key part of Total Compensation.

FY 2019 fringe rate detail by fringe component

Fringe Component	Fringe Group		
	Academic Faculty/P&A/ Police	Non-Academic Civil Service AFSCME/Teamsters	Partial Benefits/ Trades/Temp & Casual/ Residents/Fellows/ Federal Employees
Retirement	10.8%	5.4%	
Income Disability	0.4%		
Unemployment	0.2%	0.2%	0.2%
Worker's Comp	0.3%	0.3%	0.3%
FICA	4.8%	4.8%	4.8%
Medicare	1.4%	1.4%	1.4%
Medical	12.7%	12.7%	
Dental	0.3%	0.3%	
Life	0.4%	0.4%	
Tuition	1.1%	1.1%	
Internal Admin	1.0%	1.0%	1.0%
Vacation	0.8%	0.8%	
Fringe Rate by Employee Class	34.2%	28.4%	7.7%



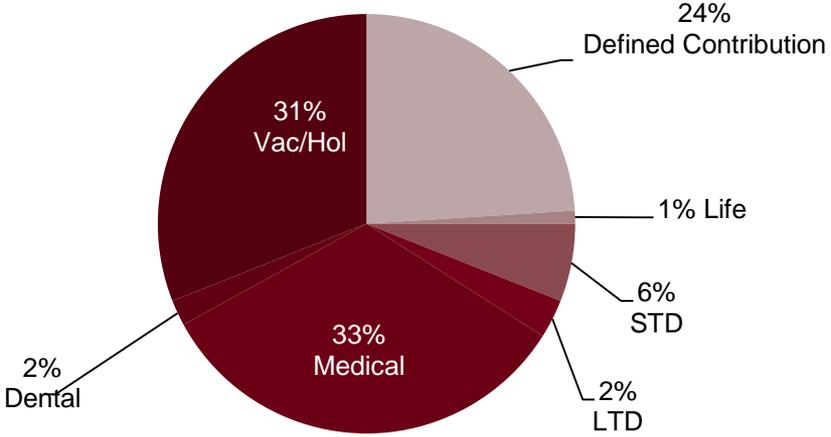
The three objectives of employee benefits ensure the value, quality, and cost effectiveness of offerings.

- **Compliance**
 - Timely, robust contracting
 - Regular self-audit
 - Periodic external audit
 - Current plan documentation which directs administration
 - “We do what we say we do”
- **Employee and retiree support and experience**
- **Value based management**

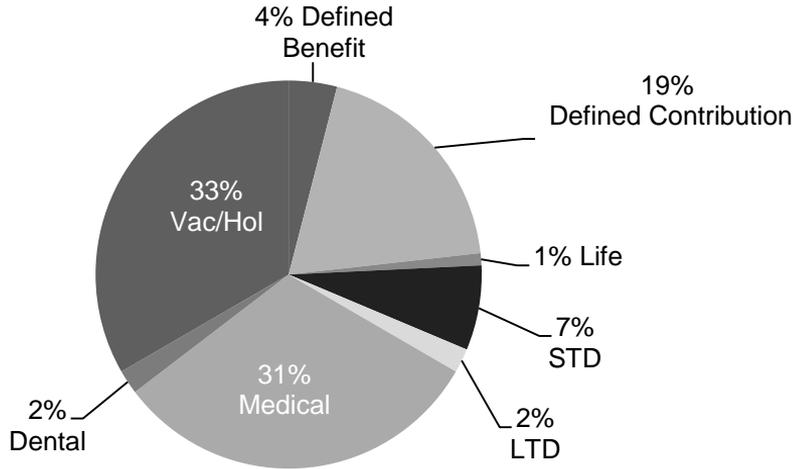


The U's benefits allocations are in line with other local employers of our size and scope.

University of Minnesota*



2017 WTW Minnesota Large Employer Study



* Minnesota State Retirement System excluded

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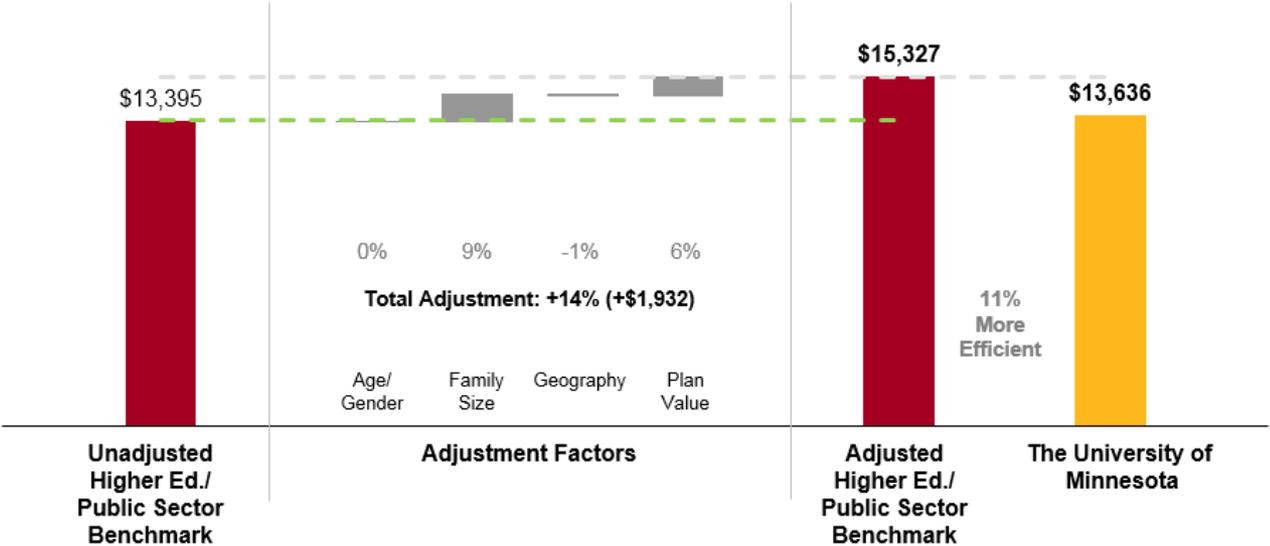
Health benefits: Current state

- Self insured
- Market competitive health, dental and drug coverage which meets the objectives of the Regents' health policy
- Well managed for cost and support
- Network focus
- Employee incentives for taking initiative in improving and maintaining wellbeing and for election of most efficient networks



The UPlan compares favorably to national benchmarks on efficiency.

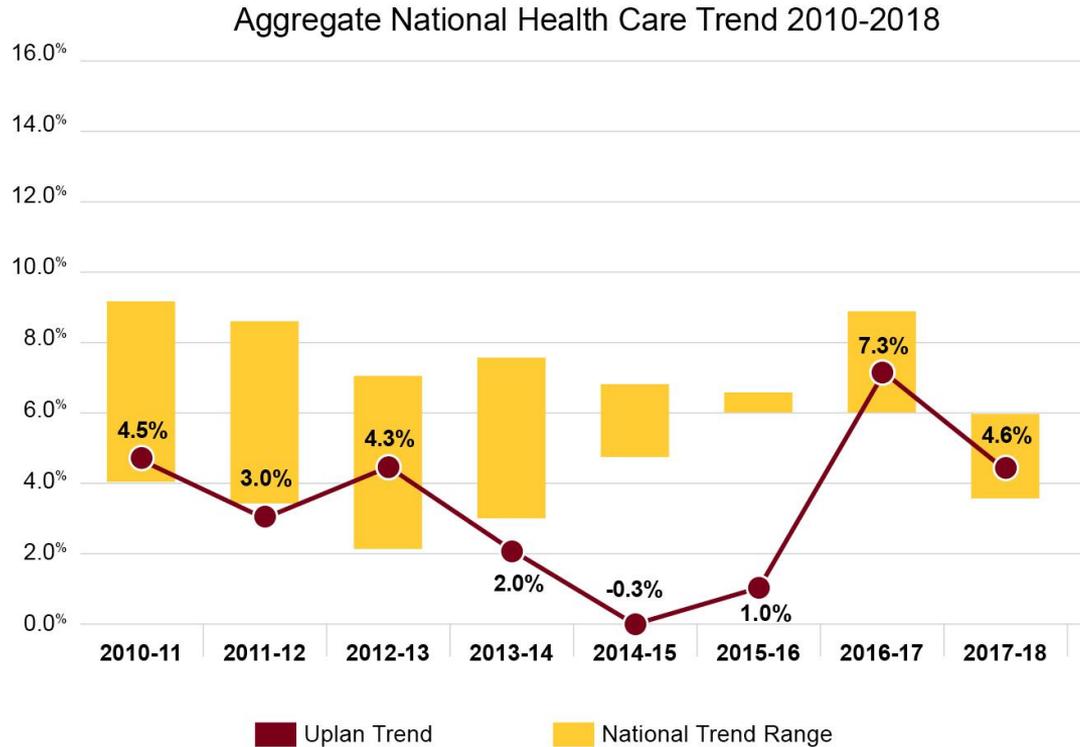
The University's total medical benefit program is **11% more efficient** than the Higher Education/Public Sector industry when adjusting for demographics, geography and plan value. This translates into an **estimated cost avoidance of \$30.6 million** as compared to the benchmark.



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Aggregate national health care trend



National trend range is a composite of employer national and local surveys. This does not reflect actual UPlan premium increases



Health strategies that provide value

- **Eliminating cost alone through cost shifting does not impact long-term medical trend.**
 - It might provide a “time-out” for a year but without a focus on value, trend will return
- **Programs that focus on value will result in cost effective care that is responsive, comprehensive, error-free, and reflects a high level of quality.**
 - Compliance programs to ensure complete treatment
 - Guidance to the most efficient and effective networks
 - Ongoing clinical review of formulary and an emphasis on lowest net cost
 - Medication Therapy Management for members taking several prescriptions
 - Diligent vendor negotiation
 - Establish performance guarantees with vendors
 - Proactive case and disease management
 - Promote and incentivize wellbeing



Retirement Plans: Current State

- The Minnesota State Retirement System (MSRS) provides the main retirement benefit to University Civil Service and Labor Represented employees
- The Faculty Retirement Plan (FRP, 401(a)) is the main retirement plan for Faculty and P&A
- The Regents Policy on Faculty and Staff Retirement directs the University to provide competitive programs that provide a portion of necessary retirement savings, allow employees to save on their own, and provide information, education, and resources to employees.



Retirement contributions vary by plan.

University of Minnesota employees (As of February 1, 2019)

	Faculty Retirement Plan (Defined Contribution)	MN State Retirement Plan (Defined Benefit)
Employer (U of M) Contribution	10.0%	5.875%
Employee Contribution	5.5%	5.75%



The Faculty Retirement Plan is comparable to other R1 institutions when comparing income replacement.

- The Faculty Retirement Plan provides an estimated replacement value of 66.74% to its participants
- This comparable to an estimated range of replacement value across a selected group of AAU public higher education institutions

University	Replacement	Plan Type
Minnesota	66.74%	401(a) only
A	97.06%	DC, No SS
B	67.3%	DC
C	64.59%	DC
D	64.59%	DB
E	64.59%	DB
F	65.23% or 77.40%	DC or DB
G	67.17% or 71.91%	DC or DB
H	61.53% or 70.06%	DC or DB
I	56.01%	DB
J	35.05% or 52.3%	DC or DB

*Estimates of University of Minnesota and peer replacement ratios provided through OHR internal benchmarking, 2017



MSRS retirement income replacement

Employer	Employee Contribution	Employer Contribution	Estimated Replacement Ratio
University of Minnesota*	5.75%	5.875%	57.21%
State of Minnesota	5.75%	5.875%	57.21%
Hennepin County	6.50%	7.50%	57.21%
Ramsey County	6.50%	7.50%	57.21%
City of Minneapolis	6.50%	7.50%	57.21%
City of St. Paul	6.50%	7.50%	57.21%

*Employee and employer rates will change July 1, 2019



Implementing retirement strategies that enhance value

- Implementation of single recordkeeping vendor for defined contribution plans
- Diligent research and selection of core investment options
- Participant plan education throughout the employment and retirement experience
- Employee and family financial counseling
- Simplify the complex for employees (streamline offerings, ease of access, multi-channel connections)



Managing workforce costs within the budget

- Strategies are in place to manage workforce planning, compensation costs, and benefits.
- Additionally, consider attrition as an opportunity to evaluate the work needed and how it can be effectively and efficiently done: In short, do not automatically rehire. Look critically at:
 - Reorganization of the work
 - Elimination of work that is not adding meaningful value
 - Redistribution of the work, i.e., shared service centers
 - Is the position needed and at what level of classification?
 - Where do we invest as part of our compensation strategy to be competitive and excellent?



OHR addresses this in two critical ways:

Increasing Management IQ

- Leadership development
- Supervisory training

Providing support to Campuses, Colleges, and Units

- Consultants support organizational redesign to meet goals as effectively as possible
- Explore shared service options



Questions?





UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

May 9, 2019

AGENDA ITEM: FY 2019 O&M Position Approval Process Update

Review Review + Action Action Discussion

This is a report required by Board policy.

PRESENTERS: Karen Hanson, Executive Vice President and Provost
Brian Burnett, Senior Vice President
Julie Tonneson, Associate Vice President and Budget Director
Koryn Zewers, Budget Analyst

PURPOSE & KEY POINTS

The purpose of this item is to provide the committee with an update on the implementation and initial results of the FY 2019 Operations & Maintenance (O&M) position approval process.

At the June 2018 meeting, the Board amended the FY 2019 Annual Operating Budget to require approval by the Executive Vice President and Provost and the Senior Vice President for Finance & Operations for all additional hires funded 100 percent by state O&M and tuition funds. It also required the administration to report on the approval process at the May 2019 Board of Regents meeting.

The report included in the docket provides an overview of how the process was implemented, presents data on the results of the process, and includes a recommendation for future annual operating budgets.

BACKGROUND INFORMATION

The amendment as adopted by the Board as a part of the FY 2019 Annual Operating Budget at the June 2018 meeting is as follows:

To ensure that an expansion of the O&M position pool is justified, units wishing to increase the number of positions (funded 100% from O&M) over and above the total that was funded in the approved budget for the year, will need to gain joint approval of the Executive Vice President and Provost and the Senior Vice President for Finance and Operations. This process will also be required for any hire to fill any empty position that is supported by O&M funds. All campuses and all units (academic and support) will be included in this process. The University will report to the Board of Regents at its May 2019 meeting on the approvals granted through this process.

Report to the University of Minnesota Board of Regents
FY19 Position Approval & Quarterly Turnover Reporting Processes
May 2019

University of Minnesota

FY19 O&M Position Approval and Reporting Process
Required Report to the Board of Regents: May 2019

Executive Summary

In June 2018, the Board of Regents amended the FY19 President's Recommended Operating Budget to include new reporting requirements for positions funded 100% on the state Operations & Maintenance appropriation/tuition (O&M) funds. The amendment required the Executive Vice President & Provost and Senior Vice President for Finance & Operations to approve all new positions and to track turnover related to budgeted positions. In addition, under the new FY19 requirements, University administration needed to report to the Board of Regents on the approvals and turnover in May 2019.

Implementation

To meet the FY19 requirements, the administration implemented an approval process and a quarterly reporting process. The processes were managed by the University Budget Office and implemented at the Resource Responsibility Center (RRC)-level. All new positions (not budgeted for FY19) needed to be routed through the Dean's or Vice President's Office (or their designee) for approval by the Executive Vice President & Provost and Senior Vice President. The RRCs also submitted quarterly reports to the Budget Office on the turnover of positions included in the FY19 budget. The Budget Office then reviewed, analyzed, and compiled the data on a systemwide basis.

The following circumstances impacted the administration's ability to implement the position approval and reporting process efficiently and effectively:

- All steps in the approval and reporting processes have the potential for human error.
- The University's hiring process is decentralized and is oftentimes initiated and advanced at the departmental-level.
- RRCs manage their budgets across multiple fiscal years.
- The funding source for each position is determined by the RRC, is dependent on availability, and can change mid-fiscal year.
- The University's budget entry process is decentralized and implementation varies by RRC.
- Budget entry begins in March or April for the following fiscal year leading to a significant time lag between budget entry and full implementation.
- RRCs are required to manage their budget, not their headcount or full-time equivalents.

Results / Data

The University had 9,358 positions budgeted 100% on O&M at the start of FY19. From July 1, 2018 to March 31, 2019 RRCs requested approval for 81 additional positions. Of those requests, the Executive Vice President & Provost and Senior Vice President for Finance & Operations approved 79 of the requests and two requests were denied/withdrawn from the process. Of the 79 approved, it is important to note that almost half involved positions that were in process before the fiscal year began but for various reasons they were not entered into the budget.

In addition, RRCs submitted quarterly turnover reports to the Budget Office for July 1, 2018 to December 31, 2018 (reports for January 1 to March 31 are not yet available). RRCs reported that 191 positions were newly open and had not been filled. In addition, RRCs eliminated 34 positions for a total decrease of 225 filled positions as of the end of quarter two. There was also turnover in 525 individual positions in which the position was vacated and subsequently filled.

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Required Report to the Board of Regents: May 2019

Concluding Thoughts

While eight key lessons from the position approval and quarterly turnover reporting processes are outlined at the conclusion of this report, three important elements should be emphasized:

1. The University has found that it is more effective to manage the budget in terms of dollars rather than headcount. Employees throughout the institution responsible for developing and managing budgets are expected to generate income as appropriate/possible and to always operate within the budgets available to them. The ultimate goal is to advance the work of the University (which differs significantly by unit) in the most efficient way possible, which translates into determining the correct mix of human and physical resources necessary to achieve outcomes for the least amount of money. Sometimes it is simply more efficient to complete work with a larger number of lower paid employees than the opposite. Moreover, while the University's financial performance as measured by operating margins is routinely evaluated by external reviewers (auditors, rating agencies, interested constituents), the total headcount necessary to achieve those results is not.
2. This process verified what has been evident during annual budget discussions: units are constantly re-evaluating their personnel needs and looking for smart changes that will increase efficiencies and save money. Because managers are expected to operate in what is often a tightly constrained budget environment, to cover cost increases, improve their services or advance a programmatic area, they must re-purpose existing resources (reallocate). Annual salary savings from turnover or planned personnel reductions are often spent on one-time costs in the year they occur, and then purposely offered as permanent budget reductions in the following year as part of that reallocation process. This happens consistently across the University every year.
3. The University would not recommend continuing this position approval and quarterly turnover process beyond the current fiscal year. There are a variety of reasons for this recommendation, the primary being:
 - a. It is administratively burdensome. In a large, diverse organization like the University of Minnesota personnel changes are constant, varied, and much more difficult to track, summarize, and report than changes in dollars. Producing the results of this report (only partial year data) took hundreds of personnel hours across a wide variety of units and different job types.
 - b. It created incentives for some units to split-fund positions across revenue sources to avoid the "100% O&M" application of this process, which created more complexity than is necessary or desired.
 - c. It does not appear to have improved on the goals of improving efficiency and saving money. It is impossible to know for sure if units chose not to pursue new positions because they were required to request permission. However, based on what came through the process and conversations with financial managers, units only ever move forward with hires they feel are absolutely essential (as they did under this process) and they split-funded more of those positions simply to avoid the timing barrier of moving it through this process. Because of #2 above, the University is confident the goals can be achieved without this process.

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FY 2019 Reporting Requirement: O&M-Funded Hiring

In June 2018, the Board of Regents approved the following amendment to the FY19 President's Recommended Operating Budget with the intent of reducing personnel costs:

As we view the financial outlook for the University, the senior leaders of the University see no end to the need to carefully and thoughtfully manage our financial resources to maximize our ability to deliver on our missions, and to ensure adequate reserves in anticipation of economic downturns. The largest portion of our budget is directed to the total compensation of our most valuable resource, our employees. Thus, it is imperative that we take a proactive step to monitor the overall number of positions on our payroll funded by O&M – e.g. state appropriations and tuition. To help monitor and manage that portion of our budget, we are implementing an additional level of review for O&M-funded positions, effective July 1, 2018. This additional level of review supplements the annual budget compact discussions each unit has with the Budget Five group.

To ensure that an expansion of the O&M position pool is justified, units wishing to increase the number of positions (funded 100% from O&M) over and above the total that was funded in the approved budget for the year, will need to gain joint approval of the Executive Vice President and Provost and the Senior Vice President for Finance and Operations. This process will also be required for any hire to fill any empty position that is supported by O&M funds. All campuses and all units (academic and support) will be included in this process. The University will report to the Board of Regents at its May 2019 meeting on the approvals granted through this process.

Interpretation & General Implementation of FY 2019 Requirements

The amendment mandates the Executive Vice President & Provost and Senior Vice President for Finance and Operations approve all new FY19 hires funded with 100% O&M funds. Upon review of this requirement, the Executive Vice President & Provost and Senior Vice President for Finance & Operations negotiated with the Board of Regents to split the process into two types of hires:

1. New positions that were not included in a unit's personnel budget; and
2. Positions that were included in a unit's personnel budget.

New positions funded entirely on O&M funds (category 1) would go through an approval process. All other changes to 100%-funded O&M positions would go through a quarterly turnover reporting process. This distinction was critical for sustaining the general operations of the University because of the number of positions funded with O&M resources; approval of all hires (including replacement positions) would adversely affect the timing to fill positions and thus the productivity levels in the units.

A. Process and Procedure Development

The Executive Vice President & Provost and Senior Vice President for Finance & Operations delegated the development and implementation of this process to the University of Minnesota Budget Office. The Budget Office then worked with unit-level financial managers as well as other University leaders to create the two processes. Development began immediately following the June Board of Regent's meeting. The steps for developing the process follows.

Step 1 - Identification of Positions

The Budget Office created preliminary, individualized spreadsheets for each Resource Responsibility Center (RRC) that list all positions budgeted in Position Budgeting for FY19. (Note: "position budgeting" is part of the enterprise budgeting system in which units are required to enter the projected costs/expenditure budget for each position in their unit). The dataset then grouped positions by funding source and highlighted positions funded 100% on O&M. The lists were sent to

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the RRC financial managers for review and concurrence. These lists were used as the baseline data for financial and human resource managers to determine if a new hire needed to go through the approval or reporting process. If a position was not entered in Position Budgeting for FY19, it is considered “new” and must go through the approval process, while changes to positions entered in Position Budgeting for FY19 must go through the quarterly turnover reporting process.

The RRCs took various approaches to reviewing and confirming their baseline reports. Some RRCs did high-level analyses while others reviewed the lists more in depth. As an example, some units are relatively small or were already utilizing similar data to manage positions within their units, so they were able to review the data quickly. On the other end of the spectrum, the University of Minnesota-Duluth (UMD) utilized its base list to assist with setting up its future internal processes. UMD reviewed the preliminary list from the Budget Office, restructured faculty term positions into pooled positions to make the process more efficient over the course of the fiscal year, extracted the data by major organizational unit, created Google sheets for each of these units, and distributed the sheets to refer to throughout the course of the fiscal year. This allowed UMD’s internal units to make notes on positions and to assist them with determining when personnel changes needed to be reported and when to ask for central approval. Each RRC’s approach to their baseline position lists was dependent on factors such as:

1. The size of the unit;
2. Internal processes/procedures already in place;
3. Confidence in the position budgeting data; and
4. The number of revenue sources used to fund positions.

Step 2 – Development of the Approval Process

The Budget Office worked with Executive Vice President & Provost and Senior Vice President for Finance & Operations staff to develop an approval process for any new positions. This included: 1) creating a form for all units to use when requesting approval; and 2) implementing a tracking and routing process for all requests to ensure review and discussion by the Executive Vice President & Provost and Senior Vice President in a timely manner. Staff created both standard and expedited processes to help ensure units received a response based on the timing of their requested hire. Appendix A includes the form utilized for the position approval process.

Step 3 – Development of the Quarterly Turnover Reporting Process

The Budget Office developed and subsequently worked with a subset of the Chief Financial Managers to create the required report templates for tracking changes in positions that were budgeted on 100% O&M funds. This included two types of reporting templates: 1) individual positions; and 2) pooled positions. The reporting template for individual positions tracks all changes related to positions individually budgeted in positions budgeting, including multiple individuals budgeted using a single position number. The pooled positions template tracks positions that were budgeted as a single line for a group of positions. As an example, Twin Cities Campus Facilities Management budgets custodial staff under a single line in position budgeting rather than as individual positions; they also typically hire for these positions utilizing a pooled format. Appendix B includes the reporting forms units use for manually entering their personnel data for quarterly reporting to the Budget Office.

Step 4 – Education & Initial Implementation

Education and initial implementation occurred at two levels: 1) The Budget Office worked with Chief Financial Managers and other RRC staff to educate them on the new processes and answer their questions; and 2) RRC-level staff worked within their units to educate unit-level staff on the requirements and to internalize the processes. To assist with the education and initial

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implementation of the processes, the Budget Office created an FAQs document. This document is included in Appendix C. Units use this document to help them determine if they should request an approval or report a change to a position.

At the RRC-level, financial managers created new processes, reports, and other tools to gather the information from their units in order to track the changes. Standardized reports are not currently available at the campus, collegiate, or unit level to report on position changes in this way. Therefore, all tracking needed to be done manually utilizing spreadsheets, available system reports, and new internal processes. With that said, units used system reports to help inform their manual reporting to the Budget Office. Implementation of the new processes and reporting requirements began in mid-July.

B. Process Implementation

Some RRCs began implementing the new processes immediately, including identifying positions that should have been budgeted, tracking changes to positions, and requesting approvals. Other units implemented the processes more slowly. Below is a description of the implementation of each process. Additional details on factors impacting implementation follows.

Approval Process

Implementation of the approval process varied based on processes and procedures already in place at the RRC-level; there was not a University standard for implementation. As an example, some RRCs, such as the College of Education and Human Development and the Associate VP for Finance, already had approval processes in place. Therefore, they continued with their processes. Other units with more decentralized hiring practices, needed to develop new processes within their units, educate departments on the new requirements, adapt past processes to meet the new requirements, etc. As an example, the College of Food, Agriculture, & Natural Resource Sciences (CFANS), decided to implement more centralized practices for positions fully or partially funded on O&M to assist with compliance; CFANS began utilizing the approval form for internal decision making for these positions.

Once an RRC determined a new position was needed, the Chief Financial Manager or other RRC designee would route the form to the Budget Office. The Budget Office would then manually enter the data into a shared drive. The Executive Vice President & Provost's and Senior Vice President's staff would then route the forms for leadership review and action. The Budget Office received the first request for approval on July 20th.

Quarterly Turnover Reporting Process

The reporting process includes multiple steps involving unit-level finance and human resource center staff as well as Budget Office staff. Implementation of the reporting process began at the RRC-level and, as with the approval process, the processes and procedures used were RRC-dependent. Some units began tracking changes to current positions in mid-July when the forms became available. Other units waited until the quarter close to examine changes to their positions. The method used to track this information was dependent on the size of the unit, processes/procedures already in place, and organizational structure of the finance and human resource functions within the units. As an example, for some RRCs, the human resources staff took the lead on tracking and reporting this data. Whereas, other units utilized their finance staff to track position changes.

The RRCs were asked to submit quarterly reports on their position changes to the Budget Office approximately three weeks after quarter close. The Budget Office reviewed the data, worked with units to create consistency among the various RRCs (e.g. utilize the same coding for similar circumstances), summarize the position and cost changes by quarter by RRC, identify when position

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approval forms were missed, and resubmit the reporting forms to the RRC for their concurrence with the summary data.

C. Factors Impacting Implementation

The following information impacted the administration's ability to implement the position approval and reporting process efficiently and effectively:

- **All steps in the process have the potential for human error.** Therefore, the results are the administration's best estimate of the impact of the personnel changes. The process relies on hundreds of people University-wide to understand when approval/reporting is necessary, make manual entries of data into spreadsheets, submit forms on time, take the time to comply with the Budget Office's requests for information, and interpret complex data. The Budget Office estimates the process produces accurate results greater than 90 percent of the time for most of the RRCs based on: conversations with the RRC staff; changes to reports from quarter to quarter; identification of new hires without approval; etc. There are no reports the University can use to verify the information, as the University's systems are not currently designed to produce reports documenting the information in this way.

As an example from a reporting standpoint, there is not a single source of data that provides all the information required for the reporting process. One RRC noted that in order to try to ensure the staff had the correct information, the financial manager ran the PeopleSoft hire and termination reports, used other position management reports developed internally by the RRC, reviewed the employee budget files that were prepared prior to budget submission, and verified change activity with the payroll department.

- **The University's hiring process is decentralized.** RRCs use a variety of processes and practices to determine when a hire should be made. Prior to FY19, several RRCs had formal internal processes in place, such as a form-based approval process through the Dean's or Vice President's Office, to determine if a department could replace and/or hire additional faculty and staff. Other RRCs had less formal processes in place. Size of the unit (both budget and number of staff), types of employees, and culture of the unit all impacted prior processes.
- **RRCs manage their budgets across multiple fiscal years.** It is not uncommon for units to leave positions open during the fiscal year for reevaluation, to restructure functions, or to create one-time savings. Therefore, the RRCs typically review their costs and positions over time rather than isolating their analyses to a single fiscal year. In addition, units may also experience times of either high or low turnover depending on other circumstances in the unit. Turnover in one fiscal year may lead to additional hires/budgeted activity in the next fiscal year.
- **The funding source for each position is determined by the RRC, is dependent on the funding sources available, and can change mid-fiscal year.** This is especially true for academic units, which have a more diverse mix of resources (e.g. ICR, ISO, clinical income, external sales, etc.). A position may be funded 100% on O&M during budgeting but then shift to sponsored funds, ICR, or other sources as units determine their resources. As an example, the Humphrey School of Public Affairs reported a \$30,000 cost savings for a position funded 100% on O&M funds. However, after the start of the fiscal year, the Humphrey School shifted the \$30,000 to a position that was split-funded with non-O&M revenues. Therefore, although the analysis shows a savings of \$30,000 for positions funded 100% on O&M funds, these resources have already been repurposed for another split-funded position.

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- **The University’s budget entry process is decentralized and varies by RRC.** All budget entry occurs within the RRCs. Some of the RRCs enter their budgets at the RRC-level to standardize the budget entry process while other units enter their budget at the departmental level. Much of this is dependent on the size of the unit’s budget, unit culture, and past practices. Even within a single RRC, there may be multiple ways of budgeting personnel.
- **Budget entry begins in March or April for the following fiscal year.** Units do their best to predict staffing levels and costs; however, changes are inevitable due to the time lag and manual process for budget entry. In addition, specific to this process, University staff had entered most of the FY19 budget prior to the passage of these new requirements. Therefore, units did not consider this amendment during budget entry. This yielded additional required approvals and non-compliance for some units as they had positions that were approved internally to the RRC but not budgeted prior to implementation of the new process.
- **RRCs are required to manage their budget, not their headcount or full-time equivalents.** The most efficient and effective strategy to manage personnel costs is by managing expenditures; there is not always a direct relationship between headcount and cost. As an example, the School of Public Health eliminated a position, restructured duties of the position, and then added two positions; this yielded an overall cost savings but an increase in headcount. Managers throughout the institution are expected to make personnel decisions that result in high quality service or output while maintaining or improving efficiency and favorable budget results. Managing to a certain headcount number does not ensure those outcomes.

D. Approximate Administrative Effort to Implement the FY 2019 Process

It is impossible to calculate the exact costs of the new requirements due to both the number of people associated with the new processes as well as the quantity of work the new processes have added. However, the Budget Office asked the RRCs to estimate the amount of time they have spent implementing the FY19 approval and reporting process, so the administration and Board of Regents can have a sense of the additional administrative burden on the University system. It is important to note units did not hire additional staff to complete this work. Rather, staff reallocated their time from other duties to meet the FY19 requirements. In addition, the estimates cannot be verified; the University does not have a system to capture this type of information.

Initial Process Development, Education, and Implementation

There have been two primary phases to the approval and reporting processes: 1) The initial development, education, and implementation of the processes; and 2) Ongoing implementation of the approval and reporting processes. Figure 1 below estimates the amount of time units spent on the initial phases of this work and additional details follow.

Figure 1: Summary of the Estimated Time to Develop and Internalize the Processes		
Estimated Time Reallocated	Development of the Baseline Reports	Initial Development & Education on the Processes
Central units	Approximately 70 hours	Approximately 30 hours
Each RRC	Ranging from 0 – 45 hours	Ranging from 0 – 260 hours

The amount of time it took for each RRC to put the approval process in place varied greatly depending on the size of the RRC’s budget, approval processes already in place, and how centralized /decentralized the RRCs hiring processes were. Most units spent under 10 hours developing the

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reporting process at the RRC-level. Therefore, the one-time cost of developing the reporting process was minimal for most units. Units spending more time developing the reporting process, such as the College of Science & Engineering, Medical School, and University of Minnesota-Duluth, worked with their schools/departments to ensure the units understood what needed to be reported. Much of their time developing the reporting process was in conjunction with the time they spent developing the approval process.

Implementation of the Approval Process

Each request for approval takes approximately 90-120 minutes in total to process with the RRCs, Budget Office, and executive leadership teams taking approximately 30-60 minutes each per form.

Implementing the Quarterly Reporting Process

The quarterly reporting process was implemented to varying degrees across the system. In general most units spent less than 10 hours per quarter, but five units spent 20 or more hours on each report. In addition, the Budget Office spent approximately 80 hours per quarterly report to analyze and confirm unit-level data.

Results / Data

The following data represent position approval forms submitted to the Budget Office through March 31, 2019 and all processed quarterly turnover reports through December 31, 2018. Figure 2 depicts the overall known change in positions.

Figure 2: Change in Positions <i>(mid-year total)</i>	# of Positions	% Change
Baseline data: Positions budgeted 100% on O&M / tuition	9,358	
Estimated Change in the Number of Positions Relative to Budget		
New positions	87	0.9%
Positions that are newly open and have not been filled	(191)	-2.0%
Eliminations	(34)	-0.4%
Total Known Change	(138)	-1.5%

Although the newly open positions represent known point-in-time decreases in RRCs' headcounts, these positions may be filled later in the fiscal year or in future fiscal years. This is where many units have the most flexibility within their budgets. As an example, with newly open positions units may recognize salary savings from a lower cost re-hire, decide to eliminate the position, change the position to a different classification, etc. This flexibility assists units with managing their budgets, especially in circumstances in which revenues come in under budget, a different position costs more than anticipated, other costs increase, and so on.

For reallocations, units tend to eliminate the positions in the previous year (e.g. FY18 eliminations for the FY19 budget). Therefore, many of the FY19 position eliminations that counted towards the units' reallocation targets would have been implemented in FY18. This allows the units to count the whole position towards their reallocation goal (i.e. count a full year of savings). In addition, units will sometimes eliminate a position through the reallocation process when a position has been open for a year or two; they hold the positions open to determine whether or not they can reorganize the work before eliminating

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the position and its corresponding budget. Eliminations for FY19 would not be budgeted because they are known in advance; therefore, such eliminations will not show up in the results above.

It is important to note that for the approval and reporting processes, it is possible to total the known change in the number of positions. However, we cannot total the change in costs. Due to inconsistencies in the initial instructions to units on the two processes, the approval process focuses on the total change relative to budget (salary plus fringe), and the reporting process focuses on the change in salary only. Additional analyses would need to be done to be able to work with the data to come to a total savings/(cost).

The Budget Office collected and analyzed the data from the RRCs based on the process: 1) position approvals; and 2) quarterly turnover reporting. This University-wide analysis follows.

A. Approval Process

The Budget Office grouped the requests for approval into two main categories: 1) unit-level decisions prior to July 1, 2018; and 2) unit-level decisions after July 1, 2018. There were 87 known, new positions added to the budget from July 1, 2018 through March 31, 2019. This includes 70 new positions that were approved through the approval process (nine approvals were not new positions but a change in appointment for a total of 79 approvals). In addition, 17 positions were added to RRC budgets but did not go through the required process (two non-compliant positions were a change in appointment for a total of 19 non-compliant positions). Additionally, two positions were denied/withdrawn from the process after initial submission. Figure 3 below highlights the position approval data.

Figure 3: Positions Not Budgeted Prior to 7/1/18	Approved	Denied / Withdrawn	Non- Compliant*	Total
A) Decision to hire was made prior to July 1	37	0	11	48
B) Decisions made after July 1				
• Conversion or reclassification**	13	0	4	17
• New position to the system	29	2	4	35
Total New FY19 Positions	79	2	19	100
<p>* Non-compliant positions were typically identified through the reporting process. The 19 positions noted above only represent the positions that were reported to the Budget Office. It is possible there were other positions that were non-compliant but not reported. Examples of circumstances related to non-compliance include: position was posted prior to requirements being in place; departmental staff were not aware of the new requirements; and staff turnover occurred during the budgeting process.</p> <p>** Of the 17 positions that were either a conversion or reclassification, six positions were new to this pool of positions. All students, post-docs, and temporary/casual positions were excluded from this process. When positions were converted from these job classes into permanent positions, we considered them new. Other conversions, such as an increase in a position appointment from 50% to 100%, are not considered new positions. However, they did require approval.</p>				

The new positions that were a part of RRC budget plans prior to July 1 (but not actually entered in Position Budgeting) can be grouped into two categories:

- **Positions that were not budgeted due to human error:** With the budgeting process, human error is inevitable. The budget entry process is a manual process. In addition, finance staff do not always know about postings or offers made. Many of the 11 positions that were non-compliant

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were posted prior to the start of the fiscal year and filled after the start of the fiscal year or were approved by unit leadership before the implementation of the approval process.

- **Positions that were in the planning stages:** Some units also did not budget positions that were in the planning stages; the units knew they were going to hire a new faculty/staff member during the fiscal year, but they had not fleshed out the details of the position yet.

The Budget Office estimates that units will make different decisions around budgeting for FY20 to capture more positions that are either posted or planned.

For decisions made after July 1, 2018, the positions were either entirely new to the units' budget plan or were a conversion/reclassification of a budgeted position. To date these positions make up 52% of the requests for approval/non-compliant positions. As the fiscal year progresses, requests for approval of new positions are more common because of the length of time between budgeting and fiscal close. Conversions/reclassifications have occurred throughout the process and typically have involved changing a position from part-time to full-time or changing the job classification of a position. Conversions/reclassifications typically cost less than adding a new position to the budget.

The additional positions or significant changes to current positions were funded from a variety of sources, including but not limited to:

1. Funds set aside for previously committed start-up packages;
2. Funds moved from supporting costs elsewhere in the unit's budget (e.g. reallocated funds);
3. Recurring adjustments made to units' budgets in previous fiscal years, which were uncommitted in FY19;
4. Planned discretionary funds at the unit leadership level;
5. MnDRIVE or other special O&M sources; and
6. Temporary use of balances/one-time resources (with recurring costs and resources to be planned in the FY20 budget).

The approved positions were tracked by job title and cost benchmarking category. Approximately \$2.3 million (55% of the increase in costs) were added for positions falling into the direct mission delivery cost benchmarking category. Approximately \$1.4 million (34% of the increase in costs) was for positions that support the University's mission, and \$0.4 million (11% of the increase in costs) was for leadership/oversight positions. Figure 4 depicts this data by job code.

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Figure 4: Position Approvals Total Salary/Fringe Cost Above Budget by Cost Benchmarking Category	Number of Approvals	Direct Mission	Mission Support & Facilities	Leadership & Oversight
Decision to Hire Made Prior to 7/1/18				
Assistant Professor	6	\$783,728		
Academic Advisor	1		\$72,468	
Adjunct Assistant Professor	1	\$11,205		
Admin Associate 2 Supervisor	1			\$75,000
Administrative Associate 1	1		\$55,000	
Administrative Manager 1	1			\$96,624
Associate Dean	1			\$140,239
Developer 2	1		\$47,500	
Developer 3	1		\$123,300	
Education Program Associate 2	1	\$70,720		
Engineering Technician	1		\$12,000	
Executive Ofc and Admin Spec	1		\$42,000	
Finance Manager 1	1			\$104,676
Finance Professional 2	1		\$64,200	
Finance Professional 2	1		\$64,200	
Finance Professional 3	1		\$73,845	
Lecturer	1	\$39,200		
Mechanic 2	1		\$55,036	
Prin Oper/Stud Svs Spec	1		\$41,904	
Professor	1	\$201,300		
Pub/Int Rel Comm Consultant	1		\$87,008	
Research Professional 2	1	\$78,090		
Research Professional 3	1	\$87,312		
Researcher 1	1	\$53,928		
Researcher 5	2	\$170,434		
Senior Lecturer	1	\$30,800		
Student Services Manager 1	1			\$12,400
Student Services Prgm Spec 1	1		\$100,650	
Teaching Specialist	3	\$69,324		
Subtotal: Decisions Prior to 7/1/18	37	\$1,596,041	\$839,111	\$428,939

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Figure 4 (continued): Decision Made After 7/1/18	Number of Approvals	Direct Mission	Mission Support & Facilities	Leadership & Oversight
Conversion or Reclassification				
Assistant Gardener	1		\$0	
Communications Specialist	1		\$14,531	
Education Program Associate 2	1	\$53,414		
Executive Ofc and Admin Spec	1		\$1,284	
Executive Oper/Stud Svs Spec	1		\$826	
Fin Pro 4 Supv-Fin-Fin Gnrlst	1			\$9,650
Graphic/Multimedia Comm Assoc	1		\$5,522	
Museum Associate 3	1		\$1,587	
Program/Project Specialist	1		\$13,092	
Researcher 1	1	\$0		
Researcher 6	1	\$30,200		
Senior Laborer	1		\$0	
Student Finance Counselor 2	1		\$4,000	
Subtotal: Conversion or Reclassification	13	\$83,614	\$40,842	\$9,650
New Positions				
Admissions Associate	1		\$51,360	
Art Research Studio Technician	1		\$47,222	
Assistant Professor	2	\$143,784		
Athletics Ops Prof 1	1			
Executive Ofc and Admin Spec	2		\$58,199	
Instructor	1	\$13,420		
Lecturer	1	\$0		
Lecturer/Teaching Specialist	2	\$50,829		
Office Support Assistant	1		\$32,669	
Post-Doctoral Associate	1	\$59,564		
Program/Project Specialist	3		\$91,587	
Research Professional 1	1	\$10,272		
Research Professional 2	1	\$10,700		
Researcher 1	4	\$155,395		
Researcher 5	1	\$67,100		
Senior Academic Advisor	1		\$36,234	
Senior Editor/Writer	1		\$49,551	
Senior Lecturer	1	\$63,200		
Senior Paralegal-OGC	1		\$40,603	
Student Services Prof 1	1		\$17,113	
Student Services Prof 3	1		\$61,178	
Subtotal: New Positions	29	\$574,264	\$485,716	\$0
Total Approved Positions	79	\$2,253,919	\$1,365,669	\$438,589
Total Increase in Costs - All Categories =				\$4,058,177

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The position approvals were also tracked by RRC, including the anticipated cost above budget. Figure 5 below depicts the number of requests and anticipated cost above budget for each RRC with one or more approved positions.

Figure 5: Approvals by Resource Responsibility Center Requests Submitted from July 1, 2018 to March 31, 2019	# of Positions Approved	Salary/Fringe Above Budget in Request(s)
Executive Vice President / Provost (AAPRV)	1	\$1,587
Academic Health Center Shared (AHCSH)	1	\$87,312
College of Biological Sciences (CBS)	3	\$94,671
College of Continuing & Professional Studies (CCAPS)	1	\$1,284
College of Education & Human Development (CEHD)	6	\$252,600
College of Food, Agriculture, & Natural Resource Sciences (CFANS)	4	\$35,251
College of Liberal Arts (CLA)	7	\$381,019
College of Science & Engineering (CSENG)	20	\$1,810,288
Carlson School of Management (CSOM)	1	\$63,200
Office for Equity & Diversity (EQDIV)	2	\$45,069
Facilities Management (FM)	2	\$0
Medical School (MED)	14	\$590,236
Office of the General Counsel (OGC)	1	\$40,603
College of Pharmacy (PHARM)	2	\$125,170
Office of the Vice President for Research (RSRCH)	3	\$180,238
Office of Undergraduate Education (UEDUC)	1	\$4,000
University of Minnesota-Crookston (UMC)	1	\$0
University of Minnesota-Duluth (UMD)	3	\$117,040
University of Minnesota-Rochester (UMR)	3	\$78,778
University Services (USERV)	2	\$135,300
College of Veterinary Medicine (VETMD)	1	\$14,531
Total Requests Approved	79	\$4,058,177

Because the RRCs are at different points in their hiring processes for the positions noted above, the identified cost (salary & fringe) above budget represents the amount in their request. This is to ensure consistency across all of the approvals. Some of the hires may have been made in Quarters 1 and 2, so actuals may differ slightly from the costs noted above.

There are a few important notes for interpreting the data in Figure 5. First, the number of requests by unit is dependent on the budgeting practices within the unit as well as unit structure. Smaller units and units with highly centralized budgeting processes were less likely to have requests for new positions. Those units were less likely to miss positions in the budgeting process mainly due to scale and the number of people entering the budget. As an example, the College of Science & Engineering had 20 requests for new positions to the College's budget. However, 18 of these positions were planned prior to the start of FY19 and were not "new" but were not entered into Position Budgeting.

Second, the number of requests is also dependent on needs that emerge during the fiscal year. As an example, the Office for Equity and Diversity had two approval requests for new positions that were required to meet unanticipated compliance requirements. In another case, two of the three

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University of Minnesota, Rochester requests were made in order to cover course sections due to increased enrollment. RRCs must respond to emerging needs throughout the year, which may include hiring additional personnel funded on O&M.

Lastly, the number of requests may also be dependent on compliance with the approval process. As an example, the Medical School had nine positions that were not compliant; these nine positions were discovered through the reporting process and were in addition to the 14 positions the Medical School requested. The reason for non-compliance was due to a variety of factors, including: 1) The Medical School is a large, complex RRC with decentralized hiring practices. Although the School finance staff educated departmental staff and worked with them to catch as many approvals as possible, the distributed nature of hiring led to the School missing some of the positions that were not budgeted; 2) Positions were approved by departmental leadership and/or posted months before the approval process took effect. Therefore, departments believed they already had approval to hire. 3) All hiring managers did not fully understand the new requirements.

Twenty-five RRCs did not submit any requests through the approval process or have any positions identified as being non-compliant, including:

1. Agricultural Experiment Station
2. Associate VP for Finance
3. Auxiliary Services
4. Board of Regents
5. Capital Project Management
6. College of Design
7. Global Programs & Strategy Alliance
8. Office of Human Resources
9. Humphrey School of Public Affairs
10. Office of Information Technology
11. Intercollegiate Athletics
12. Internal Audit
13. Law School
14. MN Extension
15. School of Nursing
16. Planning, Space, & Real Estate
17. President's Office
18. School of Public Health
19. Department of Public Safety
20. Office for Student Affairs
21. Senior VP for Finance & Operations
22. University Health & Safety
23. University Libraries
24. University of Minnesota - Morris
25. University Relations

This represents approximately half of the RRCs. The RRCs above did not have requests due to:

- Some units, such as the Agricultural Experiment Station, Intercollegiate Athletics, and Capital Project Management, had few to no positions budgeted on O&M.
- Units may have also budgeted all current and anticipated positions through March 31, 2019.
- Some units, such as Internal Audit, had little or no turnover during this timeframe.

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- Other units decided to utilize multiple funding sources for any new positions. Units with multiple funding sources have the most flexibility when deciding how to pay for additional faculty and staff.

B. Quarterly Turnover Reporting Process

At the beginning of FY19, the University had 9,358 employees budgeted 100% on O&M funds. Figure 6 below depicts the baseline data, including the total number of positions that were subject to the requirements at the start of the process and the salary associated with those positions as well as changes relative to those positions from July 1, 2018 through December 31, 2019.

Figure 6: Summary Data for Reporting Process	FY 2019	% of Total
Baseline Data		
Total number of positions budgeted 100% on O&M/tuition	9,358	
Budgeted O&M/tuition on 100%-funded positions (budgeted salaries only)	\$695,995,753	
Changes in the Number of Positions		
A) Number of positions that are newly open but have not been filled (-)	(191)	-2%
B) Number of positions that have been filled (<i>became open in current or previous quarter</i>)	525	6%
C) Number of positions eliminated (-)	(34)	0%
Estimated Change in the Number of Positions Through Quarter 2 (A+C)	(225)	-2%
Recurring Salary Savings / (Cost) from:		
Positions that were included in the budget as unfilled and were filled this fiscal yr	\$168,038	0.0%
Positions that came open during the fiscal year and were filled this fiscal year	\$1,216,807	-0.2%
Other reported position changes (<i>e.g. position eliminations, position restructuring</i>)	\$1,841,697	-0.3%
Savings already counted in FY19 approved budget	\$617,053	
Savings already counted in FY20 proposed budget	\$158,106	
Net Salary Savings Relative to Known Unit Budget Plans:	\$2,451,383	-0.4%

As in previous figures, the reallocations noted above do not represent all of the personnel-related reallocations for FY19. As an example, if a unit eliminated a position in FY18 and was planning to count the savings from the position elimination towards its FY19 reallocations, the unit would not have budgeted the position in FY19; the position was eliminated the previous year and salary savings was budgeted. The “savings already counted in FY19 approved budget” noted above only represent reallocations that were not already captured through the FY19 budget entry process. The Budget Office believes the “net salary savings” is overstated and that more of it is actually targeted for an FY20 reallocation plan. It is likely the RRCs did not fully account for the FY20 reallocations in the reporting process as the instructions did not provide specific details on whether or not the FY20 reallocations should be noted in the reports. The majority of the recurring savings noted above is, or will be, associated with FY19 or FY20 reallocation targets designated in the final approved budget and does not represent a “happy surprise”.

Appendix D includes the quarterly turnover reporting process data by RRC. It is important to note that circumstances around turnover and changes in positions vary greatly and lead to a very complex

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set of information to accurately summarize. For units with changes, there are unit-specific circumstances leading to the figures noted. Below are a few illustrative examples:

- The School of Nursing had three positions that were vacated in Quarter 1 and not filled. These three positions were clinical faculty positions in which the School had planned for the departures. However, the School budgeted the anticipated amount to bring these faculty to the end of their contracts so because they left earlier than anticipated, there was savings relative to the budget. Situations such this are common within units as they do their best to budget for anticipated changes but do not always know exactly how much personnel changes will cost.
- The Carlson School of Management had \$62,426 in savings from a position that was reclassified from an Assistant Dean position to a Chief of Staff position. Changes such as this are typical for units when they are trying to lower costs while still ensuring they can meet the needs of their students and staff. In this specific case, the Carlson School is using this salary savings towards their FY20 reallocations.
- The Medical School split one full-time equivalent position into two 0.5 full-time equivalent positions. This yielded an increase in headcount but a decrease in costs. There are several examples of this in the unit reporting.
- The University of Minnesota-Morris decided to fund a position with newly awarded grant funds. This yielded a small O&M savings. If the grant continues into FY20, this position would no longer be a part of this process. Moving positions among funding sources and/or split funding positions is common among units; as resources change relative to estimates, RRCs shift costs onto different funding sources.
- Many of the units also have positions that are currently under review for refilling. As an example, MN Extension has a position in which the savings is currently being counted as “nonrecurring.” Although MN Extension is planning to refill this position in the future, details are not certain. Other units will have nonrecurring savings for similar circumstances, but the RRCs will not count that nonrecurring savings until fiscal close.
- Units such as the College of Science & Engineering, Facilities Management, University of Minnesota-Duluth, and Undergraduate Education utilize pooled positions. This is an acceptable budgeting practice. However, the RRCs will not know the savings or costs relative to these pooled positions until after fiscal close.

Concluding Thoughts

Through the development and implementation of these processes, the administration has several learnings.

1. **This process verified that, within a fiscal year, there is a great deal of “churn” in positions and the budgets that support them.** The magnitude of change related to positions funded 100% on O&M funds is great. The changes do not occur evenly across the University system; some units have more turnover and funding source-changes than other units. Units with a higher number of faculty funded 100% on O&M funds in addition to diverse revenue streams are likely to experience the highest magnitude of change. As illustrative examples, RRCs hire adjunct faculty and other instructional staff to cover course loads when faculty are awarded grants or go on leave; RRCs shift costs onto ICR or other funding sources freeing up O&M for personnel costs; and units decide to split-fund positions mid-year. All of these cases create churn in personnel budgets.

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2. **It is impossible for RRCs to anticipate all of the changes in personnel costs or the number of faculty/staff needed at the time of budgeting.** Changes in instructional needs, student and staff support, research support, etc. all occur throughout the fiscal year, requiring the addition of positions that were not included in the budget. The opposite is also true: positions become vacant and potentially remain unfilled when they were expected to continue.
3. **While this report indicates there was \$4 million of cost over and above what was budgeted associated with the newly approved positions, that impact is overstated.** The cost of these new positions will at least be partially offset by salary savings elsewhere in RRCs' budgets. The magnitude of this offset cannot be calculated at this time as RRCs are still filling positions that are vacant. It is also important to note that most of the resources to cover the costs of the additional positions were set aside in RRCs' budgets, such as in reserve accounts for start-up packages, before the start of the budget process. Approximately half of the approved, new positions should have been budgeted: the resources were known at the time of budget entry, but the expenditures were not budgeted.
4. **This new process has created unintended consequences.** Some units have decided to split-fund positions rather than submit a request for an approval of a position that typically would have been funded 100% on O&M. This is leading to unintended consequences, as units are not budgeting positions on a single source even when they should/could be. If the process would continue into FY20, units with flexibility would likely split-fund more positions. This would not lead to an overall decrease in costs or headcount, but rather, an increase in administrative burden on finance and other administrative staff.
5. **Units budget differently based on their culture and needs, but there is room for training and improvement.** Through the creation of the baseline reports, the Budget Office discovered that some units were budgeting positions incorrectly (e.g. budgeting the funds as transfers out rather than as an expense), utilizing incorrect funding codes, and moving positions frequently (as a budgeting practice) off of O&M throughout the fiscal year depending on grant activity. The Budget Office has started working with RRCs to improve their budgeting practices to create a greater degree of consistency across the University.
6. **The new process increased administrative burden.** Based on conversations with RRCs, some units fully implemented the reporting process and tracked each change systematically while others did not have and/or implement a structure that allowed them to do so. For units that fully implemented the reporting process, the number of positions funded 100% on O&M funds, the complexity of the unit's budget, and the level of distribution of hiring decisions impacted their work. As an example, units with a more centralized approach to hiring and budget management, such as the Morrill Hall Shared Services Team, were able to manage the process more efficiently: they had economies of scale as well as centralized finance and human resource functions.

Other units with more complex budgets and decentralized hiring practices, such as the College of Science & Engineering and the University of Minnesota-Duluth spent more time developing an internalizing the processes. As an example, the College of Science & Engineering has had 391 requests for either new hires or changes to positions from July 2018 to March 2019. Each of these requests was assembled by departmental staff for Dean's Office review. Then, the Dean's Office staff assessed the departmental requests to determine the correct course of action. RRC staff approximated the 391 requests took the College 500 hours internally to prepare and assess. This is in addition to the time spent on the approval process and quarterly reports.

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Other units did not have the budget structure, processes, systems, or staffing in place to track each change in their positions at this level of detail. As an example, Facilities Management (FM) on the Twin Cities Campus has \$43.4 million budgeted for positions with 100% O&M/tuition funds. This includes 352 positions in the position management system, some of which are pooled positions (pooled positions include multiple employees). There is a constant flow of staff between districts, among positions, and among FM divisions. In addition, FM utilizes pooled positions for multiple business units and trades, including all maintenance and custodial staff; they manage to a budget for the pooled positions. Therefore, any costs or savings from those pooled positions cannot be calculated until after the close of the fiscal year. Because FM's labor force is more fluid relative to other units, FM reported on hires into FM from outside of FM (new people coming into the RRC) rather than people moving within the RRC. This simplified FM's dataset but underreports the amount of personnel churn within the RRC.

For large, complex units that have not fully implemented the process. The Budget Office anticipates RRCs would need to implement either a similar process to the one implemented by the College of Science & Engineering, which would require additional administrative staff, or fully centralize all hires decreasing departmental flexibility and increasing central administration.

7. **The Budget Office believes the new process has not lowered costs or impacted headcounts compared to what would have happened without it.** The primary goal of the approval and reporting processes was to affect hires and the cost of those hires. However, the process did not impact those outcomes; units continued to hire the staff they needed to meet University needs. In addition, prior to implementation of the processes, units were already looking for salary savings and potential position eliminations to meet their reallocation targets. Compensation is the largest cost any unit faces, so changes in personnel and their associated costs has been and will continue to be the primary variable in balancing budgets. This process did not result in "surprise" opportunities.
8. **It continues to be more effective to manage the dollars instead of the headcount.** The University is a very complex, \$4 billion institution, with multiple missions and many moving pieces operating in numerous locations throughout the state. In this environment, the management goal for leaders in every unit of the University is to make decisions based on what is best for the unit in the long term (program and service outcomes) and always within available resources. While the number of employees is often correlated with the size of budget, it does not always follow that headcount is directly correlated with total personnel costs or that fewer positions is good and more positions is bad. As mentioned earlier in this report, scenarios exist in which replacing one employee with two lower-cost employees actually saves money, and it is also true that there are situations in which one new hire costs the institution more than savings from eliminating two or three lower-cost positions. Both can be the absolutely right decision to achieve programmatic and financial goals. Controlling headcount numbers is simply not the metric to determine if University goals are being met. This is reinforced by the fact that external entities that rate the University's financial performance, such as Moody's or S&P, do not include headcount in any form within their ratios and evaluation.

Appendix A: FY19 O&M Position Approval Request Form

V2-7/27/2018

Joint approval from the Executive VP and Provost and the Senior VP for Finance and Operations is required before posting or hiring positions funded 100% on O&M funds and not included on the RRC's FY19 O&M Approved Budgeted Positions list.

RRC:		Date:	
HR DeptID:		DeptID Description:	
Job Code:		Job Code Description:	
% Time:		Employee Class:	[P&A, Civil Service, etc.]
Position #:	[if known]	Total Cost Above Budget FY19:	[Sal & FB]
Annual Base Salary:		Anticipated Start Date:	
Why is this position necessary?			
Please describe why O&M funds are now available that were not budgeted to cover expenditures in FY19.			
Why is the position not included in the FY19 budget?			
Other Considerations:			
VP/Chancellor/Dean or Designee – Printed Name:			
VP/Chancellor/Dean or Designee Signature:		Date:	
Exec VP/Provost:		Date:	
SVP Finance & Ops:		Date:	

PLEASE LIMIT RESPONSES TO ONE PAGE.

Submit form to Koryn Zewers (zewers@umn.edu) and Emily Larson (e-lars@umn.edu).

Appendix B: FY19 O&M Approved Position Reporting Form - Individual Positions

RRC:
Fiscal Year: 2019

Reporting is required for all changes in positions funded 100% on O&M Funds. Use this form to report changes in positions included in the RRC's O&M Approved Budgeted Positions list for individual positions.
Submit completed report to Kory Zewers, University Budget (zewers@umn.edu).

Quarter:

HR DeptID	HR DeptID Description	Position #	Job Code	Job Code Description/Title	Action/Status (Drop-down list)	Justification for Filled Positions & Comments	Included in Expected Reallocations? (Drop-down List)	Financial Impact Description (Drop-down list)	Change in Salary \$\$	Previous Incumbent EmplID	Previous Incumbent Name	Previous Incumbent Salary	New Incumbent EmplID	New Incumbent Name	New Incumbent Salary
									\$0						
									\$0						
									\$0						
									\$0						
									\$0						
									\$0						
									\$0						

Appendix B: FY19 O&M Approved Position Reporting Form - Pooled Positions

RRC:
 Fiscal Year: 2019
 Quarter:

Reporting is required for all changes in positions funded 100% on O&M Funds. Use this form to report changes in positions included in the RRC's O&M Approved Budgeted Positions list for pooled positions.

Submit completed report to Kory Zewers (zewers@umn.edu).

HR DeptID	HR DeptID Description	Type of Position	# of Positions Opening in Quarter	# of Positions Filled in Quarter	Reason for Filling Positions	Savings from Positions not Filled (\$\$)	Savings included in Expected Reallocations (\$\$)	Cost/Savings Over Budget (\$\$)
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Appendix C: FY19 O&M Position Approval and Reporting Process Frequently Asked Questions

V3-7/27/2018

GENERAL:

1. Why are we doing this?

- The following amendment to the FY19 President's Recommended Operating Budget was approved by the Board of Regents at their June, 2018 meeting:

“As we view the financial outlook for the University, the senior leaders of the University see no end to the need to carefully and thoughtfully manage our financial resources to maximize our ability to deliver on our missions, and to ensure adequate reserves in anticipation of economic downturns. The largest portion of our budget is directed to the total compensation of our most valuable resource, our employees. Thus, it is imperative that we take a proactive step to monitor the overall number of positions on our payroll funded by O&M – e.g. state appropriations and tuition. To help monitor and manage that portion of our budget, we are implementing an additional level of review for O&M-funded positions, effective July 1, 2018. This additional level of review supplements the annual budget compact discussions each unit has with the Budget Five group.

To ensure that an expansion of the O&M position pool is justified, units wishing to increase the number of positions (funded 100% from O&M) over and above the total that was funded in the approved budget for the year, will need to gain joint approval of the Executive Vice President and Provost and the Senior Vice President for Finance and Operations. This process will also be required for any hire to fill any empty position that is supported by O&M funds. All campuses and all units (academic and support) will be included in this process. The University will report to the Board of Regents at its May 2019 meeting on the approvals granted through this process.”

2. What positions are included in the request/reporting requirement?

- University leadership is interpreting the amendment to include positions where the base appointment is supported 100% on O&M funds, regardless of % appointment. The requirement includes all faculty, P&A, Civil Service, Labor Represented and Trades positions. All positions that are normally budgeted in Position Budgeting in the UM Budgeting module are subject to the requirement.

3. What positions are not included?

- If the base appointment is partially or fully funded from another funding source (any fund code other than fund 1000), then the position is not included in the request/reporting requirement.
- All student positions, post-docs, and temp/casual employees are excluded from the request/reporting process.
- Positions that will be filled in future years, even if the search process is beginning in the current year.

4. Are adjunct/temporary faculty/instructors included in the request/reporting requirement?

- Yes. All faculty (visiting, temporary, UMD non-regular, adjunct, clinical, contract, and regular) are included.

5. Are post-docs included in the request/reporting requirement?

- No. Post-docs are considered student positions for this purpose.

6. Are augmentations, additional pay, overload, overtime, shift pay, etc., included in the 100% O&M funding requirement?

- No. The 100% O&M funding parameter applies to the base appointment only. Compensation outside of the base appointment is not included in the determination of the funding source for the appointment.

7. Are in-range adjustments and changes in pay due to reclassification or promotion included in the 100% O&M funding requirement?
 - No. Changes in pay rate for existing appointments already on 100% O&M funding are not included in the requirement.
8. Are positions paid through the “common paymaster” included in the calculation of the base position?
 - No. Common paymaster compensation is excluded from the base appointment.
9. Who is responsible for the O&M Position Approval and Reporting Process in each RRC?
 - Requests and reports are at the RRC level and are ultimately the responsibility of the VP/Chancellor/Dean. The VP/Chancellor/Dean may delegate signature authority for the request process to the CFM or other party.
10. For which positions is my RRC responsible?
 - The unit that holds the HR DeptID for the position is responsible for the request/reporting. For example, a college is responsible for requesting/reporting a faculty hire even if the faculty member will be supported by bridge funding from another unit.
11. How does the O&M Approved Positions List come into play?
 - In July, the RRC and the Budget Office will jointly create lists of positions (filled and unfilled) that are included in the FY19 budget with 100% O&M funding. This resulting O&M Approved Positions list is the basis for determining which positions require prior approval (positions not on the list) versus positions subject only to the quarterly reporting requirement (positions on the list).
12. How will the O&M Approved Positions List be determined?
 - The Budget Office is developing a draft list of positions fully funded by O&M funding based on data in Position Budgeting. The initial lists will be distributed to Chief Financial Managers (CFMs)/RRC Contacts for review in July. CFMs/RRCs will respond with adjustments. Positions funded 100% on O&M funds not included on the list will be subject to the request and approval process. Positions on the list will be subject to the quarterly reporting process.
 - Pooled positions will be listed separately from individual positions on the O&M Approved Positions List. Reporting requirements are different for individual versus pooled position activity.
13. Can I add positions to the list if I meant to budget them and forgot?
 - No. The purpose of verification is to identify the budgeted positions where the base pay is 100% on O&M funds. The only situation in which you may add a position is if the position was budgeted on the Detailed Budget page and not in Position Budgeting. This is not an opportunity to change the budget.
14. What is the difference between individual positions and pooled positions?
 - Budgeting by individual is the norm for most positions budgeted in Position Budgeting. For the purposes of the O&M Position Approval and Reporting Process, each individual employee budgeted in Position Budgeting (incumbent or dummy incumbent) is considered a separate individual position. For example, a single HR position number with three individually budgeted incumbents is considered three positions. Pooled positions are those where a summary dollar amount is budgeted for multiple, unidentified employees. Pooled positions most often occur with temporary teaching faculty and some labor-represented or trades positions. (Contact the Budget Office before budgeting pooled positions in Position Budgeting.)
 - Individual positions and pooled positions are listed on separate O&M Approved Position Lists. Reporting requirements are different for individual and pooled positions. The same O&M Position Approval Request Form is used for both types of position.
15. How do we treat dummy positions and dummy incumbents in Position Budgeting?
 - Dummy positions and dummy incumbents are considered budgeted positions. They may be either individual positions or pooled positions depending on how they were budgeted.
16. When does the Position Approval and Reporting Process take effect?

- The University is transitioning into this process beginning the week of July 16, 2018. RRCs will finalize the O&M Approved Budgeted Positions list and begin submitting the O&M Position Approval Request form that week. Quarterly reporting begins with the first quarter of FY19 (July 1, 2018 – September 30, 2018).

17. If I have a department head with separate appointments for their faculty position and their administrative position, do I treat those as one or two positions?

- If the position numbers and job codes are different, and both positions are paid as regular pay (not augmentations or overload), then each position would be considered separate. They should be separate lines on the O&M Approved Budgeted Positions list.

REQUEST/APPROVAL:

18. Which positions require approval?

- Posting for any position with the base appointment fully funded by O&M funds and not included on the O&M Approved Positions List requires approval by the Exec VP/Provost and SVP before posting. Submit the O&M Position Approval Request.
- Positions previously approved by a Chancellors/Deans/VP for posting by the department and not included in the FY19 budget (not on the O&M Approved Positions List) require approval by the Exec VP/Provost and SVP.

19. Which positions do not require approval?

- Approval is not required to post for positions included in the O&M Approved Position List.
- Approval is not required when a faculty member “buys out” their teaching obligation by covering a portion of their salary with grant or other non-O&M funds and the released O&M funds are used to fund an adjunct instructor to cover the faculty member’s teaching obligation. The effect is budget neutral and separate approval for the adjunct instructor is not required.
- Positions in which the employee will begin work in a future fiscal year.
- Contact the Budget Office to discuss unique situations.

20. What about continuously posted positions?

- Submit the O&M Position Approval Request for continuously posted positions when actively considering an applicant pool. Approval is not required if the continuously posted position was budgeted for FY19 and appears on the O&M Approved Positions list.

21. Do I need to request approval prior to starting a faculty search if we expect the new faculty member to begin in FY20?

- No. The expectation is that units review the need for faculty searches based on normal budget planning considerations and programmatic needs, and actual offers only go forward if the development of the FY20 budget allows. The position would then be incorporated into FY20 budget planning.

22. When should I use the O&M Position Approval Request Form?

- Use the O&M Position Approval Request Form when considering posting for any position where the base appointment will be funded with 100% O&M funds in FY19 and the full position was not budgeted for FY19 (not on the O&M Approved Positions List). Examples of where this form is required include:
 - New positions not budgeted for FY19
 - Existing positions not budgeted for FY19 that come open during the year
 - Positions where only partial salary was budgeted for FY19 because the incumbent plans to retire and a replacement was not budgeted for FY19.
 - A planned hire budgeted wholly or partially on non-O&M funds that will now be supported 100% on O&M funds.
 - A position was budgeted at a lower percentage on O&M funds and will now be 100% on O&M funds.

23. Do I need to submit the O&M Position Approval Request Form if I am hiring a replacement for a budgeted position at a higher salary or different classification?
- No. Report replacement hires that differ for salary or job code but have the same FTE on the Quarterly Reporting Form.
24. Do I need to submit a request if my position includes funding from another unit?
- No. Positions that will add to the budget of your unit but funding was included in the budget of another unit do not require the O&M Position Approval Request form (e.g., faculty hires receiving bridge funding from Equity & Diversity). Activity on these positions can be reported on the O&M Approved Position Reporting Form.
25. What am I requesting if the position was budgeted at 75% but now I want to hire at 100%?
- Submit the O&M Position Approval Request form for the position at 100%, but note in the discussion that the position was budgeted at 75% so the impact is only the additional 25%.
26. How do I submit the O&M Position Approval Request Form?
- CFMs submit completed forms (signed by the VP/Chancellor/Dean or designee) to Koryn Zewers (zewers@umn.edu) and Emily Larson (e-lars@umn.edu) before posting the position. Koryn or Emily will manage the approval process and submit requests to the Exec VP/Provost and SVP.
27. How long do I need to allow for processing of requests?
- Allow 2 weeks for processing of the O&M Position Approval Request Form. If expedited processing is necessary, please state that clearly in the e-mail subject line and provide additional details in the text.
28. Is there a difference in the request form for individual positions versus pooled positions?
- The same form (O&M Position Approval Request Form) should be used for both individual and pooled positions. Note in the text if the request is for a pooled position. Requests for new pooled positions are expected to be rare.
29. If my O&M Position Approval Request Form is approved will my position go on the O&M Approved Position List?
- Yes. When a request is approved, the position will be added to the O&M Approved Position List.
30. Do I need to submit an O&M Position Approval Request if a search was completed in FY18 for an employee whose appointment will start in later in FY19, but that position was not included in the budget for FY19?
- Yes. Discuss any contractual obligation in the position justification. Provide an explanation for why the position was not included in the budget for FY19.
31. How should respond on the O&M Position Approval Request Form in the section, "Please describe why O&M funds are now available that were not budgeted to cover expenditures in FY19?"
- The request process focuses on positions funded by O&M funds, so it is not necessary to restate that O&M funds will be used. Rather, identify what has changed from the original entered budget such that O&M funds are now available to support the new position in FY19. For example, does the unit operate with a structural positive, so not all O&M funds were committed in the original budget? Has the unit shifted expenses budgeted on O&M funds to other funding sources making O&M funds available to support the position? Are you anticipated that tuition revenues will exceed expectations?

REPORTING:

32. What activity should I include on the O&M Approved Position Reporting Forms?
- Use the O&M Approved Position Reporting Forms to report activity occurring for any position on the O&M Approved Positions List with a departure or new hire. Do not report on open positions with no activity within the quarter. Separate forms are used for activity on individual positions versus activity on pooled positions.
33. Do I need to include activity on my report if my position includes bridge funding from another unit?

- Yes. Positions that will add to the budget of your unit but funding was included in the budget of another unit should be reported on the O&M Approved Position Reporting Form (e.g., faculty hires receiving bridge funding from Equity & Diversity).
34. When to I submit the O&M Approved Position Reporting Forms?
- Submit the forms for each fiscal quarter on the following schedule:
 - Q1 (July – September) October 26
 - Q2 (October – December) January 28
 - Q3 (January – March) April 12 (tighter timeframe due to Regents docket deadlines)
 - Q4 (April – June) July 26.
35. How do I submit the O&M Approved Position Reporting Forms?
- CFMs should submit completed forms to Koryn Zewers (zewers@umn.edu) by the deadlines noted above. Koryn will summarize reports and communicate to the Exec VP/Provost and SVP.
36. How is the O&M Approved Position Reporting Form different for individual positions versus pooled positions?
- The reporting form for individual positions includes more detail, including incumbent and new hire name and salary information. The reporting form for pooled positions focuses on summary activity like number of open spots, number of filled spots, and total dollars.
37. Why is more detailed reporting required for individual positions?
- The detailed reporting for individual positions helps to provide more nuanced insight into personnel obligations and activities. The details allow for coordination with information on expected reallocations.
38. Do we need to report on pools budgeted for overtime or shift differentials?
- No. These pools do not reflect hiring activity and reporting is not required.
39. Why is reporting required for pooled positions?
- The focus of the reporting requirement is to manage expenditures, but headcount information plays a significant role in determining expenditure levels and managing our workforce at an institutional level. Reporting for pooled positions focuses on summary headcount and financial activity.

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

1	Executive Vice President & Provost (AAPRV)		
2	FY19 Budget Data		<i>% Change</i>
3	Total salaries for positions budgeted 100% on O&M:	\$9,706,172	
4	Number of positions budgeted 100% on O&M:	132	
5			
6	Reporting Process Data		
7	Number of reported positions with changes:	18	
8	Net recurring salary savings / (cost):	\$21,554	-0.2%
9	Net nonrecurring salary savings / (cost):	\$0	
10			
11	Savings Already Counted		
12	FY19 reallocations:	\$0	
13	FY20 reallocations:	\$0	
14			
15	Remaining Recurring Savings / (Cost)	\$21,554	
16			
17			
18	Agricultural Experiment Station (AESXX)		
19	FY19 Budget Data		<i>% Change</i>
20	Total salaries for positions budgeted 100% on O&M:	\$56,880	
21	Number of positions budgeted 100% on O&M:	1	
22			
23	Reporting Process Data		
24	Number of reported positions with changes:	0	
25	Net recurring salary savings / (cost):	\$0	0.0%
26	Net nonrecurring salary savings / (cost):	\$0	
27			
28	Savings Already Counted		
29	FY19 reallocations:	\$0	
30	FY20 reallocations:	\$0	
31			
32	Remaining Recurring Savings / (Cost)	\$0	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

33	Academic Health Center Shared & VP for Health Sciences (AHCXX & HLSCI)		
34	FY19 Budget Data		<i>% Change</i>
35	Total salaries for positions budgeted 100% on O&M:	\$18,939,436	
36	Number of positions budgeted 100% on O&M:	305	
37			
38	Reporting Process Data		
39	Number of reported positions with changes:	32	
40	Net recurring salary savings / (cost):	\$319,376	-1.7%
41	Net nonrecurring salary savings / (cost):	\$0	
42			
43	Savings Already Counted		
44	FY19 reallocations:	\$0	
45	FY20 reallocations:	\$0	
46			
47	Remaining Recurring Savings / (Cost)	\$319,376	
48			
49			
50	Office of Internal Audit (AUDIT)		
51	FY19 Budget Data		<i>% Change</i>
52	Total salaries for positions budgeted 100% on O&M:	\$1,623,075	
53	Number of positions budgeted 100% on O&M:	20	
54			
55	Reporting Process Data		
56	Number of reported positions with changes:	0	
57	Net recurring salary savings / (cost):	\$0	0.0%
58	Net nonrecurring salary savings / (cost):	\$0	
59			
60	Savings Already Counted		
61	FY19 reallocations:	\$0	
62	FY20 reallocations:	\$0	
63			
64	Remaining Recurring Savings / (Cost)	\$0	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

65	Intercollegiate Athletics (ATHLX)		
66	FY19 Budget Data		<i>% Change</i>
67	Total salaries for positions budgeted 100% on O&M:	\$0	
68	Number of positions budgeted 100% on O&M:	\$0	
69			
70	Reporting Process Data		
71	Number of reported positions with changes:	0	
72	Net recurring salary savings / (cost):	\$0	0.0%
73	Net nonrecurring salary savings / (cost):	\$0	
74			
75	Savings Already Counted		
76	FY19 reallocations:	\$0	
77	FY20 reallocations:	\$0	
78			
79	Remaining Recurring Savings / (Cost)	\$0	
80			
81			
82	Auxiliary Services (AUXSV)		
83	FY19 Budget Data		<i>% Change</i>
84	Total salaries for positions budgeted 100% on O&M:	\$737,993	
85	Number of positions budgeted 100% on O&M:	18	
86			
87	Reporting Process Data		
88	Number of reported positions with changes:	2	
89	Net recurring salary savings / (cost):	\$8,861	-1.2%
90	Net nonrecurring salary savings / (cost):	(\$6,928)	
91			
92	Savings Already Counted		
93	FY19 reallocations:	\$0	
94	FY20 reallocations:	\$0	
95			
96	Remaining Recurring Savings / (Cost)	\$8,861	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

97	Associate Vice President for Finance (AVPFN)		
98	FY19 Budget Data		<i>% Change</i>
99	Total salaries for positions budgeted 100% on O&M:	\$11,191,354	
100	Number of positions budgeted 100% on O&M:	153	
101			
102	Reporting Process Data		
103	Number of reported positions with changes:	20	
104	Net recurring salary savings / (cost):	\$34,162	-0.3%
105	Net nonrecurring salary savings / (cost):	\$0	
106			
107	Savings Already Counted		
108	FY19 reallocations:	\$0	
109	FY20 reallocations:	\$0	
110			
111	Remaining Recurring Savings / (Cost)	\$34,162	
112			
113			
114	College of Biological Sciences (CBSXX)		
115	FY19 Budget Data		<i>% Change</i>
116	Total salaries for positions budgeted 100% on O&M:	\$15,003,845	
117	Number of positions budgeted 100% on O&M:	228	
118			
119	Reporting Process Data		
120	Number of reported positions with changes:	16	
121	Net recurring salary savings / (cost):	\$39,976	-0.3%
122	Net nonrecurring salary savings / (cost):	\$38,500	
123			
124	Savings Already Counted		
125	FY19 reallocations:	\$0	
126	FY20 reallocations:	\$0	
127			
128	Remaining Recurring Savings / (Cost)	\$39,976	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

129	College of Continuing and Professional Studies (CCAPS)		
130	FY19 Budget Data		<i>% Change</i>
131	Total salaries for positions budgeted 100% on O&M:	\$9,890,513	
132	Number of positions budgeted 100% on O&M:	145	
133			
134	Reporting Process Data		
135	Number of reported positions with changes:	7	
136	Net recurring salary savings / (cost):	\$29,118	-0.3%
137	Net nonrecurring salary savings / (cost):	\$0	
138			
139	Savings Already Counted		
140	FY19 reallocations:	\$0	
141	FY20 reallocations:	\$0	
142			
143	Remaining Recurring Savings / (Cost)	\$29,118	
144			
145			
146	College of Education & Human Development (CEHDX)		
147			<i>% Change</i>
148	FY19 Budget Data		
149	Total salaries for positions budgeted 100% on O&M:	\$27,588,367	
150	Number of positions budgeted 100% on O&M:	383	
151			
152	Reporting Process Data		
153	Number of reported positions with changes:	25	
154	Net recurring salary savings / (cost):	\$141,775	-0.5%
155	Net nonrecurring salary savings / (cost):	\$0	
156			
157	Savings Already Counted		
158	FY19 reallocations:	\$0	
159	FY20 reallocations:	\$95,680	
160			
161	Remaining Recurring Savings / (Cost)	\$46,095	

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FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

162	College of Food, Agriculture, and Natural Resource Sciences (CFANS)		
163	FY19 Budget Data		<i>% Change</i>
164	Total salaries for positions budgeted 100% on O&M:	\$8,886,449	
165	Number of positions budgeted 100% on O&M:	146	
166			
167	Reporting Process Data		
168	Number of reported positions with changes:	14	
169	Net recurring salary savings / (cost):	\$67,211	-0.8%
170	Net nonrecurring salary savings / (cost):	\$0	
171			
172	Savings Already Counted		
173	FY19 reallocations:	\$0	
174	FY20 reallocations:	\$0	
175			
176	Remaining Recurring Savings / (Cost)	\$67,211	
177			
178			
179	College of Liberal Arts (CLAXX)		
180	FY19 Budget Data		<i>% Change</i>
181	Total salaries for positions budgeted 100% on O&M:	\$80,953,876	
182	Number of positions budgeted 100% on O&M:	1,210	
183			
184	Reporting Process Data		
185	Number of reported positions with changes:	71	
186	Net recurring salary savings / (cost):	(\$162,510)	0.2%
187	Net nonrecurring salary savings / (cost):	\$0	
188			
189	Savings Already Counted		
190	FY19 reallocations:	\$0	
191	FY20 reallocations:	\$0	
192			
193	Remaining Recurring Savings / (Cost)	(\$162,510)	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

194	Capital Project Management (CPMXX)		
195	FY19 Budget Data		<i>% Change</i>
196	Total salaries for positions budgeted 100% on O&M:	\$243,018	
197	Number of positions budgeted 100% on O&M:	2	
198			
199	Reporting Process Data		
200	Number of reported positions with changes:	0	
201	Net recurring salary savings / (cost):	\$0	0.0%
202	Net nonrecurring salary savings / (cost):	\$0	
203			
204	Savings Already Counted		
205	FY19 reallocations:	\$0	
206	FY20 reallocations:	\$0	
207			
208	Remaining Recurring Savings / (Cost)	\$0	
209			
210			
211	College of Science & Engineering (CSENG)		
212	FY19 Budget Data		<i>% Change</i>
213	Total salaries for positions budgeted 100% on O&M:	\$66,641,230	
214	Number of positions budgeted 100% on O&M:	695	
215			
216	Reporting Process Data		
217	Number of reported positions with changes:	39	
218	Net recurring salary savings / (cost):	\$428,764	-0.6%
219	Net nonrecurring salary savings / (cost):	\$0	
220			
221	Savings Already Counted		
222	FY19 reallocations:	\$253,521	
223	FY20 reallocations:	\$0	
224			
225	Remaining Recurring Savings / (Cost)	\$175,244	
226			
227	Note 1: CSENG budgets adjuncts and teaching faculty as pooled positions. The 39		
228	positions noted above reflects changes to individual positions. It does not account		
229	for changes to pooled positions. CSENG had an additional 53 individuals to		
230	track through this process. Those individuals teach CSENG's courses. CSENG will not		
231	know the total savings/(cost) related to that pool until after fiscal close.		
232	Note 2: The Technological Leadership Institute budgets funding for guest lecturers as a lump		
233	sum with payments to the lecturers ranging from \$900 to \$15,000 based on the number of class		
234	sections. These lecturers are not counted in the figures above as they are budgeted as a pool.		
235	Savings relative to budget through Quarter 2 totaled \$87,947.		

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FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

236	Carlson School of Management (CSOM)		
237	FY19 Budget Data		<i>% Change</i>
238	Total salaries for positions budgeted 100% on O&M:	\$34,660,688	
239	Number of positions budgeted 100% on O&M:	325	
240			
241	Reporting Process Data		
242	Number of reported positions with changes:	15	
243	Net recurring salary savings / (cost):	\$94,021	-0.3%
244	Net nonrecurring salary savings / (cost):	\$0	
245			
246	Savings Already Counted		
247	FY19 reallocations:	\$0	
248	FY20 reallocations:	\$62,426	
249			
250	Remaining Recurring Savings / (Cost)	\$31,595	
251			
252			
253	School of Dentistry (DENTX)		
254	FY19 Budget Data		<i>% Change</i>
255	Total salaries for positions budgeted 100% on O&M:	\$18,603,236	
256	Number of positions budgeted 100% on O&M:	231	
257			
258	Reporting Process Data		
259	Number of reported positions with changes:	15	
260	Net recurring salary savings / (cost):	\$88,069	-0.5%
261	Net nonrecurring salary savings / (cost):	\$0	
262			
263	Savings Already Counted		
264	FY19 reallocations:	\$0	
265	FY20 reallocations:	\$0	
266			
267	Remaining Recurring Savings / (Cost)	\$88,069	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

268	College of Design (DESGN)		
269	FY19 Budget Data		<i>% Change</i>
270	Total salaries for positions budgeted 100% on O&M:	\$7,992,729	
271	Number of positions budgeted 100% on O&M:	131	
272			
273	Reporting Process Data		
274	Number of reported positions with changes:	25	
275	Net recurring salary savings / (cost):	\$25,240	-0.3%
276	Net nonrecurring salary savings / (cost):	\$18,148	
277			
278	Savings Already Counted		
279	FY19 reallocations:	\$0	
280	FY20 reallocations:	\$0	
281			
282	Remaining Recurring Savings / (Cost)	\$25,240	
283			
284			
285	Office for Equity & Diversity (EQDIV)		
286	FY19 Budget Data		<i>% Change</i>
287	Total salaries for positions budgeted 100% on O&M:	\$7,600,878	
288	Number of positions budgeted 100% on O&M:	125	
289			
290	Reporting Process Data		
291	Number of reported positions with changes:	18	
292	Net recurring salary savings / (cost):	\$147,749	-1.9%
293	Net nonrecurring salary savings / (cost):	\$50,606	
294			
295	Savings Already Counted		
296	FY19 reallocations:	\$0	
297	FY20 reallocations:	\$0	
298			
299	Remaining Recurring Savings / (Cost)	\$147,749	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

300	Facilities Management (FMXXX)		
301	FY19 Budget Data		<i>% Change</i>
302	Total salaries for positions budgeted 100% on O&M:	\$43,449,343	
303	Number of positions budgeted 100% on O&M:	352	
304			
305	Reporting Process Data		
306	Number of reported positions with changes:	6	
307	Net recurring salary savings / (cost):	\$79,089	-0.2%
308	Net nonrecurring salary savings / (cost):	\$0	
309			
310	Savings Already Counted		
311	FY19 reallocations:		
312	FY20 reallocations:	\$0	
313			
314	Remaining Recurring Savings / (Cost)	\$79,089	
315			
316	Note 1: The savings/(costs) associated with FM's pooled positions will not be known		
317	until after fiscal year close. At this time, the cost for custodial service salaries is \$114,866		
318	under budget, and maintenance salaries are \$114,006 over budget. Therefore, at this		
319	time, the maintenance and custodial budgets for salaries are balancing each other.		
320			
321			
322	Global Programs & Strategy Alliance (GPSTR)		
323	FY19 Budget Data		<i>% Change</i>
324	Total salaries for positions budgeted 100% on O&M:	\$2,563,809	
325	Number of positions budgeted 100% on O&M:	43	
326			
327	Reporting Process Data		
328	Number of reported positions with changes:	11	
329	Net recurring salary savings / (cost):	(\$7,844)	0.3%
330	Net nonrecurring salary savings / (cost):	\$0	
331			
332	Savings Already Counted		
333	FY19 reallocations:	\$0	
334	FY20 reallocations:	\$0	
335			
336	Remaining Recurring Savings / (Cost)	(\$7,844)	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

337	Graduate School (GRADX)		
338	FY19 Budget Data		<i>% Change</i>
339	Total salaries for positions budgeted 100% on O&M:	\$1,265,455	
340	Number of positions budgeted 100% on O&M:	15	
341			
342	Reporting Process Data		
343	Number of reported positions with changes:	6	
344	Net recurring salary savings / (cost):	\$89,373	-7.1%
345	Net nonrecurring salary savings / (cost):	\$0	
346			
347	Savings Already Counted		
348	FY19 reallocations:	\$0	
349	FY20 reallocations:	\$0	
350			
351	Remaining Recurring Savings / (Cost)	\$89,373	
352			
353			
354	Humphrey School of Public Affairs (HHHXX)		
355	FY19 Budget Data		<i>% Change</i>
356	Total salaries for positions budgeted 100% on O&M:	\$5,530,102	
357	Number of positions budgeted 100% on O&M:	87	
358			
359	Reporting Process Data		
360	Number of reported positions with changes:	1	
361	Net recurring salary savings / (cost):	\$30,000	-0.5%
362	Net nonrecurring salary savings / (cost):	\$0	
363			
364	Savings Already Counted		
365	FY19 reallocations:	\$0	
366	FY20 reallocations:	\$0	
367			
368	Remaining Recurring Savings / (Cost)	\$30,000	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

369	Law School (LAWXX)		
370	FY19 Budget Data		<i>% Change</i>
371	Total salaries for positions budgeted 100% on O&M:	\$11,856,492	
372	Number of positions budgeted 100% on O&M:	160	
373			
374	Reporting Process Data		
375	Number of reported positions with changes:	5	
376	Net recurring salary savings / (cost):	\$28,655	-0.2%
377	Net nonrecurring salary savings / (cost):	\$0	
378			
379	Savings Already Counted		
380	FY19 reallocations:	\$55,566	
381	FY20 reallocations:		
382			
383	Remaining Recurring Savings / (Cost)	(\$26,911)	
384			
385	Note 1: The 160 positions noted above includes the Law School adjunct faculty.		
386			
387			
388	University Libraries (LIBRX)		
389	FY19 Budget Data		<i>% Change</i>
390	Total salaries for positions budgeted 100% on O&M:	\$15,761,301	
391	Number of positions budgeted 100% on O&M:	260	
392			
393	Reporting Process Data		
394	Number of reported positions with changes:	28	
395	Net recurring salary savings / (cost):	\$35,406	-0.2%
396	Net nonrecurring salary savings / (cost):	\$38,408	
397			
398	Savings Already Counted		
399	FY19 reallocations:	\$0	
400	FY20 reallocations:	\$0	
401			
402	Remaining Recurring Savings / (Cost)	\$35,406	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

403	Medical School (MEDXX)		
404	FY19 Budget Data		<i>% Change</i>
405	Total salaries for positions budgeted 100% on O&M:	\$28,836,518	
406	Number of positions budgeted 100% on O&M:	428	
407			
408	Reporting Process Data		
409	Number of reported positions with changes:	23	
410	Net recurring salary savings / (cost):	\$524,274	-1.8%
411	Net nonrecurring salary savings / (cost):	\$0	
412			
413	Savings Already Counted		
414	FY19 reallocations:	\$0	
415	FY20 reallocations:	\$0	
416			
417	Remaining Recurring Savings / (Cost)	\$524,274	
418			
419			
420	MN Extension (MNEXT)		
421	FY19 Budget Data		<i>% Change</i>
422	Total salaries for positions budgeted 100% on O&M:	\$4,114,669	
423	Number of positions budgeted 100% on O&M:	54	
424			
425	Reporting Process Data		
426	Number of reported positions with changes:	5	
427	Net recurring salary savings / (cost):	\$4,898	-0.1%
428	Net nonrecurring salary savings / (cost):	\$101,891	
429			
430	Savings Already Counted		
431	FY19 reallocations:	\$0	
432	FY20 reallocations:	\$0	
433			
434	Remaining Recurring Savings / (Cost)	\$4,898	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

435	School of Nursing (NURSG)		
436	FY19 Budget Data		<i>% Change</i>
437	Total salaries for positions budgeted 100% on O&M:	\$6,656,371	
438	Number of positions budgeted 100% on O&M:	87	
439			
440	Reporting Process Data		
441	Number of reported positions with changes:	11	
442	Net recurring salary savings / (cost):	\$64,017	-1.0%
443	Net nonrecurring salary savings / (cost):	\$0	
444			
445	Savings Already Counted		
446	FY19 reallocations:	\$0	
447	FY20 reallocations:	\$0	
448			
449	Remaining Recurring Savings / (Cost)	\$64,017	
450			
451			
452	Office of the General Counsel (OGCXX)		
453	FY19 Budget Data		<i>% Change</i>
454	Total salaries for positions budgeted 100% on O&M:	\$3,667,478	
455	Number of positions budgeted 100% on O&M:	35	
456			
457	Reporting Process Data		
458	Number of reported positions with changes:	0	
459	Net recurring salary savings / (cost):	\$0	0.0%
460	Net nonrecurring salary savings / (cost):	\$0	
461			
462	Savings Already Counted		
463	FY19 reallocations:	\$0	
464	FY20 reallocations:	\$0	
465			
466	Remaining Recurring Savings / (Cost)	\$0	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

467	Office of Human Resources (OHRXX)		
468	FY19 Budget Data		<i>% Change</i>
469	Total salaries for positions budgeted 100% on O&M:	\$4,771,689	
470	Number of positions budgeted 100% on O&M:	60	
471			
472	Reporting Process Data		
473	Number of reported positions with changes:	10	
474	Net recurring salary savings / (cost):	\$11,419	-0.2%
475	Net nonrecurring salary savings / (cost):	\$0	
476			
477	Savings Already Counted		
478	FY19 reallocations:		
479	FY20 reallocations:	\$0	
480			
481	Remaining Recurring Savings / (Cost)	\$11,419	
482			
483			
484	Office of Information Technology (OITXX)		
485	FY19 Budget Data		<i>% Change</i>
486	Total salaries for positions budgeted 100% on O&M:	\$36,782,631	
487	Number of positions budgeted 100% on O&M:	444	
488			
489	Reporting Process Data		
490	Number of reported positions with changes:	65	
491	Net recurring salary savings / (cost):	\$97,416	-0.3%
492	Net nonrecurring salary savings / (cost):	\$0	
493			
494	Savings Already Counted		
495	FY19 reallocations:	\$0	
496	FY20 reallocations:	\$0	
497			
498	Remaining Recurring Savings / (Cost)	\$97,416	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

499	College of Pharmacy (PHARM)		
500	FY19 Budget Data		<i>% Change</i>
501	Total salaries for positions budgeted 100% on O&M:	\$15,428,176	
502	Number of positions budgeted 100% on O&M:	148	
503			
504	Reporting Process Data		
505	Number of reported positions with changes:	0	
506	Net recurring salary savings / (cost):	\$0	0.0%
507	Net nonrecurring salary savings / (cost):	\$0	
508			
509	Savings Already Counted		
510	FY19 reallocations:	\$0	
511	FY20 reallocations:	\$0	
512			
513	Remaining Recurring Savings / (Cost)	\$0	
514			
515			
516	Office of the President (PRESO)		
517	FY19 Budget Data		<i>% Change</i>
518	Total salaries for positions budgeted 100% on O&M:	\$2,851,228	
519	Number of positions budgeted 100% on O&M:	29	
520			
521	Reporting Process Data		
522	Number of reported positions with changes:	3	
523	Net recurring salary savings / (cost):	\$9,027	-0.3%
524	Net nonrecurring salary savings / (cost):	\$0	
525			
526	Savings Already Counted		
527	FY19 reallocations:		
528	FY20 reallocations:	\$0	
529			
530	Remaining Recurring Savings / (Cost)	\$9,027	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

531	Planning, Space, and Real Estate (PSRXX)		
532	FY19 Budget Data		<i>% Change</i>
533	Total salaries for positions budgeted 100% on O&M:	\$1,531,669	
534	Number of positions budgeted 100% on O&M:	18	
535			
536	Reporting Process Data		
537	Number of reported positions with changes:	1	
538	Net recurring salary savings / (cost):	\$0	0.0%
539	Net nonrecurring salary savings / (cost):	\$0	
540			
541	Savings Already Counted		
542	FY19 reallocations:	\$0	
543	FY20 reallocations:	\$0	
544			
545	Remaining Recurring Savings / (Cost)	\$0	
546			
547			
548	School of Public Health (PUBHL)		
549	FY19 Budget Data		<i>% Change</i>
550	Total salaries for positions budgeted 100% on O&M:	\$5,874,462	
551	Number of positions budgeted 100% on O&M:	80	
552			
553	Reporting Process Data		
554	Number of reported positions with changes:	13	
555	Net recurring salary savings / (cost):	\$226,309	-3.9%
556	Net nonrecurring salary savings / (cost):	\$0	
557			
558	Savings Already Counted		
559	FY19 reallocations:	\$0	
560	FY20 reallocations:	\$0	
561			
562	Remaining Recurring Savings / (Cost)	\$226,309	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

563	Department of Public Safety (PUBSF)		
564	FY19 Budget Data		<i>% Change</i>
565	Total salaries for positions budgeted 100% on O&M:	\$6,184,762	
566	Number of positions budgeted 100% on O&M:	84	
567			
568	Reporting Process Data		
569	Number of reported positions with changes:	19	
570	Net recurring salary savings / (cost):	\$1,046	0.0%
571	Net nonrecurring salary savings / (cost):	\$71,441	
572			
573	Savings Already Counted		
574	FY19 reallocations:		
575	FY20 reallocations:	\$0	
576			
577	Remaining Recurring Savings / (Cost)	\$1,046	
578			
579			
580	Board of Regents (RGNTS)		
581	FY19 Budget Data		<i>% Change</i>
582	Total salaries for positions budgeted 100% on O&M:	\$622,571	
583	Number of positions budgeted 100% on O&M:	6	
584			
585	Reporting Process Data		
586	Number of reported positions with changes:	0	
587	Net recurring salary savings / (cost):	\$0	0.0%
588	Net nonrecurring salary savings / (cost):	\$0	
589			
590	Savings Already Counted		
591	FY19 reallocations:	\$0	
592	FY20 reallocations:	\$0	
593			
594	Remaining Recurring Savings / (Cost)	\$0	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

595	Vice President for Research (RSRCH)		
596	FY19 Budget Data		<i>% Change</i>
597	Total salaries for positions budgeted 100% on O&M:	\$14,029,061	
598	Number of positions budgeted 100% on O&M:	193	
599			
600	Reporting Process Data		
601	Number of reported positions with changes:	16	
602	Net recurring salary savings / (cost):	\$54,807	-0.4%
603	Net nonrecurring salary savings / (cost):	\$0	
604			
605	Savings Already Counted		
606	FY19 reallocations:	\$0	
607	FY20 reallocations:	\$0	
608			
609	Remaining Recurring Savings / (Cost)	\$54,807	
610			
611			
612	Office of Student Affairs (STDAF)		
613	FY19 Budget Data		<i>% Change</i>
614	Total salaries for positions budgeted 100% on O&M:	\$3,874,090	
615	Number of positions budgeted 100% on O&M:	65	
616			
617	Reporting Process Data		
618	Number of reported positions with changes:	16	
619	Net recurring salary savings / (cost):	\$15,088	-0.4%
620	Net nonrecurring salary savings / (cost):	\$0	
621			
622	Savings Already Counted		
623	FY19 reallocations:		
624	FY20 reallocations:	\$0	
625			
626	Remaining Recurring Savings / (Cost)	\$15,088	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

627	Senior VP for Finance & Operations (SVPFO)		
628	FY19 Budget Data		<i>% Change</i>
629	Total salaries for positions budgeted 100% on O&M:	\$1,094,452	
630	Number of positions budgeted 100% on O&M:	6	
631			
632	Reporting Process Data		
633	Number of reported positions with changes:	0	
634	Net recurring salary savings / (cost):	0	0.0%
635	Net nonrecurring salary savings / (cost):	\$0	
636		\$0	
637			
638	Savings Already Counted		
639	FY19 reallocations:	\$0	
640	FY20 reallocations:	\$0	
641			
642	Remaining Recurring Savings / (Cost)	\$0	
643			
644			
645	Office of Undergraduate Education (UEDUC)		
646	FY19 Budget Data		<i>% Change</i>
647	Total salaries for positions budgeted 100% on O&M:	\$24,275,360	
648	Number of positions budgeted 100% on O&M:	383	
649			
650	Reporting Process Data		
651	Number of reported positions with changes:	35	
652	Net recurring salary savings / (cost):	\$46,391	-0.2%
653	Net nonrecurring salary savings / (cost):	\$0	
654			
655			
656	Savings Already Counted		
657	FY19 reallocations:	\$0	
658	FY20 reallocations:	\$0	
659			
660	Remaining Recurring Savings / (Cost)	\$46,391	
661			
662	Note 1: Undergraduate Education budgets some of its positions as pooled positions.		
663	The unit reported on these positions separately; there have been 60 individual		
664	changes during the first two quarters. These 60 individual changes are not counted		
665	in the totals above. The savings/(cost) will not be known until fiscal close.		

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

666	University Health & Safety (UHLSF)		
667	FY19 Budget Data		<i>% Change</i>
668	Total salaries for positions budgeted 100% on O&M:	\$2,819,103	
669	Number of positions budgeted 100% on O&M:	36	
670			
671	Reporting Process Data		
672	Number of reported positions with changes:	7	
673	Net recurring salary savings / (cost):	(\$20,004)	0.7%
674	Net nonrecurring salary savings / (cost):	\$0	
675			
676	Savings Already Counted		
677	FY19 reallocations:	\$0	
678	FY20 reallocations:	\$0	
679			
680	Remaining Recurring Savings / (Cost)	(\$20,004)	
681			
682			
683	University of Minnesota - Crookston (UMCXX)		
684	FY19 Budget Data		<i>% Change</i>
685	Total salaries for positions budgeted 100% on O&M:	\$12,790,517	
686	Number of positions budgeted 100% on O&M:	219	
687			
688	Reporting Process Data		
689	Number of reported positions with changes:	26	
690	Net recurring salary savings / (cost):	\$216,421	-1.7%
691	Net nonrecurring salary savings / (cost):	(\$33,041)	
692			
693	Savings Already Counted		
694	FY19 reallocations:	\$121,694	
695	FY20 reallocations:	\$0	
696			
697	Remaining Recurring Savings / (Cost)	\$94,727	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

698	University of Minnesota - Duluth (UMDXX)		
699	FY19 Budget Data		<i>% Change</i>
700	Total salaries for positions budgeted 100% on O&M:	\$77,255,469	
701	Number of positions budgeted 100% on O&M:	1,185	
702			
703	Reporting Process Data		
704	Number of reported positions with changes:	73	
705	Net recurring salary savings / (cost):	\$112,338	-0.1%
706	Net nonrecurring salary savings / (cost):	\$106,003	
707			
708	Savings Already Counted		
709	FY19 reallocations:	\$0	
710	FY20 reallocations:	\$0	
711			
712	Remaining Recurring Savings / (Cost)	\$112,338	
713			
714	Note 1: UMD had 90 changes related to pooled positions in the first two quarters.		
715	UMD budgets course access funding centrally, and then uses those funds to ensure		
716	it has the faculty/staff to cover its classes. Although UMD is tracking the 90		
717	position changes, it will not know the savings/(cost) relative to budget until		
718	after fiscal close.		
719			
720			
721	University of Minnesota - Morris (UMMXX)		
722	FY19 Budget Data		<i>% Change</i>
723	Total salaries for positions budgeted 100% on O&M:	\$17,908,949	
724	Number of positions budgeted 100% on O&M:	328	
725			
726	Reporting Process Data		
727	Number of reported positions with changes:	21	
728	Net recurring salary savings / (cost):	\$20,664	-0.1%
729	Net nonrecurring salary savings / (cost):	\$39,176	
730			
731	Savings Already Counted		
732	FY19 reallocations:	\$1,000	
733	FY20 reallocations:	\$0	
734			
735	Remaining Recurring Savings / (Cost)	\$19,664	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

736	University of Minnesota - Rochester (UMRXX)		
737	FY19 Budget Data		<i>% Change</i>
738	Total salaries for positions budgeted 100% on O&M:	\$5,256,649	
739	Number of positions budgeted 100% on O&M:	88	
740			
741	Reporting Process Data		
742	Number of reported positions with changes:	8	
743	Net recurring salary savings / (cost):	\$24,236	-0.5%
744	Net nonrecurring salary savings / (cost):	\$0	
745			
746	Savings Already Counted		
747	FY19 reallocations:		
748	FY20 reallocations:	\$0	
749			
750	Remaining Recurring Savings / (Cost)	\$24,236	
751			
752			
753	University Relations (URELX)		
754	FY19 Budget Data		<i>% Change</i>
755	Total salaries for positions budgeted 100% on O&M:	\$3,792,202	
756	Number of positions budgeted 100% on O&M:	47	
757			
758	Reporting Process Data		
759	Number of reported positions with changes:	7	
760	Net recurring salary savings / (cost):	\$61,312	-1.6%
761	Net nonrecurring salary savings / (cost):	\$0	
762			
763	Savings Already Counted		
764	FY19 reallocations:		
765	FY20 reallocations:	\$0	
766			
767	Remaining Recurring Savings / (Cost)	\$61,312	

Appendix D: Position Reporting by Resource Responsibility Center

FY19 Positions Budgeted 100% on O&M/Tuition Funds Only

Reported Changes from July 1, 2018 to December 31, 2018

768	University Services (USERV)		
769	FY19 Budget Data		<i>% Change</i>
770	Total salaries for positions budgeted 100% on O&M:	\$4,038,264	
771	Number of positions budgeted 100% on O&M:	45	
772			
773	Reporting Process Data		
774	Number of reported positions with changes:	3	
775	Net recurring salary savings / (cost):	\$18,031	-0.4%
776	Net nonrecurring salary savings / (cost):	\$0	
777			
778	Savings Already Counted		
779	FY19 reallocations:	\$0	
780	FY20 reallocations:	\$0	
781			
782	Remaining Recurring Savings / (Cost)	\$18,031	
783			
784			
785	College of Veterinary Medicine (VETMD)		
786	FY19 Budget Data		<i>% Change</i>
787	Total salaries for positions budgeted 100% on O&M:	\$10,793,172	
788	Number of positions budgeted 100% on O&M:	123	
789			
790	Reporting Process Data		
791	Number of reported positions with changes:	14	
792	Net recurring salary savings / (cost):	\$200,805	-1.9%
793	Net nonrecurring salary savings / (cost):	\$0	
794			
795	Savings Already Counted		
796	FY19 reallocations:	\$185,272	
797	FY20 reallocations:	\$0	
798			
799	Remaining Recurring Savings / (Cost)	\$15,533	
800			
801	Total Recurring Salary Savings	\$2,451,383	

Position Approval and Turnover Reporting Processes

Karen Hanson, Executive Vice President and Provost

Brian Burnett, Senior Vice President for Finance and Operations

Julie Tonneson, Associate Vice President and Budget Director

Koryn Zewers, Budget Analyst

May 9, 2019

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



“To ensure that an expansion of the O&M position pool is justified, units wishing to increase the number of positions (funded 100% from O&M) over and above the total that was funded in the approved budget for the year, will need to gain joint approval of the Executive Vice President and Provost and the Senior Vice President for Finance and Operations. This process will also be required for any hire to fill any empty position that is supported by O&M funds. All campuses and all units (academic and support) will be included in this process.”

- *Board of Regents Amendment to the FY 2019 Annual Operating Budget*

Implementation

1. Approval process: new positions
2. Reporting process: turnover of budgeted positions



Challenges of Implementation

1. Decentralized finance and human resource functions:

- Budget planning
- Budget entry into the system
- Hiring process
- Funding source decisions

Decisions are oftentimes made at the departmental level and differ by RRC

2. Potential for human error



Baseline Data:
Positions Funded 100% on O&M

Positions: 9,358

Salaries: \$696.0 million

Results: 79 Approvals (July to March)

Two Types of Analyses:

1. Request Type
 - a. Unit decisions made before 7/1/2018: 37 approvals
 - b. Unit decisions made after 7/1/2018: 42 approvals
2. Cost Benchmarking Category
 - a. Direct mission: 37 positions
 - b. Mission support: 36 positions
 - c. Leadership/oversight: 6 positions

Salary/fringe expenses were \$4.1 million above budget

- Offset by salary savings from other personnel changes
- Covered by revenues available elsewhere in the budget



Results: Reporting Process (July to December)

750 changes to individual positions

- Positions newly open but not filled
- Positions that became open and were subsequently filled
- Positions eliminated

Changes to pooled positions are not included in the current analysis



Concluding Thoughts

1. More effective to manage the budget in terms of dollars rather than positions or headcount.
2. Units are constantly re-evaluating their personnel needs, looking for efficiencies and savings.

Recommendation: Discontinue Process

- Increased administrative burden
- Created adverse incentives
- Did not yield unexpected savings or efficiency gains





UNIVERSITY OF MINNESOTA

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



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

May 9, 2019

AGENDA ITEM: President's Recommended FY 2020 Annual Capital Improvement Budget

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

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Brian Burnett, Senior Vice President
Michael Berthelsen, Vice President, University Services

PURPOSE & KEY POINTS

The purpose of this item is review of the President's Recommended FY 2019 Annual Capital Improvement Budget (capital budget).

The University's capital budgets authorize projects to begin design and construction during the upcoming fiscal year. The FY 2020 capital budget authorizes projects totaling \$376,121,000. Approximately 62 percent of the capital budget is State of Minnesota supported debt from the University's 2019 State Capital Request (\$245,300,000). The remaining 38 percent of the capital budget supports the University's share of state supported projects as well as University-funded capital improvements. This capital budget includes the University's full 2019 State Capital Request and will be updated in June to reflect the outcome of the legislative session.

The capital budget reflects the planning priorities established by the Six-Year Capital Plan, which the Board acts on annually in the fall. Additionally, funding pools categorized as Repair and Replacement (R&R) or Higher Education Asset Preservation and Replacement (HEAPR) include multiple projects intended to preserve and renew existing campus facilities. Projects funded by these pool dollars include projects intended to extend the life and functionality of existing University facilities and infrastructure.

BACKGROUND INFORMATION

Board of Regents Policy: *Board Operations and Agenda Guidelines* directs the administration to conduct capital planning using a six-year time horizon that is updated annually. This annual capital planning process is completed in two parts.

- Part 1 is the Six-Year Capital Plan, which is updated annually and establishes the institution's capital priorities. This plan is the basis for continued capital and financial planning. The Six-Year Capital Plan is presented to the Board annually in the fall.

- Part 2, which is acted on by the Board in June, is the Annual Capital Improvement Budget. The capital budget identifies projects with completed predesigns and financing plans and grants approval for those projects to proceed with design and construction for the coming fiscal year.

The University requires that all capital projects spending more than \$1,000,000 on either design or construction be included in the capital budget. In order to be included in the capital budget, the project must be approved by the respective chancellor or vice president, have completed an appropriate level of planning (typically a predesign), have all the required funding identified, and be ready to proceed if approved by the Board. These requirements lead to better projects, but also exclude from the capital budget some important projects still in development. As these projects meet the Board's criteria, they will be presented as capital budget amendments.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the resolution related to FY 2020 Annual Capital Improvement Budget.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

FY 2020 Capital Improvement Budget

WHEREAS, the Board of Regents (Board) directed the administration to annually submit a capital improvement budget and a six-year capital improvement plan; and

WHEREAS, the Board has adopted principles to guide the formulation of the capital improvement budget and six-year capital improvement plan; and

WHEREAS, the Board recognizes the importance of sustaining and improving the University's facilities in support of teaching, research, and outreach; and

WHEREAS, the administration has developed a capital planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is realistic; and

NOW, THEREFORE, BE IT RESOLVED that the Board approves the FY 2020 Capital Improvement Budget and reaffirms its prior year capital expenditure authorizations.

FY2020 ANNUAL CAPITAL IMPROVEMENT BUDGET

University of Minnesota

Annual Capital Improvement Budget Definitions by Funding Source

Local Funds

These funds have been allocated to or generated by campus-level, collegiate-level or departmental-level units. These funds include state appropriations, tuition, internal sales, external sales and other unrestricted funds.

Grants / Gifts

Grant and gift funds are provided to the University to support specific construction projects.

Institutional Funds

This category of resources represents a broad array of funds from within the University including but not limited to central budget allocations for specific projects and purposes.

State Debt

These funds are provided from State sold bond proceeds for use on legislatively authorized projects.

U of M Debt

These funds come from both the sale of bonds issued by the University as well as commercial paper and internal loans. The source of the debt service payment varies by project.

UNIVERSITY OF MINNESOTA

Annual Capital Improvement Budget

Project Description Report

The following project information sheets, ordered by file number, provide brief descriptions of each project.

UNIVERSITY OF MINNESOTA

Project Description Report

3439 HEAPR

Vice President: University Services

Campus: Systemwide

Facility: Systemwide

Total Cost: \$200,000

Description: This project will maximize the effectiveness and life of the University's 29 million square feet of infrastructure. The University allocates HEAPR funding system wide in four categories: health, safety, and accessibility; building systems; utility infrastructure; and energy efficiency.

RRC: University Services

RRC Contact: Brian Swanson

Project Manager: Andrew Chan

3441 R&R - Housing & Residential Life

Vice President: University Services

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$5,713

Description: Authorized funds will be used for facility and infrastructure improvements, replacements and upgrades in the residence halls, apartments and family student housing units on the Twin Cities campus. Investments will include an upgrade of the secondary electrical system in Middlebrook Hall and an upgrade of tower two elevator in Middlebrook Hall.

RRC: Auxiliary Services

RRC Contact: Laurie Scheich

Project Manager: Multiple

3442 R&R - University Dining Services

Vice President: University Services

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$1,550

Description: Authorized funds will be used for infrastructure improvements and replacements in retail food venues on the Twin Cities campus.

RRC: Auxiliary Services

RRC Contact: Laurie Scheich

Project Manager: Multiple

UNIVERSITY OF MINNESOTA

Project Description Report

3443 R&R - Parking Infrastructure

Vice President: University Services

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$3,080

Description: Authorized funds will be used for parking infrastructure improvements and maintenance to include; surface parking, structured parking, emergency generators, elevators and critical repair identified in various parking facilities.

RRC: Auxiliary Services

RRC Contact: Laurie Scheich

Project Manager: Multiple

3444 R&R - Transportation Infrastructure

Vice President: University Services

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$6,325

Description: Authorized funds will be used for transportation infrastructure improvements and maintenance to include: street projects, sidewalk projects, bridge projects, building linkages, campus safety upgrades and critical repairs identified within transportation assets. Investments include Pillsbury Drive.

RRC: Auxiliary Services

RRC Contact: Laurie Scheich

Project Manager: Multiple

3445 R&R - Athletics

Vice President: Intercollegiate Athletics

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$2,000

Description: Authorized funds will be used to perform repair and replacement projects on competition and practice facilities. Projects range in scope from replacement of mechanical equipment to major painting and carpet replacement projects to outdoor turf replacement.

RRC: Intercollegiate Athletics

RRC Contact: Scott Ellison

Project Manager: Multiple

UNIVERSITY OF MINNESOTA

Project Description Report

3446 R&R - UMD Student Life

Vice President: Chancellor, Duluth

Campus: Duluth

Facility: Campuswide

Total Cost: \$3,500

Description: Authorized funds will be used for structure improvements and repair and replacement projects in the residence halls, apartments, and other student service facilities on the Duluth campus.

RRC: Duluth Campus

RRC Contact: Lendley Black

Project Manager: John Rashid

3447 R&R - UMD Campus

Vice President: Chancellor, Duluth

Campus: Duluth

Facility: Campuswide

Total Cost: \$4,000

Description: Authorized funds will be used for facility and infrastructure improvements and repair and replacement projects on the Duluth campus. Investments include upgrades to the main electrical service and infrastructure in the Chemistry Building.

RRC: Duluth Campus

RRC Contact: Lendley Black

Project Manager: John Rashid

3453 Health Sciences Library and Wangenstein Stack Relocation

Vice President: Academic Affairs

Campus: Twin Cities

Facility: Phillips-Wangenstein Building

Total Cost: \$4,025

Description: This project will design and construct an environmentally-controlled and secure collections storage space in the basement of the Phillips Wangenstein Building in close proximity to future Libraries Health Sciences Education Center (HSEC) space. The project will renovate space to store a portion of the Bio-Medical Library's current circulating collection and the Wangenstein Historical Library collection.

RRC: University Libraries

RRC Contact: Wendy Pradt Lougee

Project Manager: Trevor Dickie

UNIVERSITY OF MINNESOTA

Project Description Report

3458 Child Development Replacement

Vice President: Academic Affairs

Campus: Twin Cities

Facility: Child Development, Institute of

Total Cost: \$38,900

Description: This project will renovate approximately 29,850 GSF in the original 1913 Child Development building and construct a new 46,850 GSF addition. The existing 16,000 GSF addition built in 1967 will be demolished. Programmatic spaces to be included are classrooms, administrative and outreach offices, support spaces, research labs, observational testing rooms, physiology rooms, MRI simulation room, collaboration space, and community gathering space. Design funding for this project was approved in the amount of \$3,100,000 in the FY19 Annual Capital Budget.

RRC: College of Education & Human Development

RRC Contact: Jean Quam

Project Manager: Amanda Aspenson

3460 A.B. Anderson Hall Capital Renewal

Vice President: Chancellor, Duluth

Campus: Duluth

Facility: A. B. Anderson Hall

Total Cost: \$6,400

Description: This project will modernize 35,000 SF of teaching space for the departments of Communication, Philosophy, History and Art. The project will update mechanical systems, life safety systems and architectural finishes.

RRC: Duluth Campus

RRC Contact: Lendley Black

Project Manager: John Rashid

3461 R&R - Student Affairs

Vice President: Academic Affairs

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$1,100

Description: Authorized funds will be used for facility depreciation, maintenance and renovation for Boynton, Recreation and Wellness, and Student Unions and Activities.

RRC: Student Affairs

RRC Contact: Maggie Towle

Project Manager: Multiple

UNIVERSITY OF MINNESOTA

Project Description Report

3465 R&R - Classroom Management

Vice President: Academic Affairs

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$600

Description: Authorized funds will be used to repair and renew classrooms on the Twin Cities campus.

RRC: Undergraduate Education

RRC Contact: Robert McMaster

Project Manager: Multiple

3470 R&R - UMM Campus

Vice President: Chancellor, Morris

Campus: Morris

Facility: Campuswide

Total Cost: \$194

Description: Authorized funds will be used for facility and infrastructure improvements and repair and replacement projects on the Morris campus.

RRC: Morris Campus

RRC Contact: Mary Holz-Clause

Project Manager: David Danforth

3471 R&R - UMC Campus

Vice President: Chancellor, Crookston

Campus: Crookston

Facility: Campuswide

Total Cost: \$319

Description: Authorized funds will be used for facility and infrastructure improvements and repair and replacement projects on the Crookston campus.

RRC: Crookston Campus

RRC Contact: Michelle Behr

Project Manager: Bryan Herrmann

UNIVERSITY OF MINNESOTA

Project Description Report

3477 R&R - Twin Cities

Vice President: University Services

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$11,315

Description: Authorized funds will be used for facility and infrastructure improvements, and repair and replacement projects on the Twin Cities campus.

RRC: Facilities Management

RRC Contact: Bill Paulus

Project Manager: Multiple

3478 R&R - Utility Infrastructure

Vice President: University Services

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$11,250

Description: Authorized funds will be used for utility infrastructure improvements, and repair and replacement projects on the Twin Cities campus.

RRC: Facilities Management

RRC Contact: Bill Paulus

Project Manager: Multiple

3479 R&R - Energy Conservation

Vice President: University Services

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$3,900

Description: Authorized funds will be used on the Twin Cities campus to enhance the energy efficiency of the building and infrastructure on the Twin Cities campus. Facilities Management maintains a revolving internal loan (debt) fund with the Budget Office to fund and repay conservation projects.

RRC: Facilities Management

RRC Contact: Bill Paulus

Project Manager: Multiple

UNIVERSITY OF MINNESOTA

Project Description Report

3480 R&R - Security Infrastructure

Vice President: University Services

Campus: Twin Cities

Facility: Campuswide

Total Cost: \$675

Description: Authorized funds will be used for facility and infrastructure improvements and repair and replacement projects related to Security Infrastructure on the Twin Cities campus.

RRC: Facilities Management

RRC Contact: Bill Paulus

Project Manager: Multiple

3481 UMD: New Housing and Dining Facility

Vice President: Chancellor, Duluth

Campus: Duluth

Facility: New Facility

Total Cost: \$70,000

Description: This project will construct a new residence hall and dining facility on the Duluth Campus. The residence hall will provide approximately 350 beds for first year students. The dining facility will accommodate 300 seats to serve the UMD residential population and campus community.

RRC: Duluth Campus

RRC Contact: Lendley Black

Project Manager: John Rashid

FY2020 ANNUAL CAPITAL IMPROVEMENT BUDGET

University of Minnesota

Annual Capital Improvement Budget Definitions by Funding Source

Local Funds

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Grants / Gifts

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State Debt

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U of M Debt

These funds come from both the sale of bonds issued by the University as well as commercial paper and internal loans. The source of the debt service payment varies by project.

UNIVERSITY OF MINNESOTA

Annual Capital Improvement Budget

Project Funding Report

UNIVERSITY OF MINNESOTA

Funding Report

Academic Affairs

File	Facility	Project Title	Total	Local Funds	Grants / Gifts	Institutional Funds	State Debt	University Debt	Comments
<i>College of Education & Human Development</i>									
3458	Child Development, Institute of	Child Development Replacement	\$38,900	\$0	\$0	\$0	\$28,000	\$10,900	2019 State Request; Design funding approved FY19
<i>Office of Student Affairs</i>									
3461	Campuswide	R&R - Student Affairs	\$1,100	\$1,100	\$0	\$0	\$0	\$0	
<i>Office of Undergraduate Education</i>									
3465	Campuswide	R&R - Classroom Management	\$600	\$600	\$0	\$0	\$0	\$0	
<i>University Libraries</i>									
3453	Phillips-Wangensteen Building	Health Sciences Library and Wangenstein Stack Relocation	\$4,025	\$0	\$0	\$0	\$0	\$4,025	Supplement FY18 Health Sciences Education Center
			\$44,625	\$1,700	\$0	\$0	\$28,000	\$14,925	

UNIVERSITY OF MINNESOTA

Funding Report

Intercollegiate Athletics

File	Facility	Project Title	Total	Local Funds	Grants / Gifts	Institutional Funds	State Debt	University Debt	Comments
<i>Intercollegiate Athletics</i>									
3445	Campuswide	R&R - Athletics	\$2,000	\$2,000	\$0	\$0	\$0	\$0	
			\$2,000	\$2,000	\$0	\$0	\$0	\$0	

UNIVERSITY OF MINNESOTA

Funding Report

Chancellor, Crookston

File	Facility	Project Title	Total	Local Funds	Grants / Gifts	Institutional Funds	State Debt	University Debt	Comments
<i>UM Crookston</i>									
3471	Campuswide	R&R - UMC Campus	\$319	\$319	\$0	\$0	\$0	\$0	
			\$319	\$319	\$0	\$0	\$0	\$0	

UNIVERSITY OF MINNESOTA

Funding Report

Chancellor, Duluth

File	Facility	Project Title	Total	Local Funds	Grants / Gifts	Institutional Funds	State Debt	University Debt	Comments
<i>UM Duluth</i>									
3446	Campuswide	R&R - UMD Student Life	\$3,500	\$3,500	\$0	\$0	\$0	\$0	
3447	Campuswide	R&R - UMD Campus	\$4,000	\$4,000	\$0	\$0	\$0	\$0	
3460	A. B. Anderson Hall	A.B. Anderson Hall Capital Renewal	\$6,400	\$0	\$0	\$0	\$4,267	\$2,133	2019 State Request
3481	New Facility	UMD: New Housing and Dining Facility	\$70,000	\$12,000	\$0	\$0	\$0	\$58,000	
			\$83,900	\$19,500	\$0	\$0	\$4,267	\$60,133	

UNIVERSITY OF MINNESOTA

Funding Report

Chancellor, Morris

File	Facility	Project Title	Total	Local Funds	Grants / Gifts	Institutional Funds	State Debt	University Debt	Comments
<i>UM Morris</i>									
3470	Campuswide	R&R - UMM Campus	\$194	\$194	\$0	\$0	\$0	\$0	
			\$194	\$194	\$0	\$0	\$0	\$0	

UNIVERSITY OF MINNESOTA

Funding Report

University Services

File	Facility	Project Title	Total	Local Funds	Grants / Gifts	Institutional Funds	State Debt	University Debt	Comments
<i>Facilities Management</i>									
3477	Campuswide	R&R - Twin Cities	\$11,315	\$10,315	\$0	\$1,000	\$0	\$0	
3478	Campuswide	R&R - Utility Infrastructure	\$11,250	\$11,250	\$0	\$0	\$0	\$0	
3479	Campuswide	R&R - Energy Conservation	\$3,900	\$1,900	\$0	\$2,000	\$0	\$0	
3480	Campuswide	R&R - Security Infrastructure	\$675	\$675	\$0	\$0	\$0	\$0	
<i>Housing & Residential Life</i>									
3441	Campuswide	R&R - Housing & Residential Life	\$5,713	\$5,713	\$0	\$0	\$0	\$0	
<i>Parking & Transportation Services</i>									
3443	Campuswide	R&R - Parking Infrastructure	\$3,080	\$3,080	\$0	\$0	\$0	\$0	
3444	Campuswide	R&R - Transportation Infrastructure	\$6,325	\$6,325	\$0	\$0	\$0	\$0	
<i>University Dining Services</i>									
3442	Campuswide	R&R - University Dining Services	\$1,550	\$1,550	\$0	\$0	\$0	\$0	
<i>University Services</i>									
3439	Systemwide	HEAPR	\$200,000	\$0	\$0	\$0	\$200,000	\$0	
			\$243,808	\$40,808	\$0	\$3,000	\$200,000	\$0	

UNIVERSITY OF MINNESOTA

Funding Report

Report Summary

Total	Local Funds	Grants / Gifts	Institutional Funds	State Debt	University Debt
\$374,846	\$64,521	\$0	\$3,000	\$232,267	\$75,058

University of Minnesota **REVISED**
Potential Additions

FY2020 Annual Capital Improvement Budget

Campus	Unit	Facility	Title
UMTC	College of Education & Human Development	Child Development Center, U of M	Lab School - CDC Unified Building Project
UMTC	College of Food, Agricultural & Natural Resource Sciences	Poultry Teaching and Research Facility	Poultry Teaching and Research Facility Renovation
UMTC	Health Sciences	Phillips-Wangensteen Building	Resident On-Call Rooms
UMTC	Health Sciences	Shriners Hospital	Facility Renovation
UMTC	Intercollegiate Athletics	Multiple	Mariucci & Ridder Ice Refrigerant Replacement
UMTC	Parking & Transportation Services	New Parking	Ski-U-Mah Parking Lot
UMTC	University Libraries	New Facility	Library Collections Off-Site Storage: Phase I
UMTC	University Services	Murphy Warehouse	Building Code Improvements
UMTC	University Services	New Facility	New Child Care Facilities

Date: 2019-05-03

University of Minnesota
Potential Additions
FY2020 Annual Capital Improvement Budget

Campus	Unit	Facility	Title
UMTC	College of Education & Human Development	Child Development Center, U of M	Lab School - CDC Unified Building Project
UMTC	College of Food, Agricultural & Natural Resource Sciences	Poultry Teaching and Research Facility	Poultry Teaching and Research Facility Renovation
UMTC	Health Sciences	Phillips-Wangensteen Building	Resident On-Call Rooms
UMTC	Intercollegiate Athletics	Multiple	Mariucci & Ridder Ice Refrigerant Replacement
UMTC	Parking & Transportation Services	New Parking	Ski-U-Mah Parking Lot
UMTC	University Libraries	New Facility	Library Collections Off-Site Storage: Phase I
UMTC	University Services	Murphy Warehouse	Building Code Improvements
UMTC	University Services	New Facility	New Child Care Facilities

Date: 2019-04-26

FY 2020 Annual Capital Improvement Budget

Brian Burnett, Senior Vice President

Michael Berthelsen, Vice President, University Services

Finance & Operations Committee

May 9, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

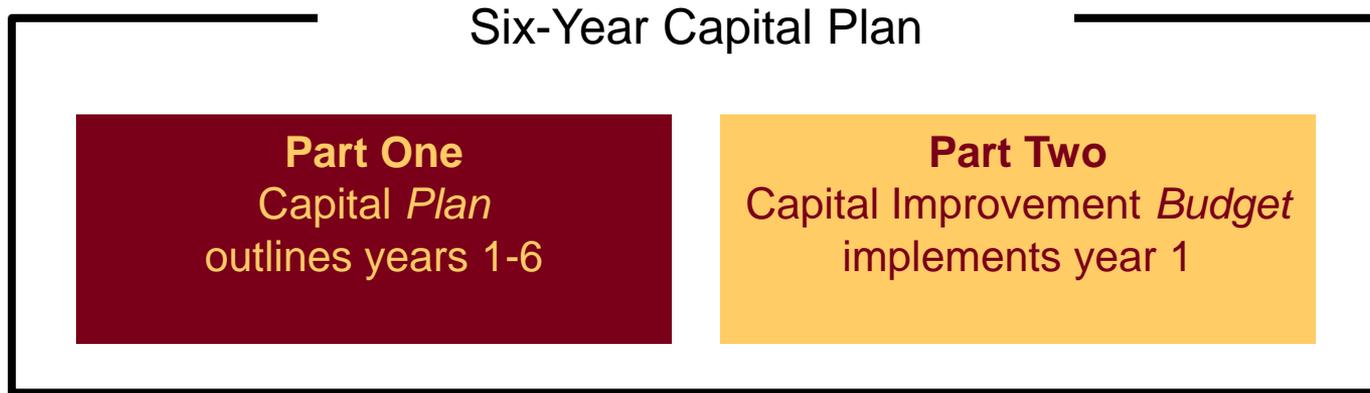


University Services

Stewardship • Integrity
Respect • Innovation • Safety

Capital Plan

- Board of Regents policy directs the administration to develop a capital budget with a “six-year time horizon, updated annually”



Annual Capital Improvement Budget

- Year 1 of the Six-Year Capital Plan
- Includes individual projects over \$1,000,000
- Projects need to have a completed predesign
- Projects must be fully funded
- Approved projects move into design and/or construction



FY 2020 Capital Budget: \$374.8 million

(dollars in millions)

Category	State	U of MN	Total
State Capital Request: HEAPR	\$200.0	\$0.0	\$200.0
State Capital Request: Projects	\$32.3	\$13.0	\$45.3
University Funded Projects	\$0.0	\$129.5	\$129.5
Total FY2020 Capital Improvement Budget	\$232.3	\$142.6	\$374.8



2019 State Capital Request Update

- The capital improvement budget information in the docket material reflects the full value of the University's state request
- The capital improvement budget will be updated for the June meeting to reflect the final session outcome



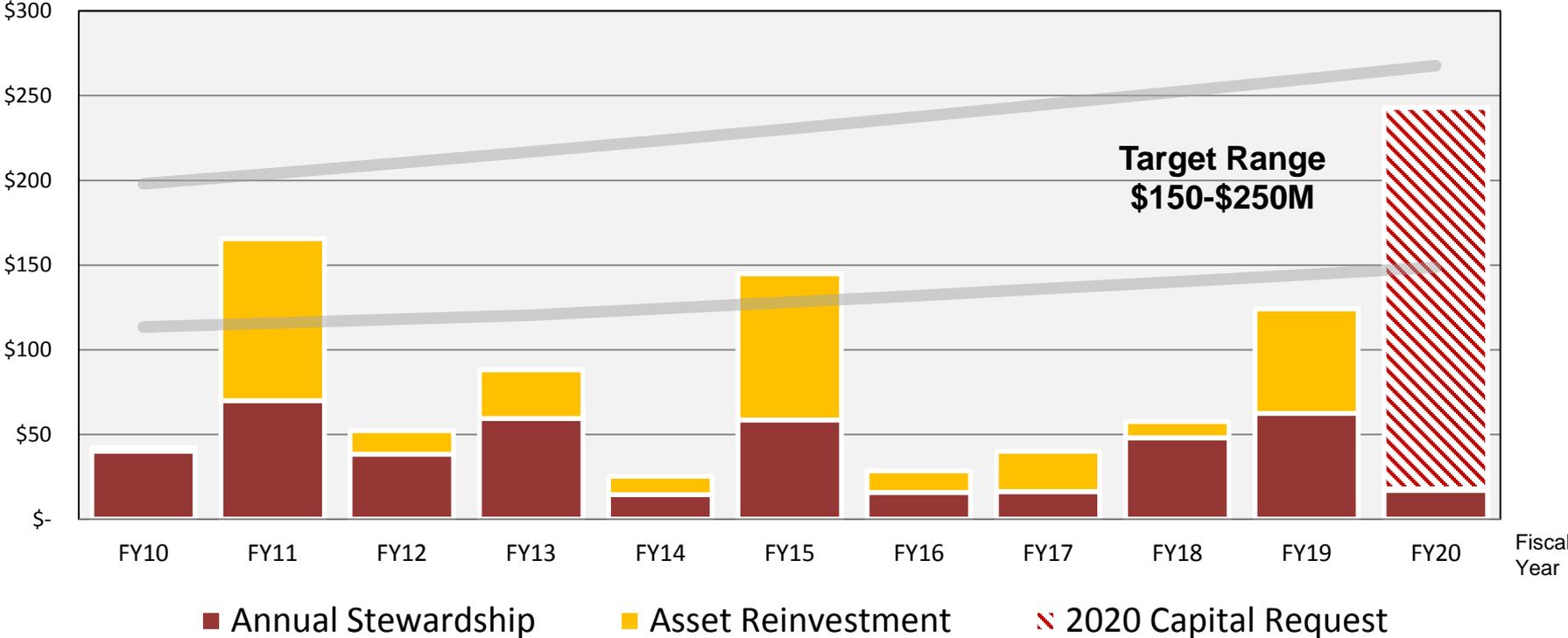
Included State Capital Request Projects

(dollars in millions)

Location	Project	State	U of MN	Total
SYSTEM	HEAPR	\$200.0	\$0.0	\$200.0
UMTC	Child Development Replacement	\$28.0	\$10.9	\$38.9
UMD	A.B. Anderson Hall Capital Renewal	\$4.3	\$2.1	\$6.4
Total:		\$232.3	\$13.0	\$245.3



Facility Investment vs. Target



HEAPR Projects

- HEAPR legislation provides very strict guidelines on the type of projects that can be funded
 - Intended to give the University and Minnesota State flexibility to operate within these strict guidelines
- Funds are intended to preserve and renew existing campus facilities by funding five kinds of projects
 - Accessibility, Building Systems, Energy Efficiency, Health and Safety, Infrastructure



HEAPR Projects

- The 2019 request of \$200 million will fund over 175 projects in more than 100 buildings system-wide
- The preliminary project list will be adjusted to align project priorities with final state funding
- Projects include:
 - UMC Electrical and Natural Gas Infrastructure
 - UMD Chemistry Building: Capital Renewal
 - UMM Multi-Ethnic Resource Center Elevator Replacement
 - UMTC Mechanical Engineering: Phase 3
 - Cloquet Infrastructure Upgrades



Line Item Projects

(dollars in millions)

Location	Project	Total
UMD	New Housing and Dining Facility	\$70.0
UMTC	Child Development Replacement	\$38.9
UMD	A.B. Anderson Hall Capital Renewal	\$6.4
UMD	Health Sciences Library / Wangensteen Stack Relocation	\$4.0
Total:		\$119.3



Repair and Replacement Pools

(dollars in millions)

Location	Project	Total
UMTC	R&R - Twin Cities	\$11.32
UMTC	R&R - Utility Infrastructure	\$11.25
UMTC	R&R - Transportation Infrastructure	\$6.33
UMTC	R&R - Housing and Residential Life	\$5.71
UMD	R&R - UMD Campus	\$4.00
UMTC	R&R - Energy Conservation	\$3.90
UMD	R&R - UMD Student Life	\$3.50
UMTC	R&R - Parking Infrastructure	\$3.08
UMTC	R&R - Athletics	\$2.00
UMTC	R&R - University Dining Services	\$1.55
UMTC	R&R - Student Affairs	\$1.10
UMTC	R&R - Security Infrastructure	\$0.68
UMTC	R&R - Classroom Management	\$0.60
UMC	R&R - UMC Campus	\$0.32
UMM	R&R - UMM Campus	\$0.19
Total:		\$55.52

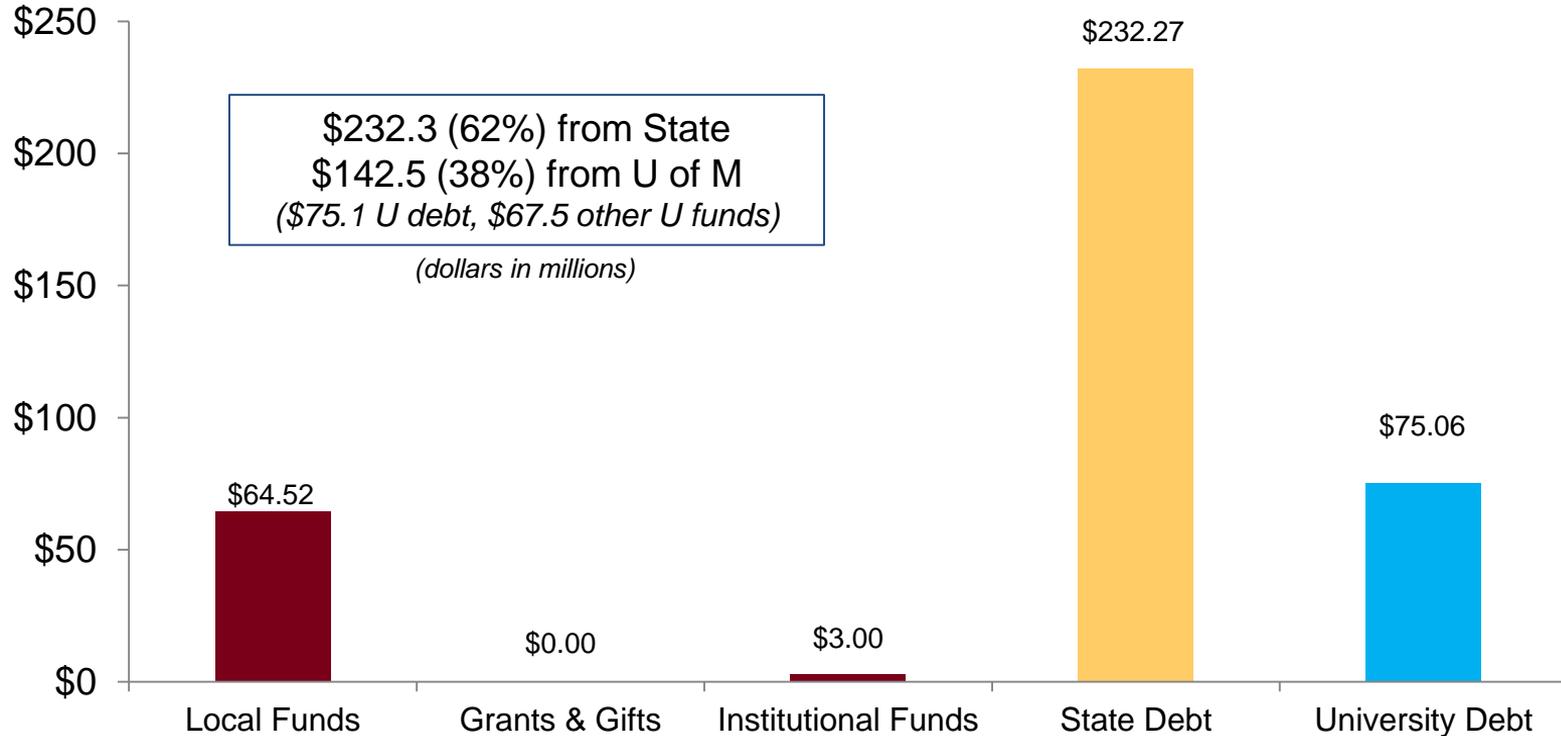


Potential Additions

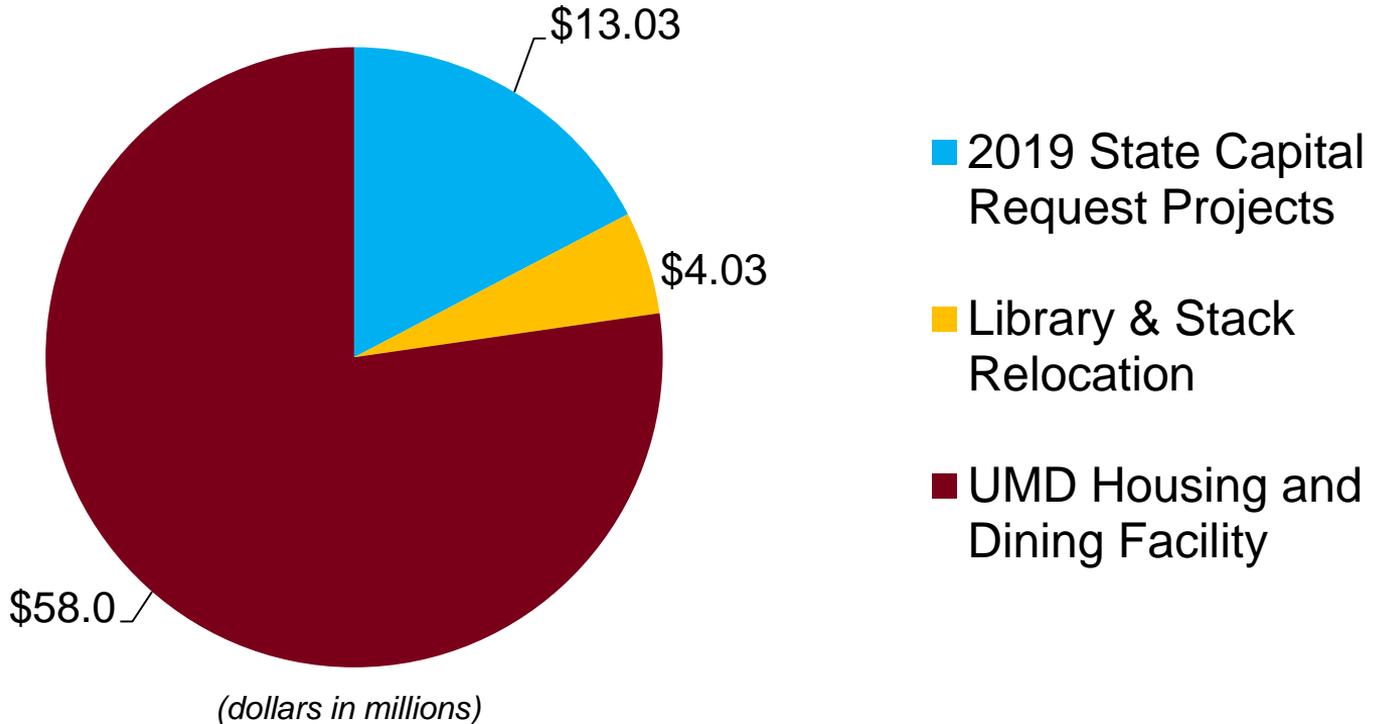
Location	Facility	Project
UMTC	3M Arena at Mariucci	Ice Refrigerant Replacement
UMTC	Child Development Center	Lab School - CDC Unified Building Project
UMTC	Murphy Warehouse	Building Code Improvements
UMTC	New Facility	New Child Care Facility
UMTC	New Parking	Ski-U-Mah Parking Lot Expansion
UMTC	New Facility	Library Collections Off-Site Storage: Phase I
UMTC	Phillips-Wangensteen Building	Resident On-Call Rooms
UMTC	Poultry Teaching and Research Facility	Facility Renovation
UMTC	Ridder Arena	Ice Refrigerant Replacement



FY 2020 Capital Budget: \$374.8 million



University Debt Component: \$75.1 million





UNIVERSITY OF MINNESOTA

Driven to Discover[®]

Crookston Duluth Morris Rochester Twin Cities

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

FY 2020 Capital Budget Resolution

- WHEREAS, the Board of Regents directed the administration to annually submit a capital improvement budget and a six-year capital plan; and
- WHEREAS, the Board has adopted principles to guide the formulation of the capital improvement budget and six-year capital plan; and
- WHEREAS, the Board recognizes the importance of sustaining and improving the University's facilities in support of teaching, research, and outreach; and
- WHEREAS, the administration has developed a capital planning framework designed to focus its capital planning efforts toward projects that support the University's institutional priorities within a financial strategy that is realistic; and
- NOW, THEREFORE, BE IT RESOLVED, that the Board of Regents approves the FY 2020 Capital Improvement Budget and reaffirms its prior year capital expenditure authorizations.



Potential Additions

Location	Facility	Project
UMTC	3M Arena at Mariucci	Ice Refrigerant Replacement
UMTC	Child Development Center	Lab School - CDC Unified Building Project
UMTC	Murphy Warehouse	Building Code Improvements
UMTC	New Facility	New Child Care Facility
UMTC	New Parking	Ski-U-Mah Parking Lot Expansion
UMTC	New Facility	Library Collections Off-Site Storage: Phase I
UMTC	Phillips-Wangensteen Building	Resident On-Call Rooms
UMTC	Poultry Teaching and Research Facility	Facility Renovation
UMTC	Ridder Arena	Ice Refrigerant Replacement
UMTC	Shriners Hospital	Facility Renovation





BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

May 9, 2019

AGENDA ITEM: Real Estate Transaction

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Leslie Krueger, Assistant Vice President, Planning, Space, and Real Estate

PURPOSE & KEY POINTS

The purpose of this item is to review the following real estate transaction:

- A. Exchange of Land at 511 W. St. Marie Street, 515 W. St. Marie Street, 407 W. St. Marie Street, and 419 Gold Street, Duluth (Duluth campus)

BACKGROUND INFORMATION

Board of Regents Policy: *Reservation and Delegation of Authority* states that “[t]he Board reserves to itself authority to approve the purchase or sale of real property (a) with a value greater than \$1,000,000; (b) located on or within 2 miles of a University campus; or (c) larger than 10 acres,” and “...leases of real property, easements, and other interests in real property if the initial term amount to be paid by or to the University exceeds \$1,000,000.”

PRESIDENT’S RECOMMENDATION

The President recommends approval of the exchange of Land at 511 W. St. Marie Street, 515 W. St. Marie Street, 407 W. St. Marie Street, and 419 Gold Street, Duluth (Duluth campus).

**LAND EXCHANGE FOR PROPERTIES ON
WEST SAINT MARIE STREET AND ON GOLD STREET, DULUTH
(DULUTH CAMPUS)**

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to complete a land exchange between the Regents of the University of Minnesota and Gold Properties, LLC, a Minnesota limited liability company.

2. Location and Description of the Property

Gold Properties, LLC owns properties at 511 W. St. Marie Street and 515 W. St. Marie Street, City of Duluth. The legal description of the properties is: Lot 6 and Lot 7, Block 30, Oakland Park Addition to Duluth, St. Louis County. There are older housing structures on both parcels that are student rentals. See attached map.

The University owns properties at 407 W. St. Marie Street and 419 Gold Street, City of Duluth. The legal description of the properties is: Lots 11 and 12, Block 26, and Lots 4 and 5, Block 31, Oakland Park Addition to Duluth, St. Louis County. The parcel at 407 W. St. Marie Street is vacant land. The parcel at 419 Gold Street is used for surface parking. See attached map.

3. Basis for Request

This potential land exchange has been discussed with Gold Properties, LLC and UMD Senior leadership for a number of years before arriving at an agreed transaction benefitting both parties. The Gold Properties parcels that the University intends to acquire as a result of this transaction are contiguous to other University of Minnesota property. Acquisition of this property will allow for the expansion of the University parking lots on either side of the Gold Properties parcels.

4. Details of Transaction

Gold Properties, LLC will complete demolition of the housing structures and transfer vacant land at 511 and 515 W. St. Marie Street to the University, and in exchange the University will transfer vacant land at 407 W. St. Marie Street and surface parking at 419 Gold Street to Gold Properties, LLC at close, scheduled on / before June 28, 2019. Closing

after the end of the academic year allows for the expiration of the current residential leases. The sum of \$307,600.00 will be paid by the University to Gold Properties, LLC at close. This amount represents the differences in the appraised values of the properties and compensation for the demolition.

5. Use of Properties

The University plans to use the properties at 511 W. St. Marie Street and 515 W. St. Marie Street for surface parking.

6. Environmental

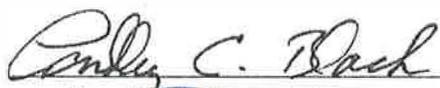
The University will complete a Phase I environmental site assessment and a limited Phase II environmental site assessment in conjunction with Gold Properties LLC's demolition of the housing structures to confirm the properties at 511 W. St. Marie Street and 515 W. St. Marie Street are in acceptable environmental condition.

7. Source of Funding

The University will pay cash at close.

8. Recommendations

The above-described real estate transaction is appropriate:

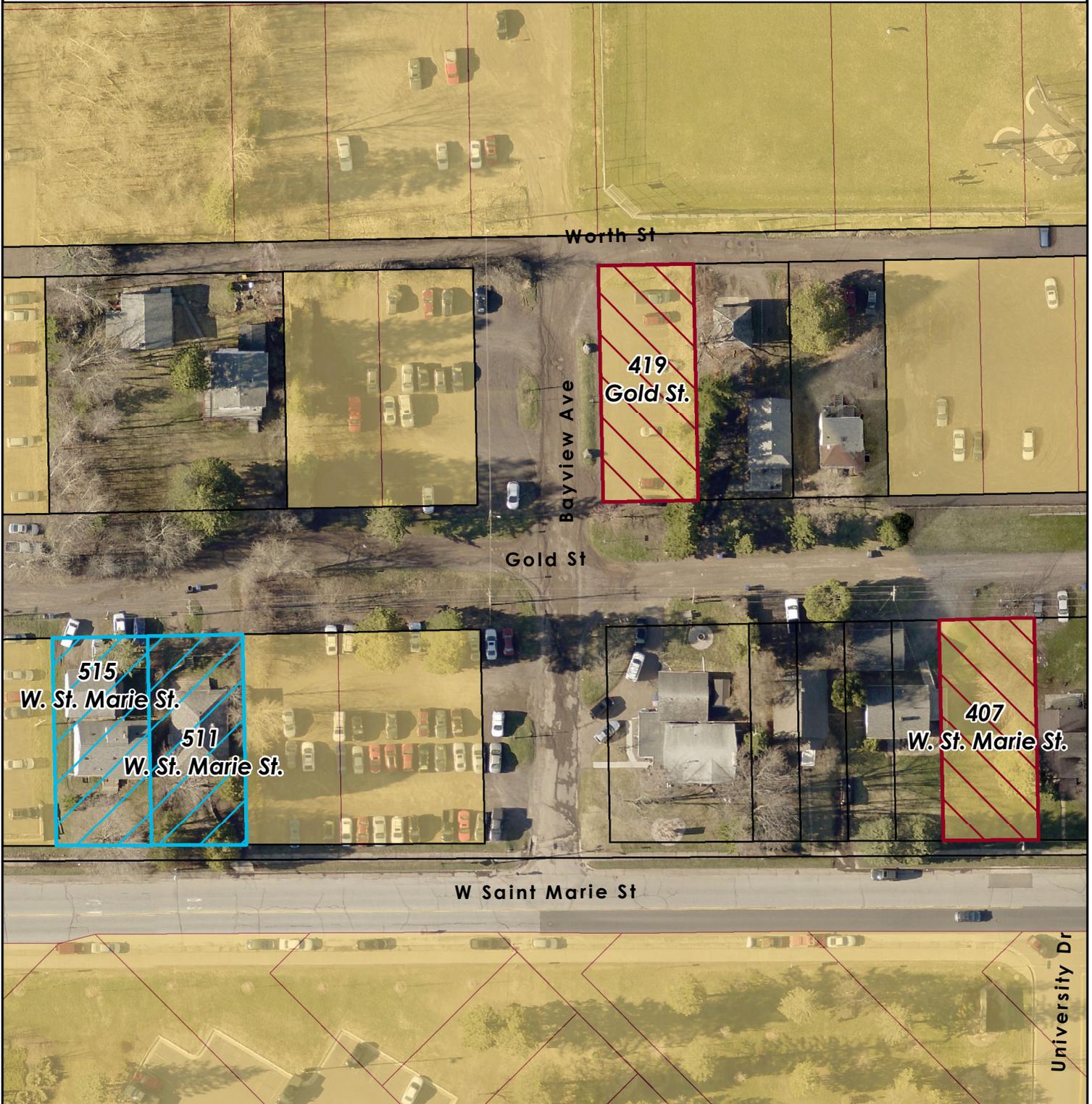


Lendley Black, Chancellor



Brian Burnett, Senior Vice President for Finance and Operations

**LAND EXCHANGE FOR PROPERTIES ON W. SAINT MARIE ST. AND
ON GOLD ST., DULUTH
(UNIVERSITY OF MINNESOTA DULUTH CAMPUS)**



PLANNING, SPACE,
AND REAL ESTATE

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Gold Land
for Exchange



University Land
for Exchange



University Property

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
St Louis County

Real Estate Transaction: Land Exchange for Properties on W St. Marie St. and Gold St., Duluth (Duluth Campus)

Leslie Krueger, Assistant Vice President,
Planning, Space, and Real Estate

Finance & Operations Committee

May 9, 2019

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

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University Services

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Respect • Innovation • Safety

Property Overview

- Two University-owned parcels (419 Gold St. and 407 W. St. Marie St.)
- Two Gold Properties, LLC-owned parcels (511 and 515 W. St. Marie St.)



Property Overview

- Gold-owned parcels contain rental housing
- Gold parcels are contiguous to University-owned land
- University-owned parcels
 - One vacant
 - One surface parking



Transaction Overview

- Gold Properties' Obligations:
 - Demolish housing structures after academic year is over
 - Transfer vacant land at closing
- University's Obligations:
 - Payment of \$307,600 (difference in appraised values of Gold versus University properties and demo reimbursement)





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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

May 9, 2019

AGENDA ITEM: Real Estate Transaction

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Leslie Krueger, Assistant Vice President, Planning, Space, and Real Estate

PURPOSE & KEY POINTS

The purpose of this item is to review and act on the following real estate transaction:

- A. Purchase of Land at 601, 605, 607, 613, 617, 619, 621, 625, 629, 631, 635, 637, and 641 Erie Street SE, Minneapolis (Twin Cities campus)

BACKGROUND INFORMATION

Board of Regents Policy: *Reservation and Delegation of Authority* states that “[t]he Board reserves to itself authority to approve the purchase or sale of real property (a) with a value greater than \$1,000,000; (b) located on or within 2 miles of a University campus; or (c) larger than 10 acres.”

PRESIDENT’S RECOMMENDATION

The President recommends approval of the purchase of Land at 601, 605, 607, 613, 617, 619, 621, 625, 629, 631, 635, 637, and 641 Erie Street SE, Minneapolis (Twin Cities campus).

PURCHASE OF PROPERTIES ON ERIE STREET SE, MINNEAPOLIS (TWIN CITIES CAMPUS)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to purchase 601, 605, 607, 613, 617, 619, 621, 625, 629, 631, 635, 637, and 641 Erie Street SE, Minneapolis, Hennepin County, Minnesota.

2. Location and Description of the Property

The subject property consists of 13 separate tax parcels totaling 76,008 square feet or 1.74 acres on the east side of Erie Street SE, south of Fulton Street Southeast. The University owns property directly to the east of the site (purchased in 2017), as well as across the street to the north (contract parking) and to the north-northwest (Clinics and Surgery Center).

The legal descriptions of the properties are: Lots 1, 2 and 3, Block 34, Regents Addition; Lots 14 through 26 inclusive, Block 6, Meeker Island Land and Power Addition; Lots 24 and 25, Block 11, Meeker Island Land and Power Addition; Hennepin County.

3. Basis for Request

The University intends to use the property for potential relocation of property on Block 11 in order to assemble a larger site for the proposed future Clinical Research Facility, and/or for land banking.

4. Details of Transaction

The total purchase price for subject properties will be \$11,870,330 that will involve four separate purchase agreements as follows:

Purchase Agreement #1 consists of 625, 629, 635 and 637 Erie Street SE. The current owner and seller is CPM 4, LLC. These four properties will be purchased by the University for a not to exceed price of \$2,520,000.

Purchase Agreement #2 consists of 601, 607, 613, 617, 619, 621, and 631 Erie Street SE and are under contract to be sold to Erie Street Properties LLC. The University will then acquire these properties from Erie Street Properties LLC, for a not to exceed price of \$7,545,280

Purchase Agreement #3 consists of 605 Erie Street SE. The current owner and seller is NorthBay. This property will be purchased by the University for a not to exceed price of \$929,550.

Purchase Agreement #4 consists of 641 Erie Street SE. The current owner and seller is Randy Mikkelson and Mary Harper. This property will be purchased by the University for a not to exceed price of \$875,000.

5. Use of Properties

At the time of closing, the University intends to enter into a month-to-month ground lease for the properties with Erie Street Properties LLC in order to have the properties operated and maintained until the current rental leases expire.

The University anticipates some of the properties may be demolished within the upcoming year, depending on the resolution of negotiations related to the potential acquisitions of properties on Block 11.

6. Environmental

The University will complete Phase I environmental site assessments of the fourteen properties to confirm the properties are in acceptable environmental condition prior to the four closings.

7. Source of Funding

The University will issue debt to purchase the subject properties.

8. Recommendations

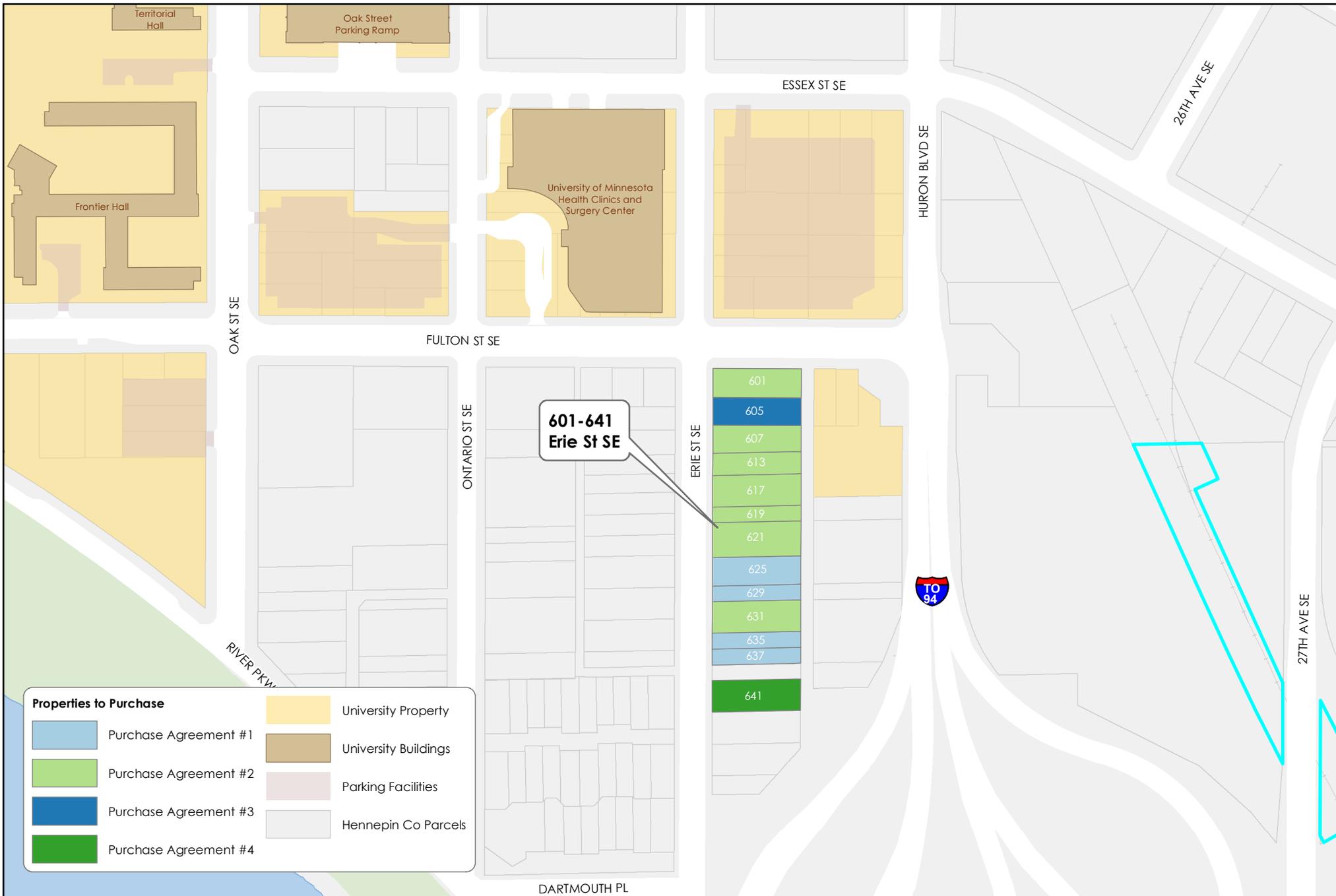
The above-described real estate transaction is appropriate:



Karen Hanson, Executive Vice President and Provost



Brian Burnett, Senior Vice President for Finance and Operations



Potential Purchase of 601-641 Erie St. SE Minneapolis (Twin Cities Campus)



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
MNDNR, MNDOT, MetCouncil,
U Services GIS

4/18/2019

Real Estate Transaction: Purchase of Properties on Erie Street SE, Minneapolis (Twin Cities Campus)

Leslie Krueger, Assistant Vice President,
Planning, Space, and Real Estate

Finance & Operations Committee

May 9, 2019

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

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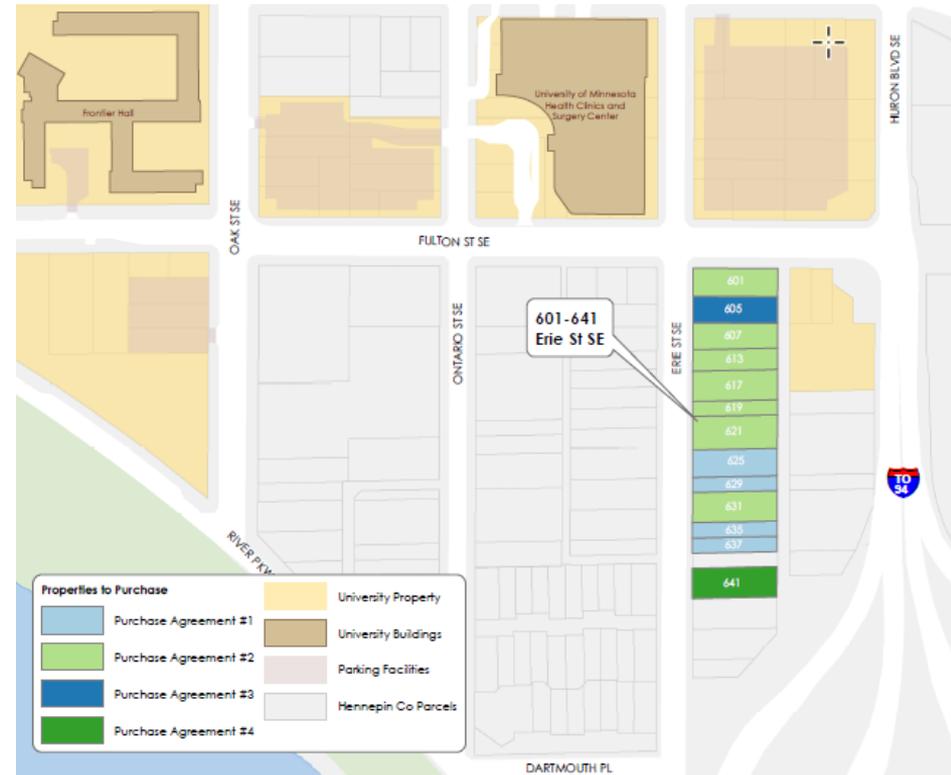


University Services

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Property Overview

- Thirteen Parcels on Erie Street SE, Minneapolis
- 601, 605, 607, 613, 617, 619, 621, 625, 629, 631, 635, 637, and 641
- 72,505 square feet or 1.66 acres



Property Overview

- Mix of Single Family, Duplexes, and Triplex
- Two properties are homesteaded; others are rental units
- Constructed 1900 - 1905
- Potential relocation of uses from Block 11 and/or land banking



Transaction Overview

Four Purchase Agreements
\$11,870,330 total



Addresses	Owner	Purchase Price
625, 629, 635 and 637 Erie Street	CPM 4, LLC	\$2,520,000
601, 607, 613, 617, 619, 621, and 631 Erie Street	Various owners; under contract with Erie Street Properties LLC	\$7,545,280
605 Erie Street	Northbay LLC	\$929,550
641 Erie Street SE	Randy Mikkelson and Mary Harper	\$875,000



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

May 9, 2019

AGENDA ITEM: Resolution Related to Organization of 2515 University Avenue SE LLC

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

This is a report required by Board policy.

PRESENTERS: Leslie Krueger, Assistant Vice President, Planning, Space, and Real Estate
Elizabeth Zamzow, Senior Associate General Counsel

PURPOSE & KEY POINTS

The purpose of this item is to review and act on the proposed Operating Agreement (OA) for 2515 University Avenue SE LLC (2515 LLC), a Minnesota limited liability company wholly owned and controlled by the University.

The OA details the powers granted to 2515 LLC to transact business, establishes a management committee to manage and direct the company's general business and affairs, and reserves to the Board of Regents (Board) the sole authority to approve certain activities and transactions. The OA, if approved, will improve the operational efficiency of 2515 LLC consistent with the Board's oversight and fiduciary duties.

The OA also describes the company's allocation of its profits and losses to the University, its authority to declare distributions to the University, and the circumstances that trigger its dissolution, liquidation, and termination.

In addition, the resolution approves all actions taken by the administration up to this point necessary for the formation of the company.

Governance Structure

The OA establishes three tiers of governance and supervision of 2515 LLC.

The primary oversight of 2515 LLC rests with the Board of Regents. The general business and affairs of the company are to be managed by the management committee or the officers, as delegated in the OA. Under the OA, only the Board may authorize 2515 LLC to undertake a "member reserved act." The OA delineates 15 such "member reserved acts":

- a) merge or consolidate the Company with any person;
- b) file a petition seeking relief or consent to the institution of any proceeding against the Company under any law relating to bankruptcy, insolvency, or relief of debtors;
- c) lend any sum to or borrow any sum from any person;

- d) guaranty any loan or indebtedness of any person;
- e) enter the Company into any partnership or joint venture;
- f) amend, alter or repeal the OA (except as the management committee is authorized under the OA or the Articles of Organization);
- g) to acquire any business or a business division from any person, whether by asset purchase, stock purchase, merger, or other business combination;
- h) effect a dissolution, liquidation, or termination of the Company;
- i) sell all or substantially all of the Company's assets;
- j) buy, sell, or trade securities (including, without limitation, any membership interest in any other limited liability company);
- k) enter into an agreement to purchase goods or services in an amount over \$1 million;
- l) employ one or more individuals;
- m) acquire or sell real property;
- n) enter into any lease with any new commercial or retail tenant that may negatively impact the property tax exemption of the real estate owned by the Company; or
- o) do any other act which is inconsistent with the terms of the OA or which would make it impossible to carry on the ordinary business of the Company.

In addition, 2515 LLC is required under the OA to report annually to the Board its financial results of operations, financial position, planned operating and capital budgets, and any other information reasonably necessary to inform the Board of 2515 LLC's financial condition.

The management committee is the second tier of governance and supervision provided under the OA. The management committee is authorized to manage and direct the company subject to the Board's authority. Among other powers, the committee may order the Company to make distributions to the University. The OA explicitly limits the management committee's authority: it may not approve, authorize, cause, or allow 2515 LLC to conduct any activity or enter into any agreement that is "member reserved act." Senior Vice President Brian Burnett, Vice President Mike Berthelsen, Associate Vice Presidents Stuart Mason and Mike Volna, and Assistant Vice Presidents Leslie Krueger and Brian Swanson will comprise the initial management committee as appointed by President Kaler.

The University's president has some authority under the OA to oversee the management committee. The committee members' terms of office are indefinite, unless the president otherwise directs. The president may remove or appoint a person to serve on the committee. The president may also change the number of committee members.

The officers are the third tier of governance and supervision. The president of 2515 LLC will have the active supervision, management, direction, and control of the business and affairs of 2515 LLC under the general supervision of the management committee and the University president. The OA requires the President of 2515 LLC to cause the company to comply with the orders of the University President, provided such order is not a derogation of the Board's authority to approve member reserved acts.

BACKGROUND INFORMATION

The Board of Regents approved the formation of 2515 LLC in September 2018, to acquire, improve, and operate University Village, a residential/retail complex at 2515 University Avenue SE in Minneapolis. 2515 LLC was formed as single-member limited liability company. The University is

its sole member. 2515 LLC is a member-managed entity. When formed, the Board held the authority to manage 2515 LLC and to approve its activities and transactions. Absent a delegation of authority by the Board such as the one contemplated in the OA, the Board would have the sole authority to approve 2515 LLC's activities and transactions.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the resolution related to the organization of 2515 University Avenue SE LLC.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Organization of 2515 University Avenue SE LLC

WHEREAS, in September 2018, the Board of Regents (Board) approved the formation of 2515 University Avenue SE LLC (2515 LLC) as a Minnesota non-profit limited liability company to acquire, improve, and operate 2515 University Avenue SE, Minneapolis (the property), subject to further Board review; and

WHEREAS, the Board reserves to itself authority to recognize 2515 LLC as an associated organization and to approve its organization, including its authority to transact business and enter into agreement; and

WHEREAS, in March 2018, the Board approved the financing and purchase of the property by 2515 LLC, which closed on March 29, 2019; and

WHEREAS, in order to complete the organization of 2515 LCC and to provide for its efficient operations consistent with Board oversight, an Operating Agreement was prepared for the Board's review and approve that, among other provisions:

Establishes 2515 LLC as a single member limited liability company, with the University as the sole member,

Empowers 2515 LLC to engage in one business: owning, operating, and maintaining improved property located at 2515 University Avenue SE, Minneapolis, and

Reserves to the Board the sole authority to approve 2515 LLC entering into any other trade or business or performing any other Member Reserved Act, as defined in the Operating Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Board approves the Operating Agreement; and

BE IT FURTHER RESOLVED, that all actions heretofore taken by University employees on behalf and as agents of the Company are hereby approved, ratified, and authorized; and

BE IT FURTHER RESOLVED, that the President and his designees are hereby authorized, empowered, and directed to execute, deliver, and enter into, on behalf of the University, all agreements, instruments, and other documents necessary or desirable to carry out this effort.

OPERATING AGREEMENT
OF
2515 UNIVERSITY AVENUE SE LLC,
A MINNESOTA LIMITED LIABILITY COMPANY
Dated as of April 26, 2019

**OPERATING AGREEMENT
OF
2515 UNIVERSITY AVENUE SE LLC**

THIS OPERATING AGREEMENT (this "Agreement") is made and entered into effective as of _____, 2019, by and between 2515 University Avenue SE LLC, a Minnesota limited liability company (the "Company"), and Regents of the University of Minnesota (the "Member").

NOW, THEREFORE, the parties agree as follows:

**SECTION 1
DEFINITIONS**

1.1 Definitions. In addition to the abbreviations and terms otherwise defined in the text of this Agreement, the capitalized terms used herein shall be defined as provided below:

"Act" means the Minnesota Revised Uniform Limited Liability Company Act, Chapter 322C of the Minnesota Statutes, as amended from time to time.

"Articles of Organization" means the Amended and Restated Articles of Organization of the Company filed on March 27, 2019 with the Minnesota Secretary of State and as amended and restated after the date of this Agreement.

"Board of Regents" means the Board of Regents of the University of Minnesota.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Company President" means the President of the Company.

"Covered Person" means the Member, a member of the Management Committee, or an Officer.

"Fiscal Year" means the fiscal year of the Company as established by the Management Committee.

"Management Committee" has the meaning set forth in Section 5.1.

"Member" means Regents of the University of Minnesota.

"Member Reserved Act" has the meaning set forth in Section 4.6.

"Officer" means any individual elected, appointed or otherwise designated as an officer by the Management Committee.

"Person" means any individual, partnership, corporation, limited liability company, limited liability partnership, unincorporated association, trust or other entity.

"Profits" and "Losses" means, for each Fiscal Year or other accounting period of the Company, the net profits or net losses, as the case may be, of the Company for such Fiscal Year or other accounting period, determined on the accrual method of accounting in accordance with generally accepted accounting principles.

"University" means the University of Minnesota.

"University President" means the President of the University of Minnesota.

SECTION 2 NAME; FORMATION; OFFICES

2.1 Formation. The Company has been formed as a limited liability company under the Act. The Member hereby authorizes and ratifies the acts taken to form the Company, including the preparation, execution and filing of the Articles of Organization. The Company's and the Member's rights, powers, duties and liabilities shall be as provided in the Act, except as provided in this Agreement.

2.2 Name. The name of the Company is 2515 University Avenue SE LLC. The Management Committee may authorize the Company to change its name, to operate under an assumed name or both.

2.3 Existence. The Company shall have perpetual existence until dissolved in accordance with the provisions of this Agreement and the Act.

2.4 Principal Executive Office. The Company's principal executive office shall be at 451 Donhowe Building, 319 15th Avenue SE, in Minneapolis, MN 55455. The Management Committee may authorize the Company to change the location of the Company's principal executive office.

2.5 Registered Office and Agent. The Company's registered office in the state of Minnesota shall be the address of its principal executive office. The Company's registered agent shall be Leslie Krueger. The Management Committee may authorize the Company to change the Company's registered office, registered agent or both.

2.6 Qualification. The Company shall qualify to transact business in the state of Minnesota. The Management Committee may authorize the Company to qualify to transact business in another jurisdiction.

SECTION 3 PURPOSES AND POWERS

3.1 Purposes. The sole activity of the Company is to engage in the business of owning, operating, and maintaining improved real property located at 2515 University Avenue SE, Minneapolis, Minnesota. The Member may authorize the Company to engage in any other business, purpose or activity for which a limited liability company may be organized under the Act.

3.2 Powers. The Company shall have the powers set forth in this Agreement and the Act, including Section 322C.0105, subd. 1 of the Act, which powers shall include, in all events, the power to borrow money, sell, mortgage, convey, pledge or lease property owned by the Company; to purchase, receive, lease or otherwise acquire, own, hold, improve, use and otherwise deal with property; and to make contracts, appoint agents and attorneys-in-fact, create corporations or other entities owned by the Company and to undertake any and all other lawful activities as may be required to carry on the business permitted hereunder or under the Act.

SECTION 4 MEMBER-MANAGED COMPANY AND THE MEMBER

4.1 Management. The Company shall be member-managed within the meaning of Section 322C.0407, subd. 2 of the Act. Except as otherwise provided in this Agreement, the general business and affairs of the Company shall be managed by or under the direction of the Member.

4.2 Member and Membership Interests. Regents of the University of Minnesota shall be the sole member of and holds all the membership interests in the Company.

4.3 Admission of Additional Members. The Member may authorize the admission of another person as a member of the Company.

4.4 No Benefits to the Member. The Company shall not deliver, convey or provide to the Member any real or personal, tangible or intangible property or anything of value except as provided in Section 7 of this Agreement or as otherwise permitted by law.

4.5 Member Authorization and Action. Unless otherwise stated in this Agreement or required by law, any action by the Member to approve or authorize an action of the Company shall occur by a duly adopted resolution of the Board of Regents.

4.6 Member Reserved Acts. The Company shall have obtained the prior approval and authorization of the Member to (each a "Member Reserved Act"):

- (a) merge or consolidate the Company with any Person;
- (b) file a petition seeking relief or consent to the institution of any proceeding against the Company under any law relating to bankruptcy, insolvency or relief of debtors;
- (c) lend any sum to or borrow any sum from any Person;
- (d) guaranty any loan or indebtedness of any Person;
- (e) enter the Company into any partnership or joint venture;
- (f) amend, alter or repeal this Agreement (except as the Management Committee is authorized under this Agreement or the Articles of Organization);

- (g) to acquire any business or a business division from any Person, whether by asset purchase, stock purchase, merger or other business combination;
- (h) effect a dissolution, liquidation or termination of the Company;
- (i) sell all or substantially all of the Company's assets;
- (j) buy, sell or trade securities (including, without limitation, any membership interest in any other limited liability company);
- (k) enter into an agreement to purchase goods or services in an amount over \$1 million;
- (l) employ one or more individuals;
- (m) acquire or sell real property; or
- (n) do any other act which is inconsistent with the terms of this Agreement or which would make it impossible to carry on the ordinary business of the Company.

4.7 Reports. Annually, the Company President shall deliver to the Board of Regents a report summarizing for the reporting period (a) the results of the Company's operations during such period, (b) the Company's financial position as of the last day of such period, (c) the Company's operating and capital budgets for the upcoming period, and (d) such other information reasonably necessary to inform the Board of Regents of the financial condition of the Company.

SECTION 5 MANAGEMENT OF THE COMPANY

5.1 Management Committee. The Member authorizes a management committee (the "Management Committee") to manage and direct the general business and affairs of the Company subject to the terms of this Agreement. The Management Committee may exercise all the powers and do all the things that may be exercised or done by the Company, subject to the provisions of applicable law, the Articles of Organization and this Agreement. The Management Committee shall not approve, authorize, cause or allow the Company to perform a Member Reserved Act unless the Board of Regents has approved and authorized such action.

The President of the University of Minnesota (the "University President") shall determine the number of members of the Management Committee. The initial number of members of the Management Committee is six.

The University President shall appoint individuals to serve as members of the Management Committee. The initial members of the Management Committee are:

Michael Berthelsen
Brian Burnett

Leslie Krueger
Stuart Mason
Brian Swanson
Michael Volna

An individual's term of membership on the Management Committee shall be indefinite unless the University President otherwise directs.

The University President may remove an individual as a member of the Management Committee at any time, with or without cause. Unless the University President otherwise directs, an individual's membership on the Management Comment shall terminate, without further action or notice, upon the termination of the individual's employment at the University of Minnesota.

5.2 Meetings. Meetings of the Management Committee may be held at such times and places as shall from time to time be determined by the Management Committee. The Company President may call a special meeting at any time with reasonable notice to members of the Management Committee.

5.3 Notice of Meetings. If the date, time and place of a meeting of the Management Committee has been announced at a previous meeting, no notice is required. In all other cases, two (2) business days' written notice of meetings of the Management Committee, stating the date, time and place thereof and any other information required by law or desired by the person or persons calling such meeting, shall be given to each member of the Management Committee. If notice of a meeting is required, and such notice does not state the place of the meeting, such meeting shall be held at the principal executive office of the Company. The notice need not state the purpose of the meeting. Attendance at a meeting by a member of the Management Committee is a waiver of notice of that meeting, unless the member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened.

5.4 Quorum and Voting. A majority of the members of the Management Committee shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority of such members present may adjourn the meeting from time to time until a quorum is present. If a quorum is present when a duly called or held meeting is convened, the members present may continue to transact business until adjournment, even though the withdrawal of a number of such members originally present leaves less than the number otherwise required for a quorum.

The Management Committee shall act by the affirmative vote of at least a majority of its members at any duly held meeting, except as to any question upon which any different vote is required by law.

5.5 Action in Writing. Any action required or permitted to be taken at a meeting of the Management Committee may be taken by written action signed by the number of members of the Management Committee that would be required to take the same action at a meeting at which all such members were present. If any written action is taken by less than all such members, all such members shall be notified immediately of its text and effective date. The failure to provide such notice, however, shall not invalidate such written action. For purposes of this Section, a

“written action” includes an email sent by such member of the Management Committee assenting to the action being proposed.

5.6 Meeting by Means of Remote Communication. The members of the Management Committee may participate in a meeting by any means of communication by which all persons participating in the meeting can simultaneously participate with each other. Participation in a meeting pursuant to this Section 5.6 shall constitute presence in person at such meeting.

SECTION 6 OFFICERS

6.1 Number and Qualification. The Management Committee may designate one (1) or more individuals exercising the functions of the position of Company President, Treasurer, and Secretary, and any other officer positions as they deem advisable, and may assign titles to any such person. Any two or more offices may be held by the same person. New offices may be created and filled by the Management Committee. Officers are not "managers" (within the meaning of the Act) of the Company.

The Management Committee may delegate to one or more of Officers any or all of the power and authority granted under this Agreement to it, subject in all cases to the right of the Management Committee to modify or withdraw any or all of any such delegation.

6.2 Term of Office. An Officer shall hold office until a successor shall have been duly appointed, unless prior thereto such Officer shall have died, resigned or been removed from office as hereinafter provided.

6.3 Removal and Vacancies. The Member, the University President or the Management Committee may remove an Officer at any time with or without cause.

6.4 Company President. The Company President shall have active supervision, management, direction and control of the business and affairs of the Company consistent with the direction given by the University President, and subject to the supervision and control of the Management Committee. The Company President shall cause the Company to comply with and perform all orders of the University President concerning the Company. The Company President shall not allow the Company to perform any Member Reserved Act that has not been approved and authorized by the Board of Regents. The Company President may execute and deliver in the name of the Company deeds, mortgages, contracts, agreements or instruments pertaining to the business of the Company as authorized by the Management Committee. The Management Committee may change the duties of the Company President at any time.

6.5 Treasurer. The Treasurer of the Company shall be the Chief Financial Officer of the Company shall (a) keep accurate financial records for the Company; (b) deposit all monies, drafts, and checks in the name of and to the credit of the Company in such banks and depositories as the Management Committee shall designate from time to time; (c) endorse for deposit all notes, checks, and drafts received by the Company as ordered by the Management Committee, making proper vouchers therefor; (d) disburse Company funds and issue checks and drafts in the name of the Company as ordered by the Management Committee; (e) render to the

Company President and the Management Committee, whenever requested, an account of all such Officer's transactions as the Chief Financial Officer and of the financial condition of the Company; (f) perform such other duties as may be prescribed by the Company President from time to time. The Management Committee may change the powers and duties of the Treasurer at any time.

6.6 Secretary. The Secretary shall (a) attend all meetings of the Management Committee; (b) maintain records of, and whenever necessary, certify proceedings of the Management Committee; (c) keep the required records of the Company; and (d) give or cause to be given notice of meetings of the Management Committee. The Management Committee may change the duties of the Secretary at any time. The Secretary may but need not be a voting member of the Management Committee.

6.7 University Employment: Application of University Policy, Compensation, and Expense Reimbursement. University policy and procedures shall govern individuals who are University employees and who perform services for the Company as a member of the Management Committee, as an Officer or otherwise. The Company shall not have an obligation under this Agreement to compensate such an employee for performing any such service or reimburse such employee for expenses incurred in performing any such service. Such employee shall be compensated for such service and reimbursed for such expenses by the University as provided in University policy and procedures.

SECTION 7 ALLOCATIONS AND DISTRIBUTIONS

7.1 Allocations. Profits and Losses (and, to the extent necessary, individual items thereof) shall be allocated to the Member for each Fiscal Year.

7.2 Distributions.

(a) **Operational-Non-liquidating Distributions.** Subject to the right of the Company to maintain reserves, the Management Committee may authorize the Company to make distributions of cash or property in kind to the Member from time to time.

(b) **Distributions Upon Company's Liquidation.** The net proceeds resulting from the liquidation of the Company shall be applied and distributed in the following order of priority:

(1) **Company Debts and Liabilities.** To the extent available, proceeds shall be applied to the payment of debts and liabilities of the Company, including all expenses of the Company incident to its liquidation and all loans and other obligations owed to the Member.

(2) **Reserves.** To the extent available, proceeds shall be applied to the setting up of any reserves which the Management Committee deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Company.

(3) **Remaining Amounts.** The balance of any proceeds shall be distributed to the Member.

(4) **Timing of Liquidation Distributions.** Liquidation distributions shall be made by the end of the Fiscal Year of liquidation (or, if later, within ninety (90) days after the date of such liquidation). If the Company has sold or, during the winding up period, sells all or part of the Company's property in a deferred payment sale, the liquidation period may be extended for any such period as the Management Committee reasonably deems necessary to collect the proceeds of such sale and interest thereon.

(c) **Limitations on Distributions.** Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to the Member on account of such Member's interest in the Company if such distribution would violate Section 322C.0405, Subd. 1 of the Act or other applicable law.

SECTION 8 LIABILITY; INDEMNIFICATION; INSURANCE

8.1 Liability. Except as provided by the Act, the Member shall not be liable or obligated for the debts, obligations and liabilities of the Company solely by reason of the Member acting as a member of the Company. The Company shall be solely liable and obligated for its debts, obligations and liabilities.

8.2 Indemnification. The Company shall not have any obligation under Section 322C.0408 of the Act to indemnify or advance expenses to any person. No provision of this Agreement limits, expands, conditions or otherwise affects an individual's right to legal defense and indemnification under applicable University policies and procedures.

8.3 Insurance. The Company may purchase and maintain insurance on behalf of any person in such person's official capacity against any liability asserted against and incurred by such person in or arising from that capacity, whether or not the Company would otherwise be required or permitted to indemnify the person against the liability.

SECTION 9 DISSOLUTION, LIQUIDATION AND TERMINATION

9.1 No Dissolution. The Company shall not be dissolved by the admission of a person as a Member in accordance with the terms of this Agreement or by the resignation, expulsion, Bankruptcy or dissolution of the Member or the occurrence of any other event under the Act that terminates the continued membership of a Member in the Company.

9.2 Events Causing Dissolution. The Company shall be dissolved and its affairs shall be wound up upon the occurrence of (a) the directive of the Member; or (b) the entry of a decree of judicial dissolution under Section 322C.0701, subd. 1 of the Act. Notwithstanding Section 322C.0701 of the Act, the foregoing events are the exclusive events which cause the dissolution of the Company.

9.3 Liquidation. Upon dissolution of the Company, the Member shall act as the liquidating trustee and shall immediately commence to wind up the Company's affairs; provided, however, that a reasonable time shall be allowed for the orderly liquidation of the assets of the Company and the satisfaction of liabilities to creditors so as to enable the Member to minimize the normal losses attendant upon a liquidation.

9.4 Termination. The Company shall terminate when all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Member in the manner provided for in Section 7.

SECTION 10 RECORDS, ACCOUNTING, REPORTS AND TAX MATTERS

10.1 Books and Records. At all times during the existence of the Company, the Company will cause to be maintained full and accurate books of account, which will reflect all Company transactions and be appropriate and adequate for the Company's business. The books and records of the Company will be maintained at the principal office of the Company.

10.2 Financial Accounting.

(a) **Accounting Method.** The Company shall account for its financial transactions using a method of accounting determined by the Management Committee in compliance with the Code.

(b) **Taxable Year.** The Company's taxable year shall be the Company's annual accounting period determined by the Management Committee in compliance with the Code.

10.3 Preparation of Tax Returns. The Treasurer shall arrange for the preparation and timely filing (taking into account all reasonably available extensions) of all tax returns required to be filed by the Company. The Treasurer shall consult the University of Minnesota Tax Office on all tax filings and reports.

10.4 Tax Elections. The Management Committee may authorize elections and decisions for purposes of federal, state and local taxes reported and payable by the Company.

SECTION 11 MISCELLANEOUS

11.1 Term of Agreement. This Agreement shall terminate upon the happening of any of the following events: (a) a Bankruptcy of the Company; (b) the dissolution or liquidation of the Company; or (c) upon the Member's directive.

11.2 Amendments. This Agreement may be amended only through a writing approved by the University President. Notwithstanding the foregoing, any amendment that affects, in an adverse or disproportionate manner, a Member Reserved Act shall require the Member's approval.

11.3 Governing Law. This Agreement and the rights of the parties hereunder will be governed by, interpreted and enforced in accordance with the internal laws, and not the laws pertaining to choice or conflict of laws, of the state of Minnesota.

11.4 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term and provision of this Agreement shall be binding upon and inure to the benefit of the Member and its successors and permitted assigns.

11.5 No Third Party Beneficiary. This Agreement is made solely and specifically among and for the benefit of the parties hereto, and their respective successors and permitted assigns, and no other person will have any rights or claim hereunder or be entitled to any benefits under or on account of this Agreement, whether as a third party beneficiary or otherwise.

11.6 Waivers. No waiver of this Agreement, or any part hereof, shall be binding unless made in writing and signed by the party claimed to have made such waiver. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other condition or subsequent breach, whether of like or different nature.

11.7 Notices. All notices and other communications hereunder shall be in writing and shall be sufficiently given if made by hand delivery, by overnight delivery service or by registered or certified mail (postage prepaid and return receipt requested). Notices to the Company shall be delivered to the Company's principal executive office. Notices to the Member shall be delivered to the Office of the General Counsel. All such notices and other communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five (5) business days after being deposited in the mail, postage prepaid, if delivered by mail; and the next day after being delivered to an overnight delivery service. Notices to members of the Management Committee may be delivered via e-mail, and shall be deemed to have been given upon delivery.

11.8 Entire Agreement. This Agreement, in conjunction with the Articles of Organization, constitutes the entire agreement and understanding of the Member with respect to the subject matter hereof, and supersedes all prior agreements relating thereto, whether written or oral. In the event of any conflict between a provision of this Agreement and any provision of the Act not subject to variation in this Agreement, the provisions of the Act shall govern. This Agreement constitutes the sole and entire "operating agreement" of the Company as defined in Section 322C.0102, Subd. 17 of the Act.

11.9 Interpretation. All section headings are for reference purposes only, and shall not affect the interpretation of this Agreement. All references in this Agreement to one gender shall include all genders; any reference to the singular shall include the plural, where appropriate, and vice versa.

11.10 Severability. If any provision of this Agreement is or becomes invalid, illegal or unenforceable, then such provision shall be deemed amended to the extent necessary to make it valid, legal and enforceable in order to carry out the intent and purpose of this Agreement, and the remainder of this Agreement shall remain in full force and effect.

11.11 Counterparts. This Agreement and any amendments hereto may be executed in multiple counterparts, each of which shall be deemed an original agreement and all of which shall constitute one and the same agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first above written.

COMPANY:

2515 University Avenue SE, LLC

By: _____

MEMBER:

Regents of the University of Minnesota

By: _____

4851-5087-3999.1

Resolution Related to the Operating Agreement for the Purchase of 2515 University Ave SE LLC

Leslie Krueger, Assistant Vice President for Planning, Space, and Real Estate
Elizabeth Zamzow, Senior Associate General Counsel

Board of Regents Finance and Operations Committee

May 9, 2019

SENIOR VICE PRESIDENT FOR FINANCE AND PLANNING

World Class Services for a World Class University



Acquisition of 2515 University Ave SE

- September 2018 – Regents approved formation of LLC
- February 2019 – Regents reviewed real estate transaction and financing structure
- March 2019 – Regents approved real estate transaction and financing structure
- March 29, 2019 – 2515 University Ave SE LLC closed on the property

2515 University Ave SE LLC Operating Agreement

- Purpose of the LLC
- Authority of the Regents
- Role of the Management Committee
- Role of the LLC Officers
- Allocations and distributions
- Liquidation and termination
- Records and accounting



The sole activity of the Company is to engage in the business of owning, operating, and maintaining improved real property located at 2515 University Avenue SE, Minneapolis, Minnesota.

Authorities and Responsibilities

Regents

- Oversight of the LLC
- Approve Operating Agreement and initial appointment of Management Committee
- Member Reserved Acts
- Receive Annual Financial Report

Management Committee

- Manage and direct business affairs of LLC
- Designate Officers
- Oversee financials
- Authorize the LLC to make distributions of cash or property in kind to the University

Officers

- President - active supervision, management, direction, and control of the business and affairs
- Treasurer – responsible for the financial management of the LLC
- Secretary – notice meetings and maintain records



Member (Board) Reserved Acts

- merge or consolidate the LLC
- file a petition re bankruptcy, insolvency
- lend or borrow money
- guaranty any loan or indebtedness
- enter the LLC into any partnership or joint venture
- amend, alter, or repeal the OA
- to acquire any business
- effect a dissolution, liquidation, or termination of the LLC
- sell all or substantially all of the Company's assets
- buy, sell, or trade securities
- employ one or more individuals



Member (Board) Reserved Acts

- purchase goods or services in an amount over \$1 million
- acquire or sell real property
- enter into any lease with any new commercial or retail tenant that may negatively impact the property tax exemption
- do any other act which is inconsistent with the terms of the OA or which would make it impossible to carry on the ordinary business of the Company



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO ORGANIZATION OF 2515 UNIVERSITY AVENUE SE LLC

NOW, THEREFORE, BE IT RESOLVED that the Board approves the Operating Agreement; and

BE IT FURTHER RESOLVED, that all actions heretofore taken by University employees on behalf and as agents of the Company are hereby approved, ratified and authorized; and

BE IT FURTHER RESOLVED, that the President and his designees are hereby authorized, empowered and directed to execute, deliver and enter into, on behalf of the University, all agreements, instruments and other documents necessary or desirable to carry out this effort.





UNIVERSITY OF MINNESOTA

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



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

May 9, 2019

AGENDA ITEM: Consent Report

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Brian Burnett, Senior Vice President

PURPOSE & KEY POINTS

General Contingency

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

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

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

- To Network Design Inc., All State Communications Inc., and TRiCOM Communications Inc. for an estimated \$2,200,000 for equipment movement and installation labor for the Office of Information Technology (OIT) for the period of June 1, 2018 through June 30, 2020. The funds for this purchase are coming from the NGN project's budget. Network Design Inc., All State Communications Inc., and TRiCOM Communications Inc., the current suppliers, were selected as the result of a competitive Request for Proposal process conducted by Purchasing Services. Six suppliers responded to the RFP.
- To Lorenz Bus Service for an estimated \$750,000 for Charter Bus Services for Intercollegiate Athletics (ICA) for the period of July 1, 2019 through June 30, 2022 with the option to renew for two additional one-year terms through June 30, 2024 for an additional \$500,000. Total contract value if all options are exercised would be \$1,250,000. Lorenz Bus Service, the current supplier, was selected as the result of a competitive Request for Proposal process conducted by Purchasing Services. Three suppliers responded to the RFP.
- To World Wide Technology for an estimated \$2,200,000 for Block Storage for the Office of Information Technology (OIT) for the period of July 1, 2019 through June 30, 2024. This requirement is currently budgeted and will be funded utilizing O&M funds. World Wide Technology, a new supplier, was selected as the result of a competitive Request for Proposal conducted by Purchasing Services. Eleven suppliers responded to the RFP.

Employment Agreements

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

- Dean, College of Liberal Arts, Duluth campus
- Head Coach, Men's Basketball, Twin Cities campus

Eastcliff Improvement Projects

Three projects have been recommended by the Eastcliff Advisory Board (EAB) and the Eastcliff Technical Advisory Committee (ETAC) for approval by the Board of Regents as required by the Board approved ETAC Bylaws.

Event Lawn

Eastcliff hosts dozens of events every year with thousands of guests in attendance. To facilitate larger groups, party tents are installed on the lawn adjacent to the outside patio, including high profile events such as the garden party and outstanding service award recognition. The current lawn was not designed for this kind of use. It is not level and does not drain well, resulting in uneven and often soggy conditions for event attendees. The turf does not recover well from heavy foot traffic. There are currently no permanent provisions for installing tents or running power to support events on the lawn. Each time, heavy weights and stabilizing wires are installed, creating trip hazards. Utilities must be located each time before stakes can be set in the ground. Electrical wires for lights and sound are also draped across the ground as no underground wiring is in place.

In order to improve safety, efficiency, lower land care maintenance costs, and provide a finished look for outside events, several concept options were developed. EAB and ETAC have recommended the lowest cost option that also provides the most value for the investment. The project will:

- Install level, event-grade soil and turf;
- Install underground electrical supply; and
- Install underground supports for predetermined tent locations and sizes.

The project is estimated not to exceed \$150,000 and will be funded by the Eastcliff endowment.

Gas Fireplace Infrastructure and Insert

A 2017 inspection of the first floor living room fireplace (chimney A) found that mortar throughout the chimney was cracked and portions of the flue and fireboxes were missing. Combustion fumes and embers could no longer be guaranteed to stay within the flue system. No fires have been allowed in chimney A since that time. A follow-up study of all fireplaces and chimneys of the home found that all chimneys have similar mortar concerns.

To address fire and life safety issues, a gas insert solution was identified for chimney A. This includes extending natural gas lines through the basement and walls, repairs to walls, and a new flue liner that contains the combustion fumes and embers so that they are no longer in contact with the cracked mortar. A gas insert provides additional usability for the events held at Eastcliff, allowing multiple levels of flame, heat, and fan so that a fire can be tailored to the

needs of each event. This type of fireplace also allows more use of the fireplace by smaller events and by the home's residents.

The project cost is \$60,000 and will be funded by the Eastcliff endowment (\$32,000) for the fireplace insert and Facilities Management repair and replacement funds (\$28,000) for the utility infrastructure.

Sound System Repair

The sound system is used at each of the approximately 150 events hosted at Eastcliff per year. The system was installed in 2006 and has reached the end of its useful life. In the past 18 months, it has failed nine times. Wireless components of the system use a frequency that the FCC has since reclaimed for commercial use. The microphone is used in the emergency plans as the notification for guests to move to the basement or evacuate the building.

Reliable service requires replacement of the core system infrastructure and upgrades to the wireless and control components. To the extent possible, as much of the existing wiring, speakers, and reliable components will be maintained. Bids to remedy this situation were solicited and the selected bid was the most complete and provided the most flexible, user-friendly solution.

The project cost is \$31,400 and will be funded by the Eastcliff endowment.

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.
- Employment agreements: *Reservation and Delegation of Authority*, Article I, Section IV, Subd. 1
- Eastcliff Improvements: *Eastcliff Technical Advisory Committee Bylaws*

RECOMMENDATION

The President recommends approval of the Consent Report, with the exception of the Eastcliff improvements.

The Eastcliff Advisory Board recommends approval of the three Eastcliff improvement projects.

General Contingency

Fiscal Year 2019

(7/1/2018-6/30/2019)

Current Activity:

Recipient	Amount	Balance	Purpose
1 FY19 General Contingency		1,000,000	
2 Carryforward from FY18 to FY19	913,210	1,913,210	
3 New items this reporting period:			
4 Capital Planning & Project Management	49,756	1,962,966	Return of unused funds - UMM Biomass Gas Scrubber (\$150,000 allocated FY15)
5 University Health & Safety	(50,000)	1,912,966	Partial support for work on UMC air permit required by MPCA
6 Current Balance		1,912,966	

Commitments*:

Recipient	Amount	Balance	Purpose
7 Office of the Board of Regents	(350,000)	1,562,966	University President search & transition activities. Allocated October, 2018.
8 Projected Balance		1,562,966	

* Items \$250,000 or more Subject to Board approval.

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

To Lorenz Bus Service for an estimated \$750,000 for Charter Bus Services for Intercollegiate Athletics (ICA) for the period of July 1, 2019 through June 30, 2022 with the option to renew for two additional one-year terms through June 30, 2024 for an additional \$500,000. Total contract value if all options are exercised would be \$1,250,000.

Charter Bus services for ICA, includes shuttles to airport for away competitions, service to destination site, and local transportation needs as necessary.

In March 2019, a competitive Request for Proposal process was completed. Suppliers were evaluated on price, ability to fulfill the scope, qualifications and experience, and response to service specifications and an award was made to Lorenz Bus Service.

Source of funds is ICA operating and gift funds as necessary. These services have historically been included in the operating budget and will be during the life of the agreement. On occasion, gift funds may be used.

Submitted by: Tim McCleary
270 Bierman Athletic Field Building
612-625-2524

Approval for this item requested by:

Mark Coyle

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

4/12/19

Date

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

To Network Design Inc., All State Communications Inc., and TRiCOM Communications Inc. for an estimated \$2,200,000 for equipment movement and installation labor for the Office of Information Technology (OIT) for the period of June 1, 2018 through June 30, 2020.

To support the later phases of the Next Generation Network (NGN) project, OIT requires contracted labor to augment their organic capacity in order to accomplish an anticipated large number of equipment moves and new equipment installation. Work on this portion of the project began in June 1, 2018 and based on the initial analysis and work, the size and scope of the vendor requirements were finalized. The proposed contracts, which now require Board approval, fulfill the requirements for completion of this portion of the NGN project's scope.

Vendors were vetted through a competitive RFP completed in June 2016. Awardees were selected based on compliance with Request for Proposal terms, Office of Business and Community Economic Development commitments, and price; with price being the predominant factor.

The funds for this purchase are coming from the NGN project's budget.

Submitted by: Doug Ahlgren
1300 S 2nd St., Minneapolis, MN 55455
612-301-2172

Approval for this item requested by:


Bernard Gulachek
Vice President & Chief Information Officer

April 26, 2019
Date

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

To World Wide Technology for an estimated \$2,200,000 for Block Storage for the Office of Information Technology (OIT) for the period of July 1, 2019 through June 30, 2024.

This purchase is being executed to replace an end-of-life data storage system that is used to run our enterprise server hosting environment. The existing data storage system has been in production for 7 years; well beyond the original anticipated lifespan of 5-6 years. The Block Storage solution is a critical component of information technology infrastructure. The Block Storage solution will support applications used by our academic, administrative, and research functions. This includes Research Compliance (ETHOS), Enterprise Data and Analytics (UMReports, OBIEE), Electronic Grants Management (EGMS), Classroom Recording Systems, Student Degree Progress, and others. The systems that are not dependent on the Block Storage solution are our SaaS solutions such as Canvas and Sales Force and our Enterprise Resource Planning (ERP) system.

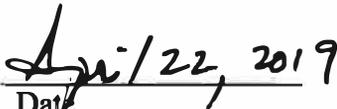
World Wide Technology, selling Pure Storage, was selected as the result of a competitive Request for Proposal (RFP) process conducted in accordance with Board of Regents purchasing policy. The finalist was selected for its maturity of the product, cost efficiency, and unmatched hardware lifecycle guarantee.

This requirement is currently budgeted and will be funded utilizing O&M funds.

Submitted by: Douglas Ahlgren
West Bank Office Building
1300 2nd St. S.
Minneapolis, MN 55455
612-301-2172

Approval for this item requested by:


VP or Exec. VP Name Bernard S. Gulechek
VP or Exec. VP Title V7/CIO


Date

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of May 1, 2019 between Regents of the University of Minnesota (the "University"), on behalf of its Department of Intercollegiate Athletics, and Richard Pitino ("Coach").

WHEREAS, subject to the terms and conditions of this Agreement, the University desires to employ Coach as head coach of its intercollegiate men's basketball team (the "Team") at its Twin Cities campus, and Coach is willing to accept the position and perform the services and duties of the position;

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

I. EMPLOYMENT TERM AND DUTIES

1.1. **Term.** Subject to the terms and conditions of this Agreement, the University hereby employs Coach as the head coach of the Team, and Coach agrees to be so employed by the University, for a term that runs from May 1, 2019, through April 30, 2024 (the "Term of Employment").

1.2. Duties.

1.2.1. During the Term of Employment, Coach shall diligently and conscientiously devote his full time, attention, and best efforts in performing and discharging the usual and customary duties of a head coach of a NCAA Division I men's basketball team, including the following duties:

- a. Conducting usual and customary coaching activities;
- b. Recruiting, and managing the recruitment of, student athletes;
- c. Fostering and providing accountability for the academic progress of student athletes in the program;
- d. Representing the University's men's basketball program before, and cooperating with the department in fulfilling contracts or requests from, the news media, including appearances on radio and television;
- e. Assisting with departmental or University fund raising and public relations;

- f. Representing in a positive fashion the University and its athletic programs in private and public forums; and
- g. Performing such other duties as reasonably requested by the Director of Intercollegiate Athletics (the "Director") at the University of Minnesota, Twin Cities campus, and/or the Sports Administrator assigned to the Team, so long as such duties are consistent with duties typically performed by head basketball coaches at NCAA Division I institutions. Under no circumstances will Coach be reassigned to a position other than the Team's head coach.

1.2.2. Unless otherwise expressly permitted in this Agreement or subsequently in a mutually executed writing, Coach shall not engage in any other business activity or be employed by any other person, firm, or entity, whether or not such activity is pursued for gain, profit, or other pecuniary benefit, without the University's prior written consent (which consent shall not be unreasonably withheld); provided, however, subject to NCAA and University rules, during each year of the Term of Employment, Coach may conduct summer camps.

1.2.3. Coach shall not undertake commercial endorsements without the prior written consent of the University (which consent shall not be unreasonably withheld). Coach shall not engage in any activity, if identified as the head coach of the Team, that directly or indirectly implies approval or endorsement of any good or service, including, but not limited to, the wearing of garments which display a manufacturer's trademark, name, or other logo, unless such activity is first approved in writing by the Athletics Director. For example, Coach acknowledges that the University has entered into a MultiSport Agreement with Nike USA Inc., which includes the Team. Coach will comply with the University's obligations under the Nike Agreement.

1.2.4. Coach shall not appear on radio, television, or any other media in return for a fee, in cash or in kind, without the prior written consent of the University (which consent shall not be unreasonably withheld).

1.3. Classification. Coach's employment is a professional appointment subject to the University's policies and procedures applicable to Academic and Professional employees ("Policies and Procedures"), as the same may be amended from time to time. In the event of a conflict between the terms of this Agreement and the Policies and Procedures, the terms of this Agreement shall govern.

1.4. Compliance. Throughout the Term of Employment, Coach shall comply with the current and hereafter enacted or promulgated laws, policies, rules, and

regulations of and governing the University and its employees and the current and hereafter enacted or promulgated constitution, bylaws, and rules and regulations of the National Collegiate Athletic Association ("NCAA"), the Big Ten Conference ("Big Ten"), and any other conference or organization with which the University becomes associated or which affects intercollegiate athletics (individually or collectively, the "Governing Associations"). Coach shall use his best efforts to ensure that all assistant coaches of the Team, any other University employee for whom Coach is administratively responsible, and representatives of the University's athletic interests, comply with the foregoing laws, policies, rules, and regulations.

1.5. Other Employment. During the term of this Agreement, Coach agrees not to personally, or through any agent or other representation, substantively discuss, negotiate, or accept other full-time employment without first having notified the Athletics Director in writing and receiving permission from the Athletics Director. Once such notification is received, permission to pursue other full-time employment will not be unreasonably withheld.

1.6. Hiring Authority / Background Check. Coach understands and acknowledges that Coach will not have authority to unilaterally make or accept offers of employment for assistant coaches or other support staff; and that ultimate authority over such hiring decisions rests with the Director. Coach further understands and acknowledges that all Team hires are subject to and contingent upon a review of the applicant's background and experience, and a formal background check, including any history of NCAA violations, to be conducted by the Director and/or his designee(s).

II. COMPENSATION

2.1. Base Salary.

2.1.1. Subject to the terms of this Agreement, for all services rendered by Coach on behalf of the University, for the Term of Employment, the University shall pay the annual salary of Two Million and 00/100 Dollars (\$2,000,000.00).

2.1.2. All compensation under this Agreement 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, state, and local income taxes, federal social security taxes, and other applicable taxes and deductions.

2.1.3. 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 or the Athletic Department.

2.2 Retention Bonus. The University shall pay Coach an annual retention bonus which shall vest and be paid on the dates set forth below if Coach is still employed as head coach of the Team as of those dates. The payment amounts and dates shall be as follows:

2.2.1. One Hundred Thousand and 00/100 Dollars (\$100,000) on April 30, 2020;

2.2.2. Four Hundred Thousand and 00/100 Dollars (\$400,000) on April 30, 2021;

2.2.3. Five Hundred Thousand and 00/100 Dollars (\$500,000) on April 30, 2022.

2.2.4. Six Hundred Thousand and 00/100 Dollars (\$600,000) on April 30, 2023.

2.2.5. Seven Hundred Thousand and 00/100 Dollars (\$700,000) on April 30, 2024.

2.3. Benefits. Unless inconsistent with the terms of this Agreement, the University shall provide Coach with a benefit program as provided generally for its professional and administrative employees as described in the Policies and Procedures.

2.4. Automobile. Subject to University policy applicable generally to its coaches of intercollegiate athletics, the University shall provide Coach the use of an automobile throughout the Term of Employment.

2.5. Cell Phone, Computer. The University shall provide to Coach a cell phone and a laptop computer.

2.6. Incentive Compensation. Throughout the Term of Employment, Coach shall participate in the Incentive Bonus Program set forth in Exhibit A to this Agreement, and shall not participate in the Intercollegiate Athletic Department Bonus Program. The University shall make payment to Coach for competition-related bonuses within thirty (30) days of being earned, and for all other bonuses on or before August 1 of each contract year, provided that no bonus under this section will be earned or paid unless/until the University has determined that the following conditions have been met: (i) Coach's compliance with the material terms of this Agreement; (ii) the conditions set forth in the Exhibit A; and (iii) Coach is employed as head coach of the Team on the final day of the regular season or any post-season play for each season, whichever is later. No other bonus will be earned or paid unless Coach is employed on the final day of classes for the University's spring semester each academic year.

2.7. Post-Season Travel. The University shall provide, upon the approval of the Director, the opportunity for the immediate family members of Coach, assistant coaches, and select Team support staff to travel with the Team to NCAA post-season events at the University's expense under University travel reimbursement policies. Travel reimbursement shall be limited to transportation and lodging expenses. It is understood that any expenses under this section must be paid out of the men's basketball service fund.

2.8. Gopher Athletics Tickets. The University shall provide Coach access to the following tickets to University of Minnesota Gopher athletic events: up to ten (10) season tickets to men's basketball, up to six (6) season tickets to home football games, up to four (4) season tickets to home men's hockey games, and tickets to other home athletic events according to department practices. Coach shall be entitled to up to twenty (20) tickets to the Big Ten Tournament, NCAA Tournament games including the Final Four, and any other post-season basketball tournament games the team participates in. The University shall provide to each of the three assistant coaches and the director of operations up to four (4), or a quantity to accommodate the immediate family member of the coach or director, season tickets to men's basketball, up to four (4) season tickets to home football games, and up to eight (8) tickets to the Big Ten Tournament, NCAA Tournament games including the Final Four, and any other post-season basketball tournament games the Team participates in.

2.9. Private Jet Use. Subject to availability, the University agrees to fly Coach by private (non-commercial) aircraft when Coach is making recruiting visits and for other, mutually agreed upon University business that is located more than two hundred (200) miles from the Twin Cities campus. Coach's use of such private aircraft shall not exceed forty (40) hours (including dead-head legs) in any one fiscal year, unless fund-raised dollars (enhancement funds) ear-marked for recruiting expenses are used to cover costs of additional private flights. Any use beyond the forty (40) hour threshold is subject to approval by the Athletic Director, which can be withheld at the University's sole discretion.

2.10. Tax Consequences of Additional Compensation. It is understood that there may be personal tax consequences attributable to Coach as a result of the use of the automobile and other compensation, benefits, and amenities associated with Coach's employment as head coach of the Team, and that Coach is personally responsible for all such taxes.

2.11. Exclusive Compensation. The parties acknowledge and agree that the compensation, cash and otherwise, provided to Coach under this Article II shall constitute the total and exclusive compensation owed by the University to Coach for rendering services to the University.

III. TERMINATION

3.1. The University's Right to Terminate for Cause. The University may terminate this Agreement, suspend payments required hereunder, or take other disciplinary action as it deems appropriate for just cause. "Just cause" as used in this Agreement shall include, but not be limited to, the following:

- a. A Level I, II, or equivalent violation of a rule of a Governing Association by or involving Coach as reasonably determined by the University, and for which the University has submitted notice to the Governing Association;
- b. A Level I, II, or equivalent violation of a rule of a Governing Association by an assistant coach of the Team or other individual related to the Team which, in the reasonable judgment of the University, Coach knew or should have known about with reasonable diligence and oversight, and for which the University has submitted notice to the Governing Association;
- c. Multiple Level III, IV, or equivalent violations of the rules of a Governing Association that, taken together, constitute a Level I, II, or equivalent violation, as reasonably determined by the University, and for which the University reasonably determines Coach knew or should have known about with reasonable diligence and oversight;
- d. Failure to report any and all violations, regardless of Level, of the rules of a Governing Association related to the Team, when the University reasonably determines that Coach knew or should have known about such failure with reasonable diligence and oversight;
- e. A substantial failure to perform Coach's material duties/responsibilities under this Agreement following written notice from the Director specifying such failure and providing, where practicable, a twenty (20) day opportunity to cure such failure;
- f. Fraud or dishonesty by Coach in the performance of Coach's duties/responsibilities under this Agreement;
- g. Fraud or dishonesty by Coach in preparing, falsifying, submitting or altering documents or records of the University or a Governing Association, or documents or records required to be prepared or maintained by law, Governing Association rules or University rules, or other documents or records pertaining to any recruit or student-athlete; or condoning such fraudulent or dishonest acts by any other person, as reasonably determined by the University;

- h. Failure by Coach to respond accurately and fully, to the best of Coach's ability and within a reasonable time, to any request or inquiry relating to the performance of Coach's duties/responsibilities hereunder or the performance of Coach's duties/responsibilities during Coach's prior employment at any other institution, propounded by the University, a Governing Association, or any other body having oversight of the athletic programs of the University or other University functions, or required by law, Governing Association rules or University rules, as reasonably determined by the University;
- i. Coach's instruction to any coach, student, or other person to respond inaccurately or incompletely to any request or inquiry concerning a matter relevant to the University's athletic programs or other University functions, propounded by the University, a Governing Association, or any other body having oversight of the athletic programs of the University or other University functions, or required by law, Governing Association rules or University rules, as reasonably determined by the University;
- j. Failure by Coach to manage the Team in a manner consistent with the academic values of the University, as reflected in the University's Mission Statement, the University's Student Conduct Code, the policies of the Lindahl Academic Center, and the rules of the Governing Associations;
- k. Coach's soliciting, placing or accepting a bet on any intercollegiate or professional athletic contest; Coach's permitting, condoning or encouraging any illegal gambling, bookmaking or illegal betting involving any intercollegiate or professional athletic contest; or Coach's furnishing information or data relating in any manner to the Team or any other sport to any individual known by Coach or whom Coach should reasonably know to be involved in gambling, betting or bookmaking; or Coach's consorting or associating with such persons;
- l. Sale, use or possession by Coach of any narcotics, drugs, controlled substances, steroids or other chemicals, in violation of law, Governing Association rules or University rules, or Coach's encouraging or condoning such sale, use or possession by a student-athlete, assistant coach, or other athletic staff member, as reasonably determined by the University;
- m. Use or consumption by Coach of alcoholic beverages, drugs, controlled substances, or other chemicals that impairs Coach's ability to perform Coach's duties/ responsibilities hereunder;

- n. Failure by Coach to fully cooperate in the enforcement of any drug testing program established by the University for student-athletes;
- o. Failure by Coach to obtain prior approval for outside activities, or to report accurately all sources and amounts of income and benefits, as required by this Agreement, NCAA rules, or University rules, as reasonably determined by the University.
- p. Failure by Coach to honor the authority of team doctors, trainers, and other sports medicine staff to make decisions regarding student athlete health and well-being, including decisions regarding fitness to practice, train, or compete; or encouraging or pressuring student athletes to ignore or deviate from medical advice or directives from team doctors, trainers, and other sports medicine staff; or condoning or directing others (including but not limited to assistant coaches, other team or Department staff, other student athletes, parents) to encourage or pressure student athletes to ignore or deviate from medical device or directives from team doctors, trainers, and other sports medicine staff; or taking any action that poses a direct threat to student athlete health and well-being.
- q. Coach's commission of or participation in any act, situation, or occurrence, which, in the University's judgment, brings Coach or the University into public disrepute, embarrassment, contempt, scandal or ridicule; or failure by Coach to conform Coach's personal conduct to conventional and contemporary standards of good citizenship, in a manner that offends prevailing social mores and values or reflects unfavorably on the University's reputation and overall mission and objectives. This paragraph is intended to apply to serious acts of misconduct that support immediate termination, without an opportunity to remedy or correct, as determined by the University. Less serious conduct will be considered a failure to perform material duties/responsibilities, and will be handled according to subparagraph e. above.

3.2. The University's Right to Terminate Without Just Cause.

3.2.1. The University may terminate this Agreement at any time without just cause upon thirty (30) days prior written notice to Coach. In such event, the University shall pay Coach a termination fee as follows:

3.2.1.1. If notice of termination is given on or before April 30, 2020, Two Million and 00/100 Dollars (\$2,000,000.00).

3.2.1.2. If notice of termination is given between May 1, 2020, and April 30, 2021, One Million Seven Hundred Fifty Thousand and 00/100 Dollars (\$1,750,000.00).

3.2.1.3. If notice of termination is given between May 1, 2021, and April 30, 2022, One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00).

3.2.1.4. If notice of termination is given between May 1, 2022, and April 30, 2023, One Million and 00/100 Dollars (\$1,000,000.00).

3.2.1.5. If notice of termination is given on or after May 1, 2023, there will be no termination fee.

The termination fee shall be subject to withholding for all applicable taxes and deductions. The parties agree to discuss in good faith and use reasonable efforts to reach an understanding regarding a payment schedule for the termination fee that allows Coach and the University to fulfill applicable tax and legal obligations without significantly increasing or accelerating the tax consequences associated with the termination fee. In the event those discussions do not result in an agreement, then the termination fee will be paid according to the following schedule:

a. The first installment will equal the amount of federal, state, and local income tax and FICA withholding that would have been remitted by the University if there had been a payment of wages to Coach on the date of his involuntary termination equal to the income includible by Coach on the termination fee under Section 457(f) of the Internal Revenue Code. This installment will be paid within sixty (60) days following the date of his notice of termination.

b. The second and remaining installments will be paid over the remaining Term of Employment in substantially equal amounts by pay period.

If the University pays any termination fee under this Section 3.2, Coach waives the right to seek additional compensation or damages from the University. Termination under this Section 3.2 shall supersede all rights Coach may have under the Policies and Procedures including but not limited to any rights to notice of termination or to participation in any layoff program.

3.2.2. As a condition to receipt of any payment under Section 3.2, Coach is required to mitigate the University's obligations under Section 3.2 by making reasonable and diligent efforts (under the circumstances and opportunities then prevailing) to obtain a comparable employment position as soon as practicable

following termination of employment. Payments shall cease as of the date Coach accepts comparable employment. Payments shall also cease if Coach fails to make reasonable and diligent mitigation efforts. Comparable positions include, but are not necessarily limited to, head coach of a Division I NCAA basketball program, head or assistant coach of a professional basketball program, administrator or director of a Division I NCAA basketball program, commentator for a national broadcasting company, etc.

3.2.3. Coach agrees that as a condition of receiving any portion of the Termination Fee, Coach or, in the case of any amounts due after Coach's death, the person to whom those amounts are payable (collectively, the "Payee") must execute a comprehensive release within 15 days of the date of termination in the form utilized by, and including the terms regularly included in such releases by the University. Generally, the release will require the Payee and Payee's personal or legal representatives, executors, administrators, successors, heirs, and assigns to release the University and its officers, employees, and representatives from all claims arising out of or related to Coach's employment with the University, including statutory and common law claims, other than any claim that the University has violated this Employment Agreement. Upon Coach's termination of employment with the University the Payee will be presented with a release, and if the Payee fails to timely execute the release, the Payee agrees to forgo any payment from the University under this Section 3.2.

3.2.4. For purposes of this Section 3.2, any reference to Coach's "termination of employment" by the University (or any form of the phrase "termination of employment") shall mean Coach's "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") and Treasury Regulation Section 1.409A-1(h).

3.3. NCAA Enforcement Provisions. (NCAA Bylaw 11.2.1). Notwithstanding any other provision of this Agreement to the contrary, Coach and the University stipulate that if Coach is found in violation of any NCAA rule or regulation, he is subject to applicable disciplinary or corrective actions as set forth in the provisions of the NCAA enforcement procedures.

3.4. Procedure. In the event of any proposed disciplinary action, the Director shall give Coach, in writing, notice of the allegations and an opportunity to present, in person, information relating to the allegations. If the Director then determines that discipline is appropriate, Director shall, in writing, notify Coach of the discipline and the reasons therefore.

3.5. Limited Liability. Subject to the terms of this Agreement, in no event shall the University be liable for the loss by Coach of any bonuses, benefits, perquisites, or

income, including, but not limited to, those arising out of or relating to consulting relationships, camps, clinics, media appearances, or from any other sources whatsoever, that may ensue as a result of the University's breach or termination of this Agreement, unless otherwise expressly stated herein. The terms of this Section 3.5 shall not release the University from its obligations to Coach under Section 3.2 of this Agreement.

3.6. Coach's Right to Terminate Without Just Cause. In the event Coach terminates this Agreement during the Term of Employment without just cause, then Coach shall pay the University a termination fee in the amount of Five Hundred Thousand and 00/100 Dollars (\$500,000.00). Coach shall make the payment described in this Section 3.6.1 within sixty (60) days of the date when Coach gives notice of termination. The payment shall be in addition to any other payments required under this Agreement.

IV. REVIEW

The parties agree that within sixty (60) days of the end of contract years one and two they will engage in a good faith review of the contract terms and provisions, including but not limited to the Term of Employment and contract guarantee provisions. Neither party is obligated to make or accept any changes to the Agreement in connection with this review.

V. BOARD APPROVAL

The parties acknowledge and agree that this Agreement is subject to formal approval by the University's Board of Regents (BOR). This Agreement shall not be final or binding until formally approved by the BOR.

VI. PROVISIONS OF GENERAL APPLICATION

4.1. Agreement Renewal. Prior to the end of the Term of Employment, Coach will be given notice of the renewal or non-renewal of this Agreement and the terms of the renewal. If the Agreement is not renewed, Coach shall be given thirty (30) days notice of non-renewal and if such notice is not given thirty (30) days before the end of the Term of Employment, the Agreement shall be extended to cover the notice period. This provision shall supersede all rights under University Policies and Procedures including, but not limited to, any notice requirements or layoff programs.

4.2. Assignment of Rights. Coach acknowledges that the total compensation to be paid to Coach as head men's basketball coach is intended to include any and all amounts Coach might have expected to receive from (1) any television and radio shows and advertising revenues derived from those shows; and (2) any arrangements with athletic shoe, apparel or equipment companies on behalf of the University per Section 2.2. It is therefore understood and agreed that any and all rights Coach has in the

production and compensation for any television and radio shows and related advertising and any shoe, apparel or equipment arrangements are hereby assigned in their entirety to the University for the duration of the Term of Employment.

In connection with said assignment, Coach agrees as follows:

- a. Grants University the right to use the Coach's name and likeness in promoting any television or radio show;
- b. Grants University the right to permit others to sell all or a portion of the advertising for any such show;
- c. Grants University the right to collect and retain the revenues generated from the sale of advertising on any such show;
- d. Agrees to appear on any such show and to work cooperatively with the producer of such shows in scheduling taping sessions and other related production issues; and
- e. Agrees to work cooperatively with any shoe, apparel or equipment company to assist in the fulfillment of the University's obligations under any arrangement with the shoe, apparel or equipment company.

It is further expressly understood that the University may reassign any and all of the rights assigned to it by Coach under this Section 4.2.

4.3. Report of Athletically Related Income. (NCAA Bylaw 11.2.2.) The University and Coach hereby stipulate that Coach shall annually provide to the President and the Athletic Director a written detailed account of all athletically related income and benefits from sources outside the University including, but not limited to, the following:

- a. Annuity income related in any way to Coach's coaching, recruiting, or educational duties at the University;
- b. Sports camps;
- c. Housing benefits (including preferential housing arrangements);
- d. Country club memberships;
- e. Complimentary ticket sales;
- f. Television and radio programs; or

- g. Endorsement or consultation contracts with athletic shoe, apparel or equipment manufacturers.

In addition, Coach shall comply with University of Minnesota policy and procedures regarding "Outside Consulting and Commitments by Intercollegiate Athletic Staff." The policies and procedures include, but are not limited to, receiving prior approval (which approval shall not be unreasonably withheld) of any endorsement of a product or service, use of University trademarks and outside consulting commitments.

4.4. Notices/Administration. All notices, requests, and other communications from one of the parties to the other shall be in writing and shall be delivered personally, or by electronic mail (provided such delivery is confirmed), or by courier service to the respective party at his address set forth below or to such other address set forth below or to such other address as such party may designate by notice given pursuant to this section:

As to Coach:

Richard Pitino
Bierman Field Athletic Building
516 15th Avenue SE
Minneapolis, MN 55455

As to the University:

University of Minnesota
Department of Intercollegiate Athletics
Attention: Director
226 Bierman Field Athletic Building
516 15th Avenue SE
Minneapolis, MN 55455
E-mail Address: mcoyle@umn.edu

With a copy to:

University of Minnesota
Office of the General Counsel
Attention: General Counsel
360 McNamara Alumni Center
200 Oak Street SE
Minneapolis, MN 55455
Facsimile No. 612-626-9624
E-mail Address: doug@umn.edu

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

4.6. 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.

4.7. 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.

4.8. 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.

4.9. 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.

4.10. Applicable Law. The laws of the state of Minnesota shall govern and be applicable to this Agreement and any construction or interpretation thereof.

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

COACH

Dated: 4/7/19


Richard Pitino

REGENTS OF THE
UNIVERSITY OF MINNESOTA

Dated: 4/9/19

By: 
Eric Kaler
President

Recommended for Approval:

Dated: 4/7/19

By: Mark Coyle
Mark Coyle
Athletics Director

Recommended as to Form and Execution

Dated: 4/10/19

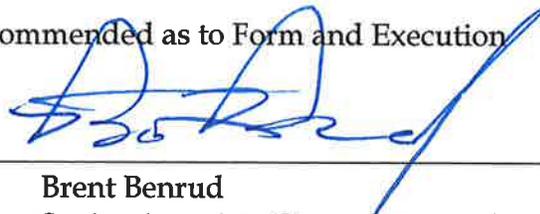
By: 
Brent Benrud
Senior Associate General Counsel

EXHIBIT A

SCHEDULE OF INCENTIVES

In lieu of any other performance based bonus plan the University may adopt for sports coaches or other University employees, the University shall pay Coach the following incentive Bonuses, consistent with the requirements of all other terms of this Agreement:

- I. **NCAA Tournament.** For each year the Team shall play in the NCAA Championship Tournament during the Term of Employment, the University shall pay Coach as follows:
- a. Winning the National Championship, One Hundred Thousand and No/100 Dollars (\$100,000);
 - b. Playing in the Final Four, Fifty Thousand and No/100 Dollars (\$50,000);
 - c. Playing in the Sweet Sixteen, Fifty Thousand and No/100 Dollars (\$50,000);
 - d. An invitation to play in the NCAA Championship Tournament (either an opening round or second round game), Fifty Thousand and No/100 Dollars (\$50,000)

Coach shall receive each of the bonus amounts achieved under this section, i.e., bonus amounts under this section are cumulative.

- II. **Big Ten Finish.** The University shall pay Coach a bonus based upon the Team's Big Ten finish that concludes during each year of the Term of Employment, as follows:

	<u>Finish</u>	<u>Amount of Bonus</u>
a.	Big Ten Regular Season Champion	\$50,000
b.	Big Ten Tournament Champion	\$25,000
c.	A winning record in the Big Ten regular season (at least one more win than loss).	\$50,000

Coach shall receive each of the bonus amounts achieved under this section, i.e., bonus amounts under this section are cumulative.

III. **Academic Performance.** The University shall pay Coach a bonus based on the single year Annual Academic Progress Rate ("APR") for the Team, as established each year by the NCAA, as follows:

- | | | |
|----|----------------------------------|----------|
| a. | APR greater than or equal to 940 | \$25,000 |
| b. | APR greater than or equal to 960 | \$50,000 |
| c. | APR greater than or equal to 980 | \$75,000 |

Coach shall receive the highest single bonus amount achieved under this section, i.e., bonus amounts under this section are not cumulative.

IV. **Academic Performance.** The University shall pay Coach a bonus based on the graduate success rate for the Team, as determined each year by the University consistent with NCAA rules, as follows:

- | | | |
|----|--|----------|
| a. | Percentage greater than or equal to 80 | \$75,000 |
| b. | Percentage greater than or equal to 70 | \$50,000 |

Coach shall receive the highest single bonus amount achieved under this section, i.e., bonus amounts under this section are not cumulative.

V. **Coach of the Year Honors**

- | | | |
|----|----------------------------|----------|
| a. | Big Ten Coach of the Year | \$25,000 |
| b. | National Coach of the Year | \$50,000 |

Coach is eligible to receive either or both amounts under this section, i.e., bonus amounts under this section are cumulative.

VI. **Annual Team Cumulative Grade Point Average ("GPA").**

- | | | |
|----|--------------------------------------|----------|
| a. | Cumulative Team GPA of 3.0 or above | \$25,000 |
| b. | Cumulative Team GPA of 3.25 or above | \$50,000 |
| c. | Cumulative Team GPA of 3.5 or above | \$75,000 |

Coach shall receive the highest single bonus amount achieved under this section, i.e., bonus amounts under this section are not cumulative.

**Finance & Operations Committee
Consent Report
May 9, 2019**

Employment Agreement

Pending approval by the Board of Regents, Richard Pitino will have a new employment agreement as Head Men's Basketball Coach, University of Minnesota, Twin Cities.

Position Overview

Head men's basketball coach is a leadership position reporting directly to the deputy athletics director and athletics director. The head men's basketball coach must be adept at building and maintaining a men's basketball program that achieves at high levels academically, athletically and socially. The head men's basketball coach must also be a strong collaborator, working with ICA staff and campus leadership as an advocate for the men's basketball program and to advance the missions of ICA and the University.

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

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

- adhering to all rules and regulations of the department, the University, the Big Ten Conference, and the NCAA; and,
- representing in a positive fashion the University and its athletic programs in private and public forums.

Background and Qualifications

Richard Pitino joined the University of Minnesota in 2013 and recently finished his sixth season at the helm of Gopher men's basketball, following one season as head coach at Florida International. Including his time as an assistant, Pitino has worked in Division I college basketball since 2005.

His career record stands at 130-106, including a 112-92 mark at Minnesota. Included in that time are three 20-win seasons, the most recent coming this past year when the Gophers were 22-14. Finishing seventh in the Big Ten Conference, which was widely considered the toughest conference in the nation this season, Pitino led the team to its second NCAA Tournament berth in three years and a opening-round win over Louisville. The upset victory in Des Moines saw the 10th-seeded Gophers defeat the No. 7 seed Cardinals, 86-76, in just the second NCAA Tournament victory for the program since 1990.

Pitino, the 2017 Big Ten Coach of the Year, has coached several All-Big Ten performers including two first team selections in Nate Mason (2017) and Jordan Murphy (2019), ending a 12-year drought without a Minnesota representative. In Pitino's first NCAA tournament trip with the Gophers, he led the team (24-10) to a No. 5 seed, after engineering the largest single-season turnaround in school history and the best in the country that season. Pitino's first team in 2013-14 also set a school record for wins with 25 en route to capturing the NIT title.

Academically, Pitino's teams have shown marked growth including the highest single term GPA in program history this past fall. The Gophers have placed individuals on the Academic All-Big Ten teams in four of the last five seasons, including three honorees in 2019.

Background Information

Coach Pitino's initial employment agreement as head men's basketball coach went into effect in April 2013 with amendments occurring in August 2015, January 2017, May 2017, and April 2018.

Summary of the new Employment Agreement

When a coach already has three or more amendments, it is the University's regular practice to prepare an entire new contract, rather than add more amendments. This makes the contract easier to read and also provides the opportunity to update the overall contract provisions to reflect the most current language.

The new employment agreement incorporates the provisions from the prior amendments. The agreement extends Coach Pitino's term of employment by two years through April 30, 2024 and adjusts base salary, supplemental compensation, termination fee paid by University, termination fee paid by the coach, and retention bonuses.

The termination fee provisions are as follows:

University terminates the agreement with Coach Pitino without cause

- If notice of termination provided prior to April 30, 2020: \$2 million
- If notice of termination provided between May 1, 2020 and April 30, 2021: \$1.75 million
- If notice of termination provided between May 1, 2021 and April 30, 2022: \$1.5 million
- If notice of termination provided between May 1, 2022 and April 30, 2023: \$1 million
- If notice of termination provided on or after May 1, 2023: No fee.

Coach Pitino terminates agreement with University

- \$500,000 at any point during the length of the employment agreement

Comparable Market Data

Coach Pitino's salary (base plus supplement) for 2020 will be \$2.1 million. Compared against the current pay of head men's basketball coaches across the Big Ten, Coach Pitino will rank eleventh in compensation among the conference's 14 head coaches in 2019.

Recommendation

The president recommends approval of the new employment agreement for Richard Pitino as Head Men's Basketball Coach, University of Minnesota, Twin Cities.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 12th day of April, 2019, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the “University”), and Jeremy Youde (“Jeremy Youde,” “you”).

WHEREAS, the University wishes to employ Jeremy Youde as the Dean of the College of Liberal Arts at the University of Minnesota Duluth and Jeremy Youde wishes to accept employment as Dean of the UMD College of Liberal Arts;

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 Jeremy Youde 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 Jeremy Youde as the Dean of the College of Liberal Arts and he agrees to be so employed by the University for a one-year term commencing on July 1, 2019. The Dean of the College of Liberal Arts 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 Executive Vice Chancellor for Academic Affairs. As such, you report to and serve at the pleasure of the Executive Vice Chancellor for Academic Affairs and your appointment may be terminated at any time without advance notification.

II. DUTIES

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

- A. Work collaboratively with CLA faculty, students, staff, and others across the University and externally to advance the College’s overall quality, reputation, and aspirational goals;
- B. Provide administrative oversight of the College, including overall strategic leadership and accountability; oversee planning, stewardship, and management of fiscal, capital, and human resources of the College;
- C. Promote and represent the interests of the College in positive fashion in private and public forums; serve as a leader for public policy research, scholarship, teaching, and engagement in the University community and the broader community;
- D. Provide the creative, strategic leadership, resource management skills, and collaborative leadership to leverage the full interdisciplinary breadth of the College, incorporate forward-looking trends in liberal arts education, student development and retention, and higher education, and catalyze new opportunities for innovation and collaboration;

- E. Oversee recruitment and retention of outstanding faculty, students and staff;
- F. Support the College through fundraising; lead efforts to secure philanthropic support; and garner support for the College from both internal and external stakeholders;
- G. Promote and strengthen international and multicultural research and education; advance diversity across the College and productive engagement with local and global communities;
- H. Work collaboratively with other academic deans and administrators to advance the College and UMD;
- I. Perform such other duties as related to your employment position and assigned to you by your appointing authority.

III. PERFORMANCE

In accordance with University policy, you will receive regular annual performance evaluations.

IV. FACULTY APPOINTMENT

In addition to your appointment as Dean of the College of Liberal Arts, you will also be considered for appointment as a tenured, full professor in the college. Any such appointment as a professor is subject to Board of Regents Policy: *Faculty Tenure*. During the time you serve as Dean of the College of Liberal Arts, you will not receive any compensation for your faculty appointment, but a salary for this appointment will be established each year by the University, based on the average increase to base of your same-ranked collegiate peers.

V. 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 One Hundred and Fifty-Six Thousand and No/100 Dollars (\$156,000).
- 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.

VI. BENEFITS

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

VII. RELOCATION

The University will pay for actual and reasonable costs associated with your move, in accordance with the University's relocation policy (<http://www.policy.umn.edu/Policies/Finance/Travel/EmployeeRelocation.html>). Relocation expenses reimbursed will not exceed Twenty-Five Thousand and No/100 Dollars (\$25,000).

VIII. SEPARATION

A. Your appointment as Dean of the College of Liberal Arts is an L appointment, which means you serve at the pleasure of your appointing authority. Your appointment may be terminated without any required notice period.

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

C. If you are a faculty member at the end of your administrative appointment, you may return to the faculty at your established faculty salary.

IX. 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.

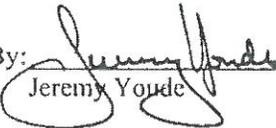
E. Enforceability. If any provision contained herein shall be deemed or declared unenforceable, invalid, or void, the same shall not impair any of the other provisions contained herein, which shall be enforced in accordance with their respective terms.

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.

**X. BOARD OF REGENTS APPROVAL
AND APPROVAL OF TENURED APPOINTMENT**

This agreement is subject to the approval of the Board of Regents and a background check that is satisfactory to the University. This agreement is also subject to the approval of the faculty appointment provided for in Section IV of this agreement.

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

By:  _____
Jeremy Youde

REGENTS OF THE UNIVERSITY OF MINNESOTA

By:  _____
Fernando Delgado
Executive Vice Chancellor for Academic
Affairs

**Finance & Operations Committee
Board of Regents Meeting
Consent Report
May 10, 2019**

Personnel Appointment

Pending approval by the Board of Regents, Dr. Jeremy Youde will be appointed Dean of the College of Liberal Arts at the University of Minnesota Duluth, effective July 1, 2019.

Position Overview

As dean, Dr. Youde will serve as the chief academic and administrative officer of the College of Liberal Arts (CLA). Dr. Youde will provide strategic and intellectual leadership and administrative oversight for the college and will collaborate with other campus deans, the Vice Chancellors, and other campus leaders to advance UMD's mission and strategic plan. Dr. Youde will provide leadership and administrative oversight of, and accountability for, the college. Dr. Youde will be expected to be a visible leader for the college and engage with external stakeholders, including alumni, industry partners, System colleagues, and legislators. As dean, Dr. Youde will promote and represent the school, playing a major leadership role in fundraising and in efforts to secure philanthropic support. Dr. Youde will be engaged on various UMD leadership councils and participate in raising the academic profile of the college and of UMD nationally and internationally.

Appointee's Background and Qualifications

Dr. Youde has previously served as a tenure-track and tenured faculty member at UMD and more recently at Australian National University, where he also served in various administrative roles. Dr. Youde has a distinguished record of scholarly achievement, including more than two dozen articles and six authored, edited or co-edited books. Dr. Youde has served as the Interim Head of the Department of International Relations, Acting Associate Dean, College of Asia and the Pacific, and Deputy Director of Education at the Cora Bell School of Asia Pacific Affairs at Australia National University. When Dr. Youde was previously at UMD he also served as Department Head for four years and as Acting Director of the International Studies program.

In addition to his scholarly and administrative highlights, Dr. Youde is an experienced and respected teacher. He has taught dozens of courses while a faculty member at Grinnell College, San Diego State University, UMD, and AUN. He has served on supervised numerous masters and doctoral students and has been awarded teaching and faculty awards at UMD.

Dr. Youde completed his undergraduate studies at Grinnell College and his M.A. and Ph.D. degrees in political science at The University of Iowa.

Recommended Salary and Appointment Type

Dr. Youde's 12 month administrative salary will be \$156,000. His appointment as Dean of the College of Liberal Arts is a 100%-time, A-term (12-month), L-type (limited) appointment,

reporting to and serving at the pleasure of the Executive Vice Chancellor at UMD. The full employment agreement between the University of Minnesota and Dr. Youde is attached as an exhibit.

Individually Negotiated Terms of Employment or Separation Agreements

There are no individually negotiated terms of employment or separation agreements.

Comparable Market Data

Benchmarking with the CUPA Administrators in Higher Education salary survey for the position of Dean of Liberal Arts for the University of Minnesota Duluth peer group, where the median is \$141,203:

20th percentile - \$114,874

40th percentile - \$129,395

60th percentile - \$149,962

80th percentile - \$200,272

Dr. Youde's salary is in line with the current CLA dean's salary and would place him just above the 60th percentile on the CUPA data provided by Human Resources.

Recommendation

The President recommends the appointment of Dr. Jeremy Youde as Dean of the College of Liberal Arts at the University of Minnesota Duluth.

*aged to May 10, 2019



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

May 9, 2019

AGENDA ITEM: Information Items

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Brian Burnett, Senior Vice President

PURPOSE & KEY POINTS

- A. Annual Investment Performance: Peer Comparisons
- B. Investment Advisory Committee Update
- C. Quarterly Asset Management Report
- D. Semi-annual Management Report – Unaudited
- E. Update on 2016 Resolution Related to Long-Term Development in Key Areas of the Twin Cities Campus
- F. Update on April 2019 Debt Offering - Series 2019A, 2019B, and 2019C

Annual Investment Performance: Peer Comparisons

The purpose of this item is to report on investment performance and asset allocation data related to peer institutions for the fiscal year ending June 30, 2018. The Office of Investments & Banking prepares this report, as required by Board policy, for review by the Investment Advisory Committee and the Board of Regents.

- Endowment Fund investment performance of 8.6 percent ranked above the median return of all peer institutions in the country.
- Drivers of performance included Venture Capital managers, who produced greater than 17 percent returns.
- Increased portfolio liquidity and targeted asset class strategies position the Endowment Fund for continued success in coming years.

Investment Advisory Committee Update

The purpose of this item is to provide a report on the quarterly meeting of the Investment Advisory Committee held on February 6, 2019. The agenda for the meeting included:

- Portfolio Performance Review
- Manager Recommendation: DCVC V – Approved
- Manager Recommendation: ABRY Partners IX – Approved
- Manager Recommendation: Platinum Equity Capital Partners V – Approved
- Manager Recommendation: Quan Venture Fund II – Approved

- FY19 Workplan Overview

Quarterly Asset Management Report

The purpose of this item is to report on the performance results for assets managed by the Office of Investments & Banking (OIB) for the period ending December 31, 2018. OIB prepares this report, as required by Board policy, for review by the Board of Regents.

- The invested assets of the University totaled approximately \$2.65 billion on December 31, 2018.
- The Consolidated Endowment Fund (CEF) value increased by \$42 million to \$1.48 billion and distributed \$15 million to the University during the quarter. The total investment return for CEF during the quarter was -1.4 percent, compared to its short-term benchmark at -3.5 percent.
- The market value of the Short-term Reserves (TIP) was \$1.04 billion as of December 31, 2018. The total return on the portfolio over the quarter was 1.0 percent compared to a benchmark return of 1.1 percent. The change in market value of during the quarter was largely due to the timing of cash flows as part of the University's normal business cycle.

Semi-annual Management Report - Unaudited

The six-month management report provides the Board of Regents with an overview of the University's unaudited financial statements as of December 31, 2018. The report includes:

- Consolidated Statement of Net Position.
- Consolidated Statement of Revenues, Expenses and Changes in Net Position.
- Consolidated Statement of Cash Flows.
- Commentary on the major fluctuations in balances, revenues and expenses.
- A summary of six-month unaudited results for the University's reportable component units.

Update on 2016 Resolution Related to Long-Term Development in Key Areas of the Twin Cities Campus

As required by the July 2016 resolution related to long-term development in key areas of the Twin Cities campus, the following update is provided.

The health sciences improvement program (if funded) would begin the first of many phases involved in achieving the long-term vision adopted by the Board. Planning for a refined scope and legislative strategy are ongoing. More detail on this component and Board engagement in shaping a finalized HSIP plan will be a part of the six-year capital plan update this fall.

The Pioneer Hall project is nearing completion, and on schedule for student occupancy this fall. Regular capital renewal continues in all housing and apartment facilities. In conjunction with the Saint Paul Strategic Facilities Plan, housing staff have been engaged in visioning the future for both Bailey Hall and Commonwealth Terrace. The Board will receive more detail on the Saint Paul plan in the coming months.

In the two academic years since the resolution was adopted, Housing and Residential Life has been able to provide University housing to all first-year students who applied for housing; all second-year and upper division students who applied to continue living in University housing through the room sign-up process; and 65 percent to 85 percent of all new fall semester transfer students who applied for University housing. Occupancy projections for fall 2019 suggest this will again be true.

Staff continue to refine the right mix between owned and master leased property in order to provide sufficient capacity and variety to meet demand.

Update on April 2019 Debt Offering - Series 2019A, 2019B, and 2019C

On April 23, 2019 the University completed the offering and pricing of debt, in accordance with Board authorization. The University went to market with series 2019A/B/C for a total issuance of \$205,915,089. The following table summarizes the results of the offering:

	2019A (Tax exempt General Obligation)	2019B (Tax exempt Refunding Bonds)	2019C (Taxable)
Par amount	\$ 104,215,000	\$ 51,240,000	\$ 20,000,000
Premium	\$ 21,040,764	\$ 9,419,325	N/A
Total	\$ 125,255,764	\$ 60,659,325	\$ 20,000,000
All-in True Interest Cost	3.014 % (2019A/B combined)		3.759 %
NPV Savings on Refunding		\$ 6,805,995	

In connection with the issuance, the University received ratings from Moody's Investors Service (Moody's) and S&P Global Services (S&P). Copies of the ratings reports are included with the Board materials. Highlights and comments from each rating agency included:

- Moody's rated the University's offering Aa1, with stable outlook and noted "[t]he University's excellent credit profile reflects strong student and research market positions and ample balance sheet reserves, all incorporated in the university's excellent strategic position. UM receives good support from the State of Minnesota (Aa1 stable), including payment of debt service on \$242 million of Special Purpose Revenue Bonds (Aa2 stable). The university also continues to benefit from strong fundraising. Offsetting challenges are relatively thin operating performance compared to peers and substantial capital plans. However University of Minnesota's conservative debt amortization will offset most or all of the planned issuance."
- S&P rated the University's offering AA, with stable outlook, and noted "[w]e have assessed the University of Minnesota's enterprise and financial profile as extremely strong and very strong, respectively. The enterprise profile reflects stable enrollment, very good selectivity and student quality, a high retention and graduation rate, and a solid management team. The financial profile reflects the university's relatively consistent financial performance on a cash basis, while its performance on a full-accrual basis is weaker in fiscal years 2017 and 2018, primarily due to increased pension expenses and a relatively flat state appropriation. In addition, available resources to operations and debt remain somewhat low for the rating category (offset by just under 20% of debt supported by state funds) and UM's maximum annual debt service burden is low to moderate... In our view, the final long-term rating of 'AA' on the university's bonds better reflects UM's somewhat recent softer financial performance and modest available resources for the rating category compared with medians and peers."

Some observations on the offering include the following:

- The University issued series 2019B for the full amount required to refund the University's outstanding 2009D and 2010D Build America Bonds (Babs).
- Because of the pace of current and projected spending on capital projects, the University issued less than the full \$150,000,000 authorized by the Board for new general obligations

debt. Series 2019A and 2019C, which constitutes the new debt, totaled only \$124,215,000. However, including the issuance premium of \$30,460,089, the University will have sufficient proceeds to complete all projects as planned.

- The refunding of the 2009D and 2010D Babs will allow the University to enjoy \$6,805,995 million in net present value savings on future debt service.
- The University's excellent credit profile resulted in lower costs of borrowing than the University of Arizona and the University of Connecticut, both of which were also in the market the same week as the University of Minnesota.
- Additionally, the University achieved tighter interest rate spreads than the University of Michigan's February 2019 offering (the University of Michigan is a triple-A rated institution).

FY 2018 Annual Peer Benchmarking

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

Finance and Operations Committee

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Investments & Banking

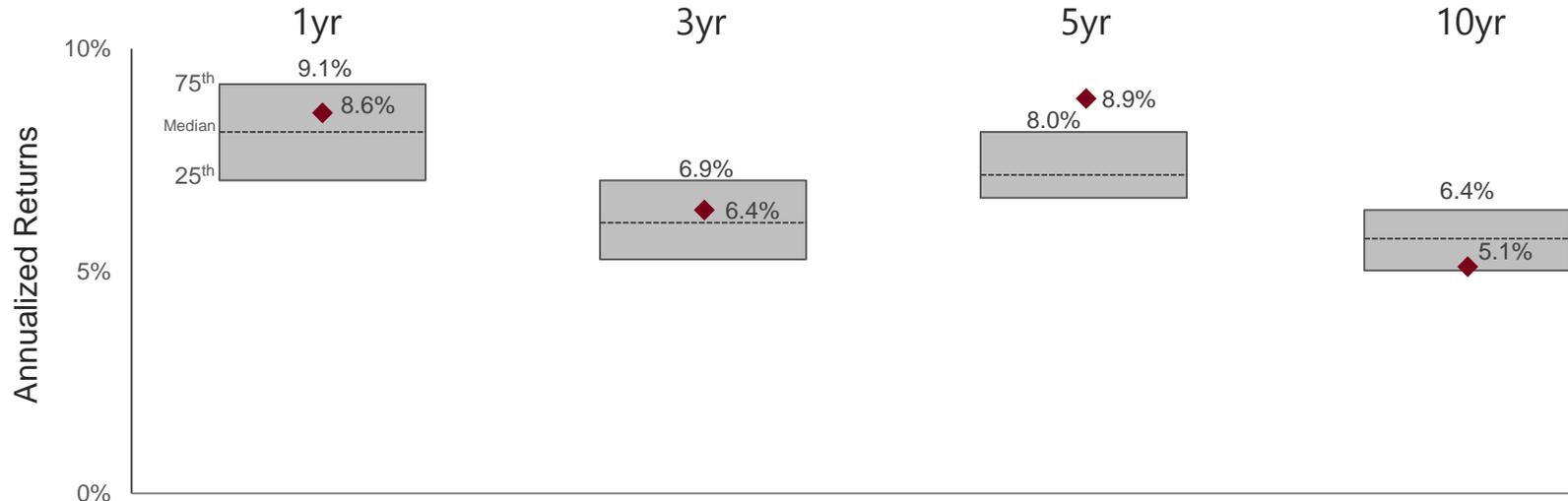
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NACUBO/Commonfund Study

- 809 total participating institutions ranging in size from \$25M to over \$20B.
- Participating institutions returned an average of 8.2% for the 2018 fiscal year.

Participant Quartile Rankings for 6/30 YE

◆ UMN Endowment



Effective Spending Rates

Size of Endowment	FY'18 (%)	FY'17 (%)	FY'16 (%)	FY'15 (%)	FY'14 (%)	FY'13 (%)
Over \$1 Billion	4.6	4.8	4.4	4.3	4.6	4.8
\$501 Million to \$1 Billion	4.2	4.6	4.3	4.1	4.3	4.6
\$101 Million to \$500 Million	4.4	4.5	4.3	4.1	4.3	4.4
\$51 Million to \$100 Million	4.6	4.5	4.4	4.4	4.4	4.4
\$25 Million to \$50 Million	4.4	4.2	4.1	4.0	4.2	4.3
Under \$25 Million	4.1	4.0	3.8	4.5	4.6	4.1
University of Minnesota	4.3	4.1	4.0	3.8	4.2	4.6



NACUBO Asset Allocation Detail

Size of Endowment	University of Minnesota	Over \$1 Billion	\$500 Million - \$1 Billion
Domestic Equity	14%	13%	22%
International Equity	18%	19%	22%
Fixed Income	13%	7%	10%
Alternative Strategies	54%	58%	41%
Private Equity	6%	11%	8%
Marketable Alternatives	10%	19%	18%
Venture Capital	19%	8%	3%
Global Real Estate	5%	5%	3%
Natural Resources	5%	7%	5%
Distressed Debt	4%	1%	1%
Other	5%	7%	3%
Short Term Securities	1%	3%	5%



Public Institution Return Detail

Institution	Market Value (\$mil)	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)	10 Year Return (%)
UNC Investment Fund	\$6,156	12.0	7.1	9.2	5.8
University of Virginia	\$9,491	11.4	7.2	9.6	7.9
Michigan State University	\$2,908	11.1	7.2	8.4	6.0
University of Michigan	\$12,211	10.7	7.5	8.8	6.0
Indiana University Foundation	\$2,241	10.1	5.9	7.8	5.7
University of Wisconsin Foundation	\$2,985	9.2	7.1	7.7	5.5
University of Pittsburgh	\$4,161	8.9	6.6	7.9	6.1
Purdue Research Foundation	\$2,524	8.9	5.9	7.3	5.8
University of Minnesota Foundation	\$2,506	8.6	6.3	7.7	5.9
University of Minnesota Endowment	\$1,415	8.6	6.4	8.9	5.1
The University of Chicago	\$8,099	8.0	5.7	6.9	5.8
University of Pittsburgh MC	\$5,500	7.8	6.2	7.4	5.2
The Pennsylvania State University	\$4,231	7.8	6.4	7.9	6.6
The Ohio State University	\$5,211	7.7	6.0	7.2	-





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Quarterly Asset Management Report

For the period ending December 31, 2018

Brian D. Burnett, Senior Vice President for Finance and Operations

Stuart Mason, Associate Vice President, Chief Investment Officer

Finance and Operations Committee

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



Office of Investments & Banking

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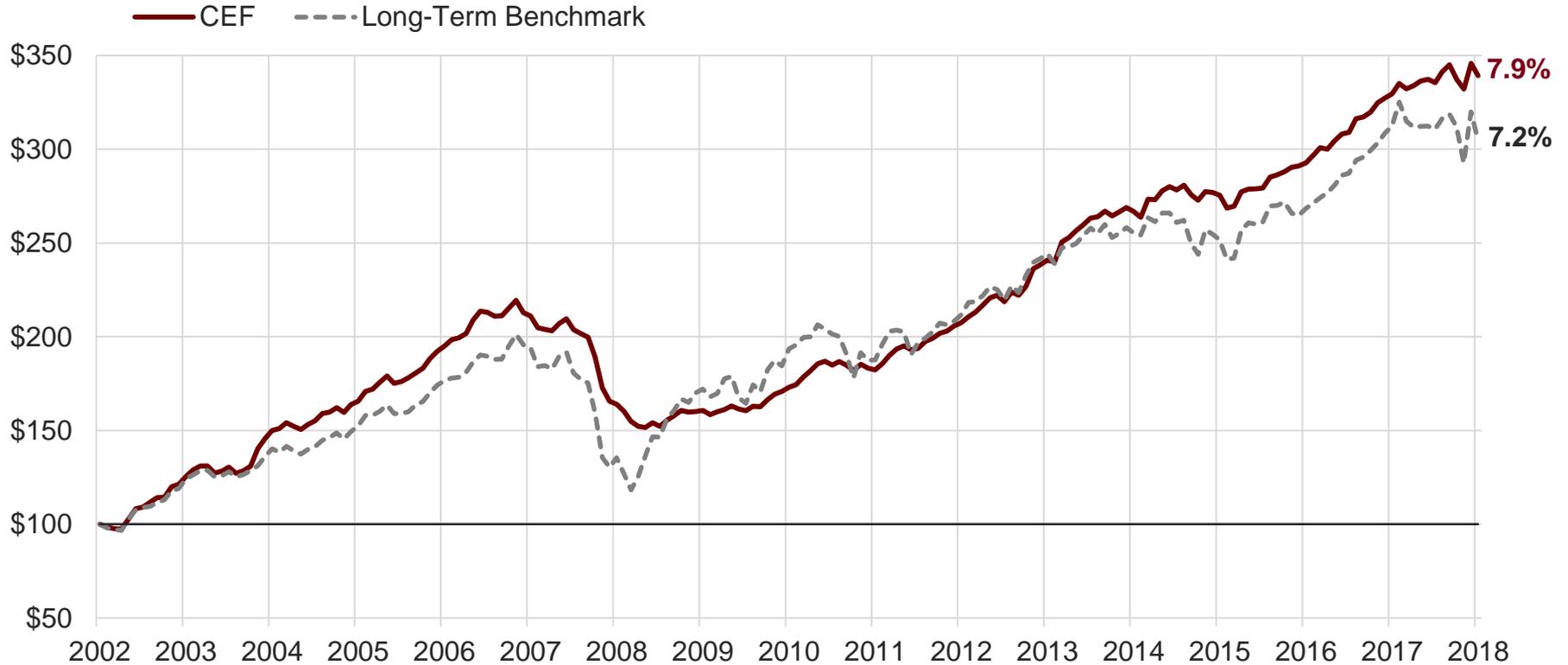
University Investment Funds

OIB Managed Funds (\$ millions)	Dec 2018	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Consolidated Endowment Fund (CEF)	\$ 1,482.2	\$ 1,414.9	\$ 1,351.8	\$ 1,258.0	\$ 1,293.6	\$ 1,272.5
Long-Term Reserves (GIP)	71.4	70.8	71.3	65.8	52.7	45.9
Short-Term Reserves (TIP)	1,036.6	1,068.3	1,113.4	1,101.0	1,050.0	1,054.6
RUMINCO Ltd.	47.6	48.4	45.3	40.6	39.6	39.2
Invested Assets Related to Indebtedness	12.9	25.4	48.9	100.9	148.3	66.9
Total Managed Assets	2,650.7	2,627.8	2,630.7	2,566.3	2,584.2	2,479.1

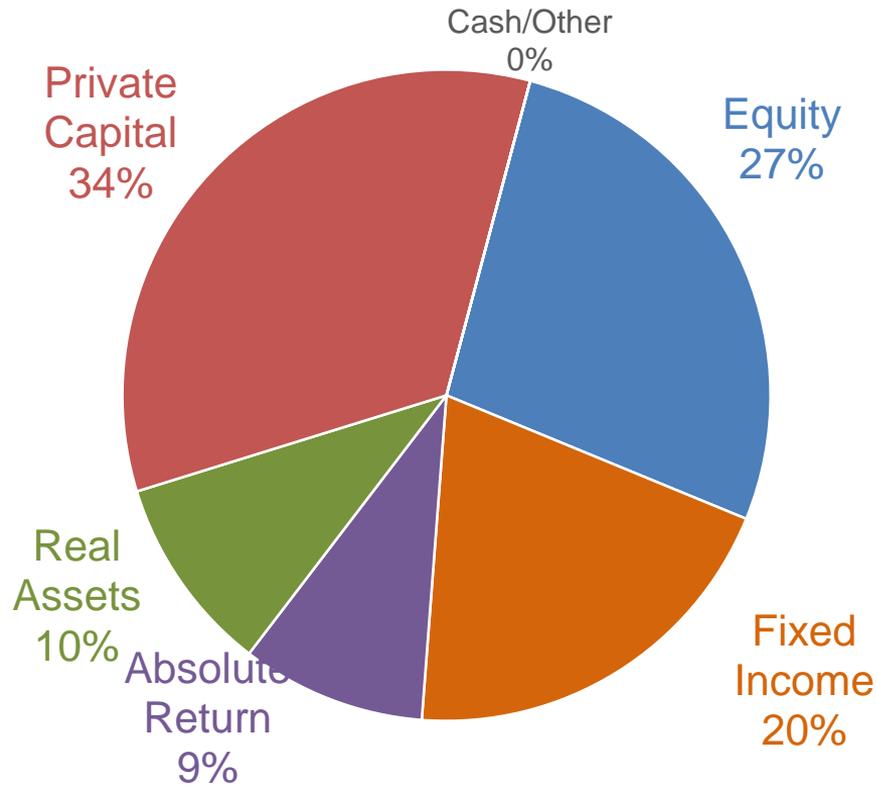


Our goal is to preserve the inflation adjusted value of the endowment

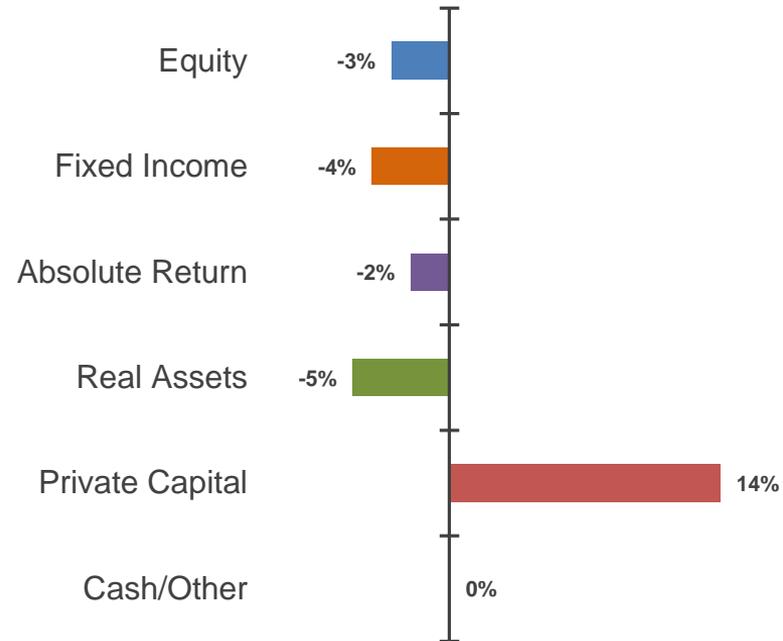
Growth of \$100



CEF Asset Allocation

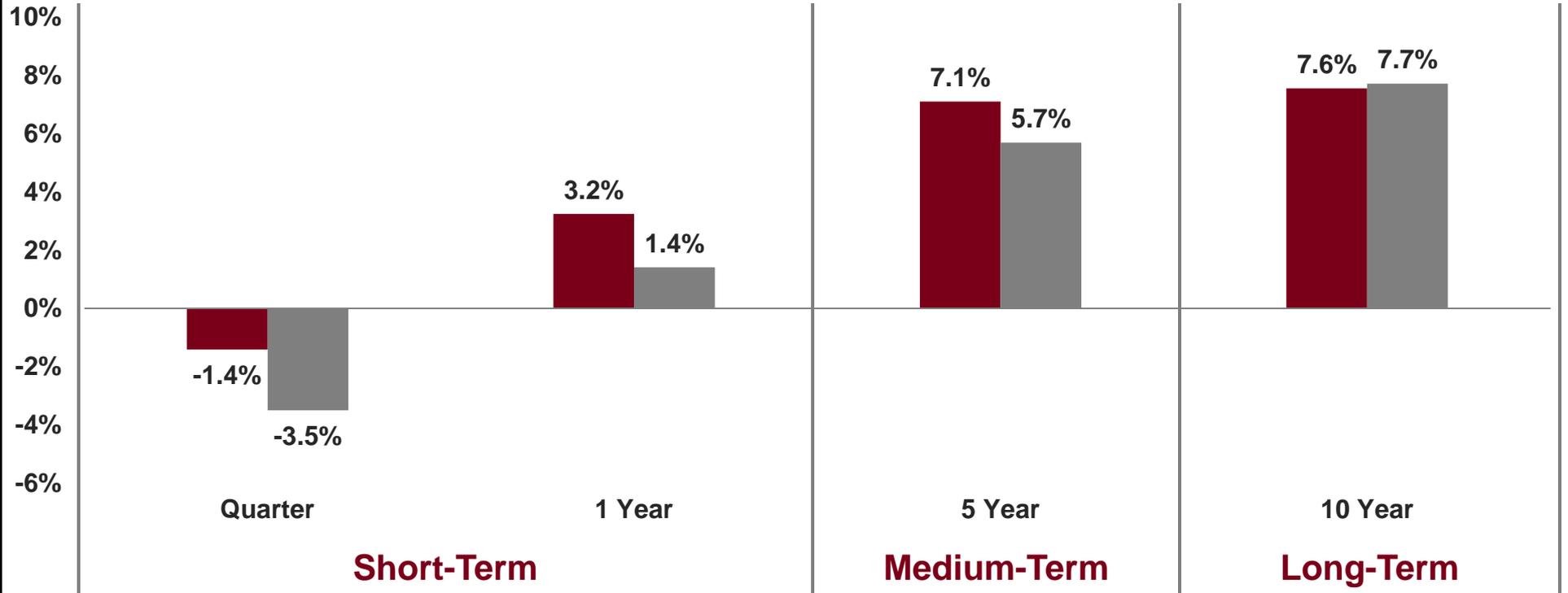


Over/Under Weight vs. Strategic Targets

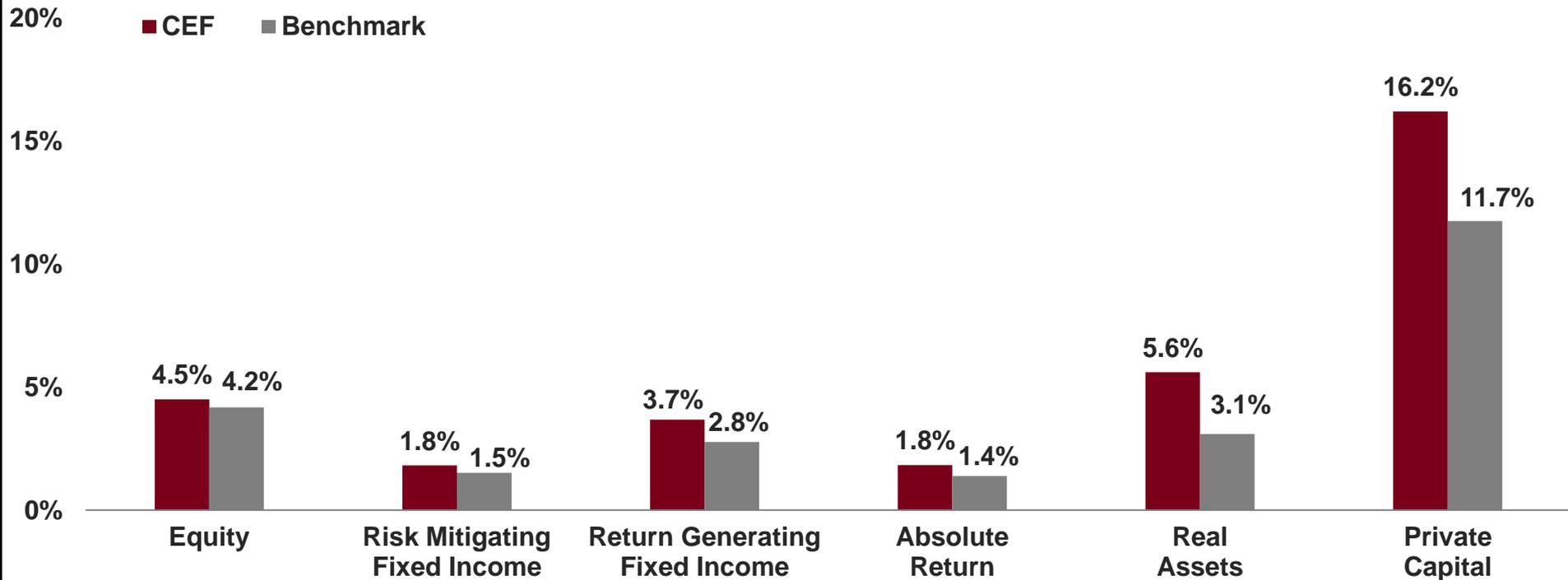


CEF Performance Summary

■ CEF ■ Benchmark

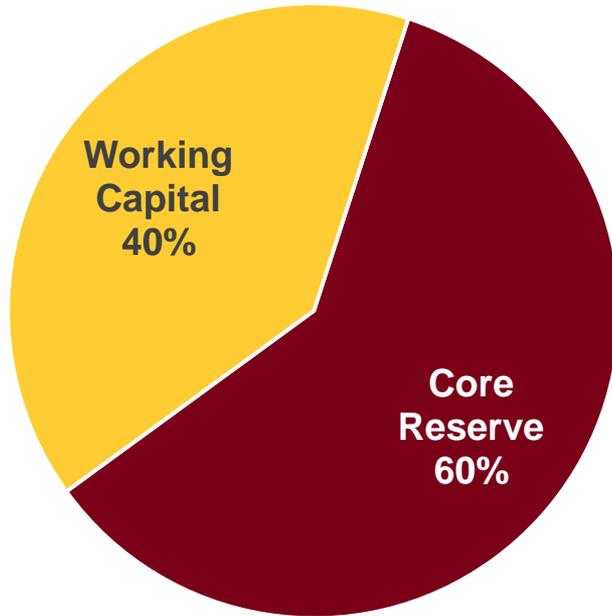


5-Year Returns for CEF Asset Classes vs. Medium-Term Objectives

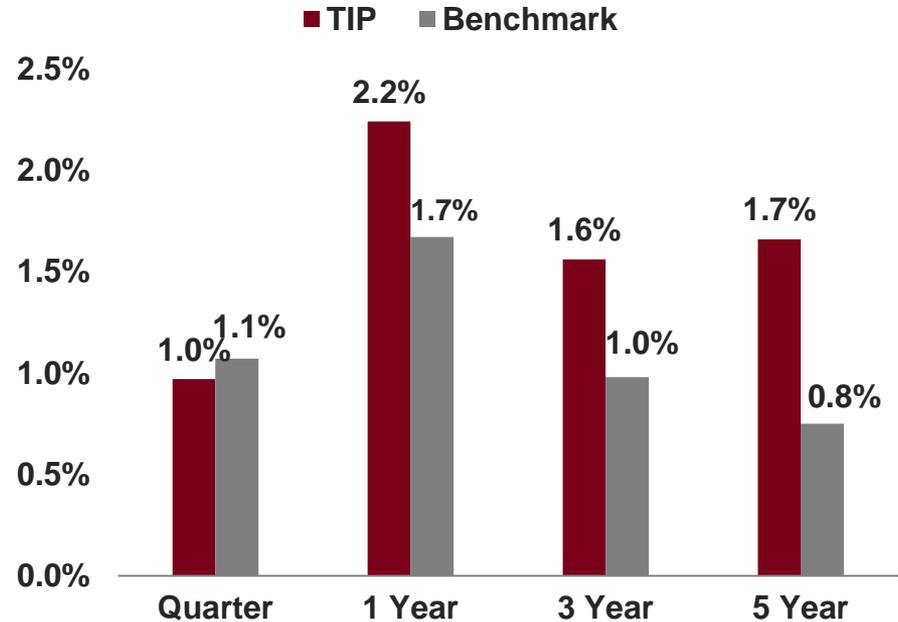


Short-Term Reserves (TIP)

Asset Allocation

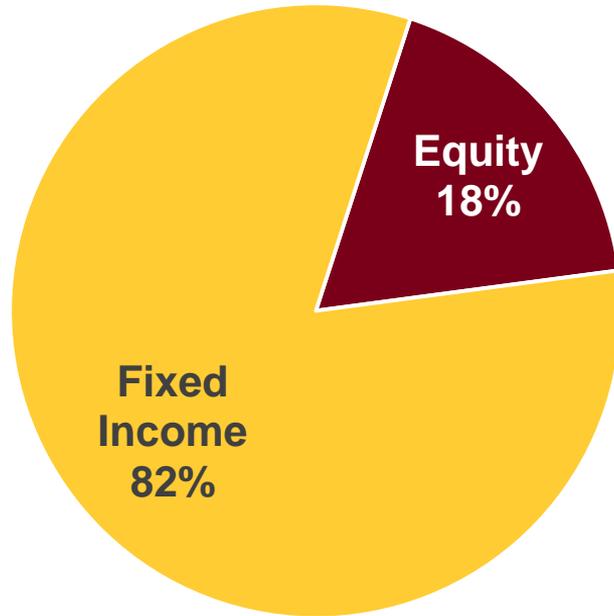


Performance Summary

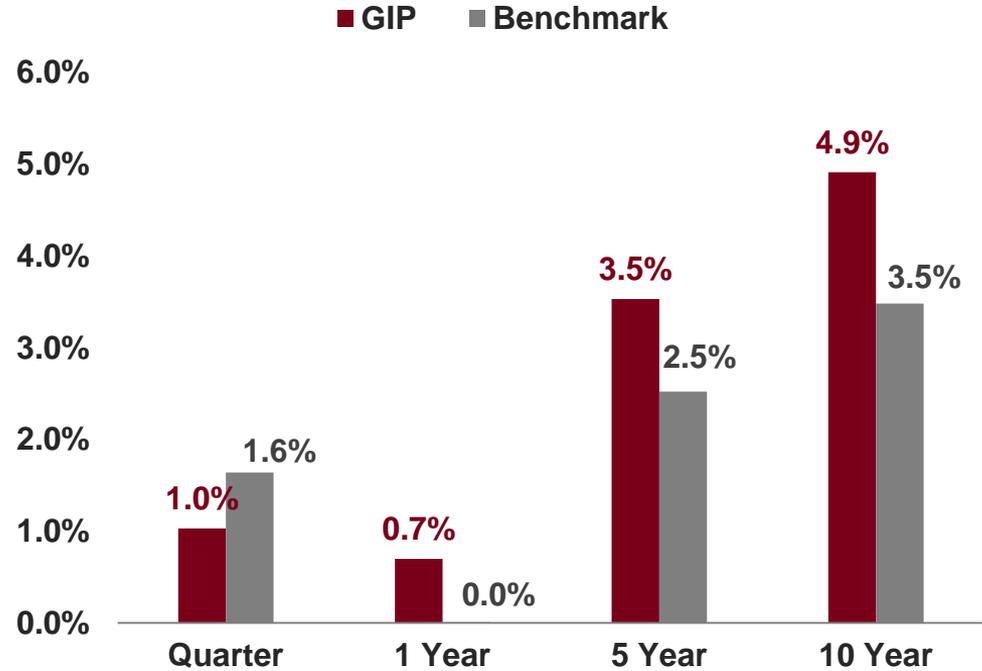


Long-Term Reserves (GIP)

Asset Allocation

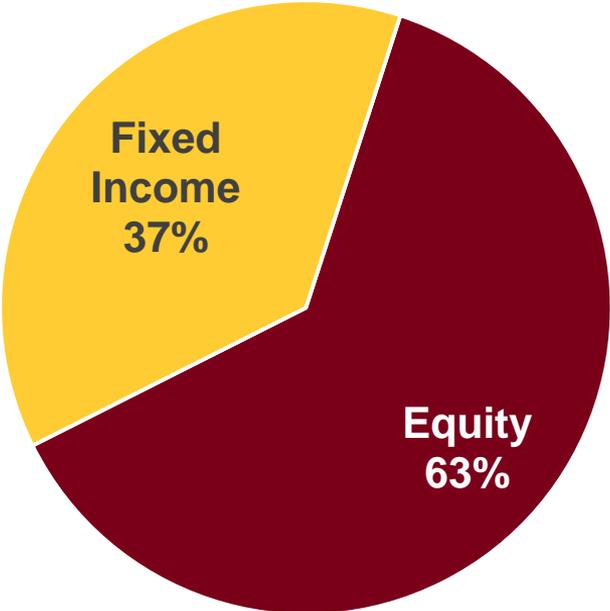


Performance Summary

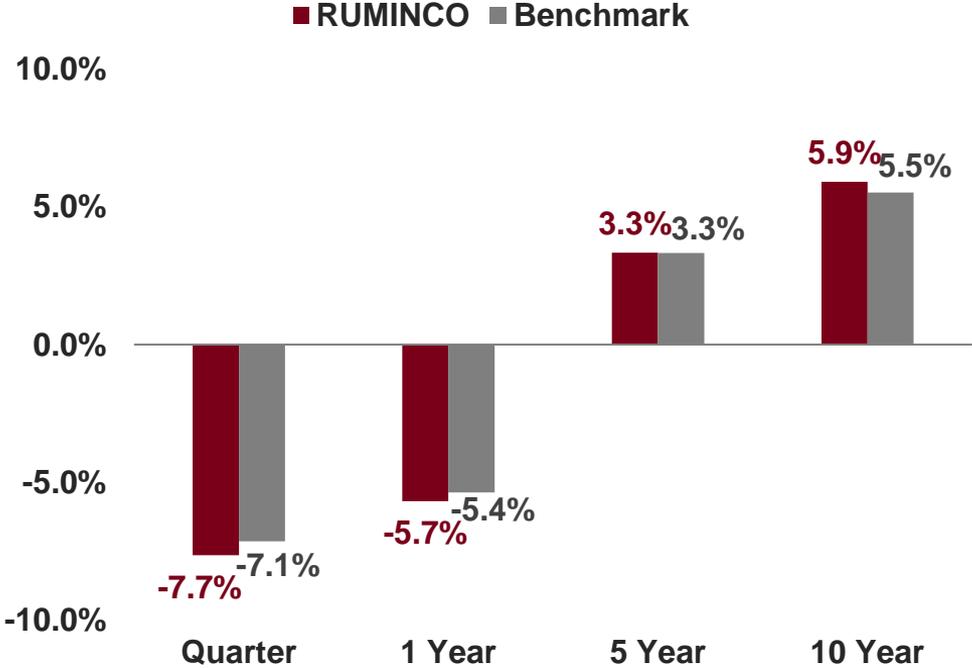


RUMINCO Ltd.

Asset Allocation



Performance Summary





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University of Minnesota
Consolidated Statements of Net Position (Excluding Component Units)

December 31, 2018 and 2017 (in thousands)

(Unaudited)

		2019	2018
Assets			
Current assets			
	Cash and cash equivalents	\$ 428,287	\$ 472,361
	Short-term investments	295,629	65,485
	Receivables, net	637,520	595,949
	Inventories	19,434	19,768
	Student loans receivable, net	10,516	10,567
	Prepaid expenses	58,245	58,267
	Other assets	3,348	1,630
	Total current assets	<u>1,452,979</u>	<u>1,224,027</u>
Noncurrent assets			
	Restricted cash and cash equivalents	12,981	85,459
	Investments	1,828,548	1,982,922
	Receivables, net	10,712	11,552
	Student loan receivables, net	60,531	62,985
	Prepaid expenses	15,571	31,126
	Capital assets, net	3,168,904	3,146,707
	Total noncurrent assets	<u>5,097,247</u>	<u>5,320,751</u>
Total assets		<u>6,550,226</u>	<u>6,544,778</u>
Deferred Outflows of Resources		<u>948,240</u>	<u>1,333,272</u>
Liabilities			
Current liabilities			
	Accounts payable	130,840	127,460
	Accrued liabilities and other	340,522	327,917
	Unearned income	13,590	13,317
	Long-term debt	360,476	314,121
	Total current liabilities	<u>845,428</u>	<u>782,815</u>
Noncurrent liabilities			
	Accrued liabilities and other	1,249,018	2,054,059
	Unearned income	40	79
	Long-term debt	1,148,919	1,211,677
	Total noncurrent liabilities	<u>2,397,977</u>	<u>3,265,815</u>
Total liabilities		<u>3,243,405</u>	<u>4,048,630</u>
Deferred Inflows of Resources		<u>724,440</u>	<u>178,679</u>
Net Position			
	Unrestricted	647,247	727,590
	Restricted		
		Expendable	910,550
		Nonexpendable	309,466
	Net investment in capital assets	1,663,358	1,699,367
Total net position		<u>\$ 3,530,621</u>	<u>\$ 3,650,741</u>

University of Minnesota

Consolidated Statements of Revenues, Expenses and Changes in Net Position (Excluding Component Units)

For the six months ended December 31, 2018 and 2017 (in thousands)

(Unaudited)

	2019	2018
Revenues		
Operating revenues		
Student tuition and fees, net of scholarship allowances of \$148,935 in 2019; \$145,701 in 2018	\$ 403,008	\$ 394,717
Federal grants and contracts	241,462	221,919
State and other government grants	42,727	46,069
Nongovernmental grants and contracts	200,044	193,882
Student loan interest income	936	892
Sales and services of educational activities, net of scholarship allowances of \$17 in 2019; \$22 in 2018	74,716	75,716
Auxiliary enterprises, net of scholarship allowances of \$6,564 in 2019; \$6,388 in 2018	256,933	241,334
Other operating revenues	41	81
Total operating revenues	<u>1,219,867</u>	<u>1,174,610</u>
Expenses		
Operating expenses		
Education and general		
Instruction	380,553	371,252
Research	385,912	370,903
Public service	137,203	135,172
Academic support	232,048	217,426
Student services	69,578	67,981
Institutional support	120,357	125,749
Operation & maintenance of plant	156,205	150,651
Scholarships & fellowships	34,735	35,672
Depreciation	107,454	113,493
Auxiliary enterprises	169,987	172,442
Other operating expenses, net	485	22
Total operating expenses	<u>1,794,517</u>	<u>1,760,763</u>
	<u>(574,650)</u>	<u>(586,153)</u>
Operating Loss		
Nonoperating Revenues (Expenses)		
Federal appropriations	6,493	8,892
State appropriations	674,284	684,302
Grants	96,991	91,783
Gifts	88,277	77,561
Investment income, net	(16,228)	82,125
Interest on capital-asset related debt	(24,830)	(23,155)
Other nonoperating revenues (expenses), net	4,920	1,467
Net nonoperating revenues	<u>829,907</u>	<u>922,975</u>
	255,257	336,822
Income Before Other Revenues		
Capital appropriations	48,274	46,669
Capital grants & gifts	9,520	22,926
Additions to permanent endowments	3	
Total other revenues	<u>57,797</u>	<u>69,595</u>
	313,054	406,417
Increase In Net Position		
Net position at beginning of year	<u>3,217,567</u>	<u>3,244,324</u>
Net position at December 31	<u>\$ 3,530,621</u>	<u>\$ 3,650,741</u>

University of Minnesota

Consolidated Statements of Cash Flows (Excluding Component Units)

Six months ended December 31, 2018 and 2017 (in thousands)

(Unaudited)

	2019	2018
Cash Flows From Operating Activities		
Grants and contracts (federal, state, nongovernmental, other)	\$ 489,249	\$ 458,453
Student tuition and fees	450,542	442,326
Auxiliary enterprises	225,845	224,853
Sales and services of educational activities	31,467	33,185
Collection of loans to students	6,296	5,799
Other operating revenues	40	79
Payments to employees for services	(882,977)	(860,057)
Payments for fringe benefits	(288,246)	(276,030)
Payments to suppliers for goods and services	(490,834)	(477,126)
Payments for scholarships and fellowships	(43,325)	(43,658)
Loans issued to students	(3,062)	(5,995)
Net cash used by operating activities	<u>(505,005)</u>	<u>(498,171)</u>
Cash Flows From Noncapital Financing Activities		
State appropriations	335,759	341,021
Grants for other than capital purposes	88,415	91,010
Gifts for other than capital purposes	84,918	76,826
Federal appropriations	14,836	15,030
Other nonoperating revenues, net	9,286	7,189
Direct lending receipts	170,139	174,299
Direct lending disbursements	(170,523)	(174,516)
Agency transactions	9,150	8,161
Net cash provided by noncapital financing activities	<u>541,980</u>	<u>539,020</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	51,390	146,538
Capital appropriations	49,967	46,266
Capital grants and gifts	5,859	15,643
Proceeds from sale of capital assets	455	632
Interest received on notes receivable	432	253
Principal received on notes receivable	312	257
Purchases of capital assets	(93,933)	(147,133)
Principal paid on capital debt	(81,044)	(80,043)
Interest paid on capital debt	(29,134)	(27,801)
Net cash used by capital and related financing activities	<u>(95,696)</u>	<u>(45,388)</u>
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	9,542,819	8,956,660
Purchase of investments	(9,595,101)	(8,834,811)
Investment income, net	63,403	3,805
Net cash provided by investing activities	<u>11,121</u>	<u>125,654</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(47,600)</u>	<u>121,115</u>
Cash and Cash Equivalents at Beginning of Year	<u>488,868</u>	<u>436,705</u>
Cash and Cash Equivalents at December 31	<u>\$ 441,268</u>	<u>\$ 557,820</u>

University of Minnesota

Consolidated Statements of Cash Flows (Excluding Component Units)

Six months ended December 31, 2018 and 2017 (in thousands)

(Unaudited)

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities

	2019	2018
Operating loss	\$ (574,650)	\$ (586,153)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	107,454	113,493
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables, net	13,557	14,773
Inventories	(7)	485
Prepaid and other items	(23,347)	(23,103)
Accounts payable	2,141	12,787
Accrued liabilities	21,316	18,680
Unearned income	(51,469)	(49,133)
Net cash used by operating activities	<u>\$ (505,005)</u>	<u>\$ (498,171)</u>

Noncash Investing, Capital, and Financing Activities

Capital assets on account	\$ 27,325	\$ 18,901
Contribution of capital assets	2,456	2,273
Amortization of bond discount/premium	3,411	2,614
Capital assets acquired with capital lease	670	741
Unrealized gains (losses) on investments	(71,243)	83,430
Net unsettled investment trades	(10,569)	(124)
Net gain on retirement of debt		3,799

Cash and Cash Equivalents at December 31

Cash and cash equivalents	\$ 428,287	\$ 472,361
Restricted cash and cash equivalents	12,981	85,459
Total cash and cash equivalents at December 31	<u>\$ 441,268</u>	<u>\$ 557,820</u>

University of Minnesota
Analysis of Consolidated Statements of Net Position
To Accompany December 31, 2018 Financial Statements
 Excluding Component Units, in thousands
 (Unaudited)

	12/31/2018	12/31/2017	Increase / (Decrease)		Explanation
			\$	%	
Assets:					
Current Assets:					
Cash & cash equivalents	428,287	472,361	(44,074)	-9%	\$(33.4)m decrease in cash held in TIP - cash available for investing \$(10.7)m decrease in CEF and GIP managed cash - cash available for investing
Short-term investments	295,629	65,485	230,144	351%	\$153.3m increase in TIP investment securities due to purchases \$114m increase in TIP investment securities classified as current vs. non-current based on maturity date
Receivables, net	637,520	595,949	41,571	7%	
Inventories	19,434	19,768	(334)	-2%	
Student loans receivable, net	10,516	10,567	(51)	0%	
Prepaid expenses	58,245	58,267	(22)	0%	
Other assets	3,348	1,630	1,718	105%	\$1.5m increase related to the Greek housing loan program for renovations.
Total current assets	1,452,979	1,224,027	228,952	19%	
Noncurrent assets:					
Restricted cash and cash equivalents	12,981	85,459	(72,478)	-85%	Decrease in unspent bond proceeds due to increased spending on construction projects specifically Pioneer Hall renovation and the Health Sciences Education Center.
Investments	1,828,548	1,982,922	(154,374)	-8%	\$(146.8)m decrease in TIP investment securities that matured or were sold \$(114)m decrease in TIP investment securities classified as current vs. non-current based on maturity date
Receivables, net	10,712	11,552	(840)	-7%	\$102.9m increase in TIP investment securities due to purchases
Student loan receivables, net	60,531	62,985	(2,454)	-4%	
Prepaid expenses	15,571	31,126	(15,555)	-50%	Decrease due to timing of software maintenance agreements.
Capital assets, net	3,168,904	3,146,707	22,197	1%	
Total noncurrent assets	5,097,247	5,320,751	(223,504)	-4%	
Total assets	6,550,226	6,544,778	5,448	0%	
Deferred Outflows of Resources					
	948,240	1,333,272	(385,032)	-29%	Decrease primarily due to recording of the Net Pension liability (GASB 68/71)
Liabilities:					
Current liabilities:					
Accounts payable	130,840	127,460	3,380	3%	
Accrued liabilities and other	340,522	327,917	12,605	4%	
Unearned income	13,590	13,317	273	2%	
Long-term debt	360,476	314,121	46,355	15%	\$83.4m increase in Commercial Paper, Series G, H and I partially offset by principal payments on GO Bonds, Special Purpose Revenue bonds and Commercial Paper.
Total current liabilities	845,428	782,815	62,613	8%	
Noncurrent Liabilities:					
Accrued liabilities and other	1,249,018	2,054,059	(805,041)	-39%	\$795.2m decrease in Net Pension Liability (GASB 68/71)
Unearned income	40	79	(39)	-49%	Decrease in amount classified as noncurrent vs. current. Increase in current
Long-term debt	1,148,919	1,211,677	(62,758)	-5%	Decrease in amount classified as noncurrent vs. current. Increase in current
Total noncurrent liabilities	2,397,977	3,265,815	(867,838)	-27%	
Total liabilities	3,243,405	4,048,630	(805,225)	-20%	
Deferred Inflows of Resources					
	724,440	178,679	545,761	305%	Increase primarily due to recording of the Net Pension liability (GASB 68/71)
Net Position:					
Unrestricted	647,247	727,590	(80,343)	-11%	Decrease primarily driven specifically due to the recording of the Net Pension liability (GASB 68/71)
Restricted Expendable	910,550	909,771	779	0%	
Nonexpendable	309,466	314,013	(4,547)	-1%	
Net investment in capital assets	1,663,358	1,699,367	(36,009)	-2%	
Total net position	3,530,621	3,650,741	(120,120)	-3%	

University of Minnesota
Analysis of Consolidated Statements of Revenues, Expenses and Changes in Net Position
To Accompany December 31, 2018 Financial Statements
Excluding Component Units, in thousands
(Unaudited)

	12/31/2018	12/31/2017	Increase / (Decrease)		Explanation
			\$	%	
Revenues:					
Operating revenues:					
Student tuition and fees, net of scholarship allowances	403,008	394,717	8,291	2%	
Federal grants and contracts	241,462	221,919	19,543	9%	Increase primarily due to timing of projects. Revenues are received as expenses are incurred.
State and other government grants	42,727	46,069	(3,342)	-7%	
Nongovernmental grants and contracts	200,044	193,882	6,162	3%	
Student loan interest income	936	892	44	5%	
Sales and services of educational activities, net of scholarship allowances	74,716	75,716	(1,000)	-1%	
Auxiliary enterprises, net of scholarship allowances	256,933	241,334	15,599	6%	
Other operating revenues	41	81	(40)	-49%	Decreased revenue due to collecting less money from supplier's that do not meet the diversity commitment in University contracts. In addition, the diversity expo event was smaller in FY2019 than FY2018 resulting in less revenue.
Total operating revenues	1,219,867	1,174,610	45,257	4%	
Expenses					
Operating expenses:					
Education and general:					
Instruction	380,553	371,252	9,301	3%	
Research	385,912	370,903	15,009	4%	
Public service	137,203	135,172	2,031	2%	
Academic support	232,048	217,426	14,622	7%	
Student services	69,578	67,981	1,597	2%	
Institutional support	120,357	125,749	(5,392)	-4%	
Operation and maintenance of plant	156,205	150,651	5,554	4%	
Scholarships and fellowships	34,735	35,672	(937)	-3%	
Depreciation	107,454	113,493	(6,039)	-5%	
Auxiliary enterprises	169,987	172,442	(2,455)	-1%	
Other operating expenses, net	485	22	463	2105%	\$462 increase due to recording the expense and liability for the refundable loans due to Perkins Loan Program ending in FY18
Total operating expenses	1,794,517	1,760,763	33,754	2%	
Operating Loss	(574,650)	(586,153)	11,503	-2%	
Nonoperating Revenues (Expenses)					
Federal appropriations	6,493	8,892	(2,399)	-27%	Decrease due to the timing of University expenditures and the availability of Federal funds to draw.
State appropriations	674,284	684,302	(10,018)	-1%	
Grants	96,991	91,783	5,208	6%	
Gifts	88,277	77,561	10,716	14%	Increase due to various new gifts: \$5.1m in new project commitments, e.g. PEDS Blood/Marrow Transplant \$3.7m New and accelerated gift funding to support Masonic Cancer Center
Investment (loss) / income, net	(16,228)	82,125	(98,353)	-120%	Decrease primarily due to unfavorable market conditions in CEF investment pool
Interest on capital-asset related debt	(24,830)	(23,155)	(1,675)	7%	
Other nonoperating revenues (expenses), net	4,920	1,467	3,453	235%	Account captures both revenues and expenses - when expenses decrease, it has the effect of increasing revenues. The increase in revenues is due to decreases in expenses in FY19: \$2.3m decrease in one-time demolition expenses incurred in FY18 \$1.7m increase due to bond issuance costs incurred in FY18
Net nonoperating revenues	829,907	922,975	(93,068)	-10%	
Income Before Other Revenues	255,257	336,822	(81,565)	-24%	
Capital appropriations	48,274	46,669	1,605	3%	
Capital grants and gifts	9,520	22,926	(13,406)	-58%	Decrease due to gifts received in FY18 for projects completed in FY18 specifically: Remainder of UMF funds for Athletes Village Athletes Village naming rights Academic Ambulatory Care Clinic
Additions to permanent endowments	3	-	3	100%	
Total other revenues	57,797	69,595	(11,798)	-17%	
Increase In Net Position	313,054	406,417	(93,363)	-23%	
Net position at beginning of year	3,217,567	3,244,324	(26,757)	-1%	
Net position at end of year	3,530,621	3,650,741	(120,120)	-3%	

University of Minnesota
Component Units - Statements of Financial Position

December 31, 2018 and 2017 (in thousands)

(Unaudited)

	University of Minnesota		University of Minnesota Physicians	
	Foundation			
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Assets				
Cash and cash equivalents	\$ 71,020	\$ 57,429	\$ 80,213	\$ 52,308
Investments, substantially at fair market value	2,606,169	2,586,830	5,662	12,951
Pledges receivable, net	200,252	201,028		
Accounts and other receivables	74,444	56,080	132,951	117,057
Interest in charitable lead trusts, unitrusts, pooled income, and trusts	78,349	91,334		
Gift annuities	32,438	33,613		
Property and equipment, net	84,596	63,971	6,348	3,216
Prepays and other assets			(7,000)	9,346
Total assets	<u>3,147,268</u>	<u>3,090,285</u>	<u>218,174</u>	<u>194,878</u>
Liabilities				
Accounts payable and accrued liabilities	23,345	23,794	109,134	83,207
Gift annuities payable	16,758	16,598		
Unitrusts, pooled income, and annuity trusts payable	9,632	11,401		
Investments held for custody of others	264,753	267,211		
Long-term debt	47,002	47,852	3,199	
Total liabilities	<u>361,490</u>	<u>366,856</u>	<u>112,333</u>	<u>83,207</u>
Net Assets				
Unrestricted	139,064	126,436	105,841	111,671
Temporarily restricted	1,371,816	1,390,135		
Permanently restricted	1,274,898	1,206,858		
Total net assets	<u>2,785,778</u>	<u>2,723,429</u>	<u>105,841</u>	<u>111,671</u>
Total liabilities and net assets	<u>\$ 3,147,268</u>	<u>\$ 3,090,285</u>	<u>\$ 218,174</u>	<u>\$ 194,878</u>

University of Minnesota
Component Units - Statement of Activities

Six months ended December 31, 2018 and 2017 (in thousands)

(Unaudited)

	University of Minnesota Foundation				
	Unrestricted	Temporarily restricted	Permanently restricted	Total 12/31/2018	Total 12/31/2017
Revenues					
Contributions	\$ 234	\$ 100,718	\$ 35,887	\$ 136,839	\$ 122,772
Investment income, net	222	9,244	31	9,497	5,714
Net realized and unrealized gains on investments	264	(37,618)		(37,354)	108,743
Change in value of trusts		(589)	(6,248)	(6,837)	6,066
Support services revenue	4,960			4,960	4,960
UMF - Real Estate Advisors rental revenue	3,502			3,502	3,307
University Gateway Corporation revenue	3,359			3,359	3,402
Other revenue	(17)	1,725	13	1,721	2,332
Net assets released from restriction	111,443	(114,944)	3,501		
Total revenues	<u>123,967</u>	<u>(41,464)</u>	<u>33,184</u>	<u>115,687</u>	<u>257,296</u>
Expenses					
Program services					
Distributions for educational purposes	81,528			81,528	75,031
Support services					
Management and general	4,857			4,857	5,039
Fund-raising	15,329			15,329	15,906
UMF - Real Estate Advisors	3,252			3,252	4,268
University Gateway Corporation	3,322			3,322	3,168
Total expenses	<u>108,288</u>			<u>108,288</u>	<u>103,412</u>
Increase (decrease) in net assets	15,679	(41,464)	33,184	7,399	153,884
Net assets at beginning of year	123,385	1,413,280	1,241,714	2,778,379	2,569,545
Net assets at end of year	<u>\$ 139,064</u>	<u>\$ 1,371,816</u>	<u>\$ 1,274,898</u>	<u>\$ 2,785,778</u>	<u>\$ 2,723,429</u>

University of Minnesota
Component Units - Statements of Activities

Six months ended December 31, 2018 and 2017 (in thousands)
(Unaudited)

	University of Minnesota	
	Physicians	
	Total (unrestricted)	
	12/31/2018	12/31/2017
Revenues		
Net patient service revenue	\$ 110,203	\$ 91,384
Investment income, net	255	243
Other revenue	209,499	191,655
Total revenues	<u>319,957</u>	<u>283,282</u>
Expenses		
Program services		
Health care services	287,056	263,159
Support services		
Management and general	25,471	23,294
Total expenses	<u>312,527</u>	<u>286,453</u>
Increase (decrease) in net assets	7,430	(3,171)
Net assets at beginning of year	<u>98,411</u>	<u>114,842</u>
Net assets at end of year	<u>\$ 105,841</u>	<u>\$ 111,671</u>

CREDIT OPINION

15 April 2019

 **Rate this Research**

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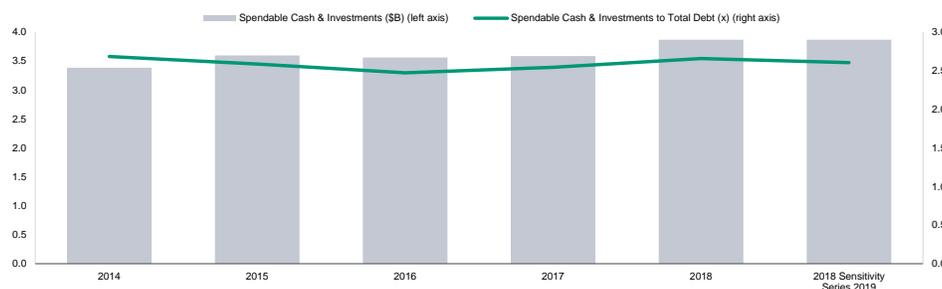
University of Minnesota, MN

Update to credit analysis

Summary

[University of Minnesota's](#) (UM, Aa1 stable) excellent credit profile reflects strong student and research market positions and ample balance sheet reserves, all incorporated in the university's excellent strategic position. UM receives good support from the [State of Minnesota](#) (Aa1 stable), including payment of debt service on \$242 million of Special Purpose Revenue Bonds (Aa2 stable). The university also continues to benefit from strong fundraising. Offsetting challenges are relatively thin operating performance compared to peers and substantial capital plans. However University of Minnesota's conservative debt amortization will offset most or all of the planned issuance.

Exhibit 1
University of Minnesota's ample financial reserves provide strong debt buffer



2018 Sensitivity incorporates Series 2019, CP issuance and principal repayment since June 30, 2018
Source: Moody's Investors Service

Credit strengths

- » Excellent strategic positioning as Minnesota's flagship research and land grant university and Big Ten Conference member
- » Ample balance sheet reserves with unrestricted monthly liquidity of \$1.6 billion or 174 monthly days cash on hand supporting its self-liquidity program and other needs
- » Fundraising strength with \$232 million of fiscal 2018 gift revenue
- » Conservative debt amortization, with approximately \$350 million of principal repayment for fiscal 2019-2022, offsetting much of future debt plans
- » New agreement with [Fairview Health System](#) (Fairview, A2 negative) results in more closely aligned academic health system and greater university funding

Credit challenges

- » Modest operating performance compared to Aa1 peers with a 7% operating cash flow margin in fiscal 2018
- » Ongoing capital plans with a potential of up to \$171 million of planned new debt through fiscal 2022
- » Constrained revenue growth from highly competitive student market and research funding environments pressuring operations

Rating outlook

The stable outlook reflects continued favorable student demand and sponsored research trends, growing tuition revenue, stable to improving operating cash flow and debt service coverage despite additional debt plans.

Factors that could lead to an upgrade

- » Substantial growth in balance sheet reserves
- » Sustained, notable improvement in operating performance

Factors that could lead to a downgrade

- » Sustained weakening of operations and cash flow generation
- » Additional net new debt without improved operating performance

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

UNIVERSITY OF MINNESOTA, MN

	2014	2015	2016	2017	2018	2018 Sensitivity Series 2019	Median: Aa Rated Public Universities
Total FTE Enrollment	60,950	60,620	61,121	61,995	61,321	61,321	30,085
Operating Revenue (\$000)	3,223,417	3,286,315	3,394,128	3,380,569	3,524,194	3,524,194	1,136,474
Annual Change in Operating Revenue (%)	3.1	2.0	3.3	-0.4	4.2	4.2	3.3
Total Cash & Investments (\$000)	4,624,713	4,900,605	4,936,644	5,072,473	5,418,924	5,418,924	1,296,900
Total Debt (\$000)	1,261,057	1,389,443	1,440,148	1,409,404	1,455,620	1,485,775	663,840
Spendable Cash & Investments to Total Debt (x)	2.7	2.6	2.5	2.5	2.7	2.6	1.4
Spendable Cash & Investments to Operating Expenses (x)	1.0	1.1	1.1	1.1	1.1	1.1	0.7
Monthly Days Cash on Hand (x)	176	178	180	180	174	174	168
Operating Cash Flow Margin (%)	7.1	7.7	7.8	7.0	7.0	7.0	11.4
Total Debt to Cash Flow (x)	5.5	5.5	5.4	5.9	5.9	6.0	4.7
Annual Debt Service Coverage (x)	2.0	2.2	2.0	1.8	1.8	1.8	2.9

2018 Sensitivity incorporates Series 2019, CP issuance and principal repayment since June 30, 2018

Source: Moody's Investor Service

Profile

University of Minnesota, founded in 1851, has a national market position as the state's flagship and land grant university and member of the Big Ten Academic Alliance (Big 10). One of the nation's largest research universities, total revenues were over \$3.5 billion with nearly \$800 million of research awards for fiscal 2018. With campuses in the Twin Cities, Duluth, Morris, Crookston, and Rochester the university reported enrollment of nearly 67,000 headcount students for fall 2018.

Detailed credit considerations

Market profile: strong student demand and major research role

The University of Minnesota's excellent strategic positioning will continue to bolster credit strength, reflected in strong student demand as the state's Big 10 flagship and land grant institution. Fall 2018 enrollment was over 61,000 FTEs, with about 34% non-resident and international students systemwide. Roughly 20% of the fall 2018 undergraduate students at the Twin Cities campus are non-resident non-reciprocity (NRNR) students paying tuition higher than resident undergraduate students. UM has increased tuition prices at all campuses in fall 2018 and plans another increase for fall 2019. The university looks for modest enrollment growth in the STEM (science, technology, engineering and mathematics) academic areas.

UM is one of the nation's leading comprehensive research universities, demonstrating success in growing sponsored awards. It received nearly \$800 million of research awards in fiscal 2018, up from 2017. Year-to-date in fiscal 2019, awards are higher compared to the same period last year.

The university does not own a hospital, although it does have a multi-campus medical school. The University of Minnesota Medical Center (UMMC), the clinical training site for UM's medical school students and its research partner, is owned and operated by Fairview. UM and Fairview, with University of Minnesota Physicians, entered into a new agreement effective January 1, 2019. The agreement expands the relationship into a Joint Clinical Enterprise with a focus on research, education and patient care. The agreement provides for increased Fairview financial support for UM's medical school. It also brings into a shared care delivery network the entire Fairview system under the brand "M Health Fairview".

Operating performance: thin cash flow generation, with well-diversified revenue base

University of Minnesota is expected to generate balanced but modest operating performance still providing adequate debt service coverage. Fiscal 2018's operating cash flow margin of 7% was comparable to fiscal 2017. The thin operations reflect program investments and other one-time expenses. UM is completing a six-year program in fiscal 2019 to reduce administrative and other costs, with savings to be reinvested in new initiatives.

The university's revenue base is diverse and supports operating stability. State funding, accounting for about 20% of revenue, increased in fiscal 2018 by \$32 million including \$10 million in non-recurring funding, resulting in a net increase of \$22 million recurring funds carried over into fiscal 2019. The upcoming fiscal 2020-2021 biennium budget is not approved and UM's increase in state funding not yet determined. Revenue in both fiscal 2019 and 2020 should be higher from tuition increases, the increased transfers from Fairview and growth in research grant funding.

Wealth and liquidity: ample balance sheet reserves and liquidity

UM's financial resource profile will remain strong, helping support debt and operations. Fiscal 2018 total cash and investments of \$5.4 billion includes \$2.8 billion held by University of Minnesota Foundation and is up slightly from the combined total of \$5.1 billion in fiscal 2017. The university's investments of over \$2.6 billion at June 30, 2018 were primarily comprised of the Consolidated Endowment Fund (CEF, \$1.4 billion) and the short-term reserves (TIP, \$1.11 billion). The university projects higher cash and investments for June 30, 2019 fiscal year-end.

The university's endowment is managed by its Office of Investments and Banking in conjunction with external managers. The CEF portfolio allocation is diversified and consistent with that of comparably sized endowments. The pool's reported return was 8.6% in fiscal 2018. The TIP portfolio is held in cash and treasuries and agency bonds.

Fundraising is strong, with \$239 million of three-year average gift revenue for fiscal years 2016-2018, as reported in the financial statements. The University of Minnesota Foundation reports \$343 million in gifts and commitments for fiscal 2018, the second highest total in the foundation's history. UM publicly launched its 10-year \$4 billion "Driven" comprehensive campaign in September 2017. Reporting \$3.1 billion raised as of August 2018 the campaign is targeted to end in June 2021.

Liquidity

Unrestricted liquidity is ample at \$1.58 billion, translating to 174 monthly days cash on hand. Unrestricted liquidity provides a strong 521% buffer to demand debt, including \$33 million of University Gateway Corporation's (UGC) variable rate bonds supported by a bank SBPA and guaranteed by University of Minnesota Foundation.

UM's commercial paper program is supported by its own liquidity. At December 31, 2018 the university had \$729 million of discounted daily liquidity, largely treasuries with some deposits at P-1 rated banks. The internal daily liquidity provides a strong 4.2x coverage of its commercial paper excluding the largest money market investment with one sponsor. The calculation is based on the limitation of \$175 million of commercial paper that can mature in a 5 business day period in its Amended and Restated Issuing and Paying Agency Agreement.

Leverage: moderate direct leverage, with significant other long-term liabilities

University of Minnesota's leverage for direct debt is moderate relative to its balance sheet reserves and cash flow. However it is higher when including the adjusted net pension liability for the state pension plans. Fiscal 2018 spendable cash and investments buffer pro forma total debt 2.6x, with pro forma debt-to-cash flow a more leveraged 6.0x due to the relatively modest cash flow.

Pro forma debt includes \$47 million of [University Gateway Corporation](#) debt (Aa1 based on a guarantee of the University of Minnesota Foundation) and \$242 million of Special Purpose debt paid by the State of Minnesota and secured by a pledge of specified debt service transfers to university from a standing state general fund appropriation. Removing the state-supported debt materially reduces leverage, with 3.1x spendable cash and investments-to-debt.

Leverage will show a small improvement with debt repayment offsetting future new issuance. Through fiscal 2022 UM could issue up to \$171 million to fund various capital projects, including its contribution to costs of three projects approved by the state for funding. The borrowings are subject to construction timing, expected gifts and UM's planned use of its own reserves for portions of the projects. The university expects to use CP to provide the initial funding of the projects until taken out by long-term debt. These new borrowing

plans will be offset by \$303 million of scheduled debt repayment from 2019 through 2022, excluding the Special Purpose debt paid by the state.

Debt structure

Currently UM's only variable rate debt is its commercial paper, current with \$320 million currently outstanding and projected to decrease to \$223 million by mid-July after repayments. UGC has three variable rate bonds with the tender feature supported by a Standby Bond Purchase Agreement from [Wells Fargo Bank, N.A.](#) expiring on 8/31/2021.

Legal security

All General Obligation bonds and commercial paper are unconditional, direct and general obligations of the university. There are no debt service reserve funds for the bonds.

Debt-related derivatives

None

Pensions and OPEB

University of Minnesota has substantial debt-like liabilities through pensions, and its unfunded share of the state's defined benefit plans could pressure operations if longer-term pension funding needs emerge. UM employees participate in federal and state defined benefit pension plans (DBP), including the State Employees Retirement Fund (SERF). UM also offers defined contribution plans. Changes in actuarial assumptions of the DBPs resulted in a decrease in UM's reported pension liability to \$1.1 billion from \$1.9 billion in fiscal 2017. Moodys adjusted net pension liability (ANPL) at June 30, 2018, using a standard discount rate, is \$1.9 billion, bringing total adjusted pro forma debt to \$3.4 billion which remains manageable.

UM also provides retiree healthcare benefits, funding on a pay-as-you-go basis with a \$8 million contribution in fiscal 2018. It reported a \$35 million OPEB liability at June 30, 2018.

Governance and management: good fiscal oversight

University of Minnesota's Board of Regents and leadership team display good fiscal oversight reflected in the strengthened unrestricted liquidity and balance sheet reserves. The leadership team has good tenure diversity between long-serving and recently appointed management. Board members are elected biennially to six year terms.

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Regents Of The University Of Minnesota

University Of Minnesota; CP; Public Coll/Univ - Unlimited Student Fees

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Regents Of The University Of Minnesota

University Of Minnesota; CP; Public Coll/Univ - Unlimited Student Fees

Credit Profile		
US\$107.165 mil GO bnds (University of Minnesota) ser 2019A dtd 05/21/2019 due 04/01/2044		
<i>Long Term Rating</i>	AA/Stable	New
US\$51.89 mil GO rfdg bnds (University of Minnesota) ser 2019B dtd 05/21/2019 due 12/01/2029		
<i>Long Term Rating</i>	AA/Stable	New
US\$15.0 mil GO taxable bnds (University of Minnesota) ser 2019C dtd 04/24/2019 due 04/01/2044		
<i>Long Term Rating</i>	AA/Stable	New
Regents of the University of Minnesota, Minnesota		
University of Minnesota, Minnesota		
Univ of Minnesota ser 2004A, 1996A		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA' long-term ratings to Regents of the University of Minnesota's (UM) approximately \$107 million series 2019A general obligation (GO) bonds, \$51 million series 2019B GO refunding bonds, and \$15.0 million series 2019C GO taxable bonds. In addition, S&P Global Ratings affirmed its 'AA' long-term rating on UM's various series of GO bonds currently outstanding. At the same time, S&P Global Ratings affirmed its 'A-1+' short-term rating on UM's commercial paper (CP) notes various series. The outlook on the long-term rating is stable.

We have assessed the University of Minnesota's enterprise and financial profile as extremely strong and very strong, respectively. The enterprise profile reflects stable enrollment, very good selectivity and student quality, a high retention and graduation rate, and a solid management team. The financial profile reflects the university's relatively consistent financial performance on a cash basis, while its performance on a full-accrual basis is weaker in fiscal years 2017 and 2018, primarily due to increased pension expenses and a relatively flat state appropriation. In addition, available resources to operations and debt remain somewhat low for the rating category (offset by just under 20% of debt supported by state funds) and UM's maximum annual debt service (MADS) burden is low to moderate. The combined enterprise and financial profiles lead to an indicative stand-alone credit rating of 'aa+'. Our criteria indicate the final rating can be within one notch of the indicative credit level. In our view, the final long-term rating of 'AA' on the university's bonds better reflects UM's somewhat recent softer financial performance and modest available resources for the rating category compared with medians and peers.

The 'A-1+' short-term rating, which applies to the university's authorized CP program, reflects our opinion of UM's credit quality and its provision of self-liquidity in the event of failed CP rollovers. As of Feb. 28, 2019, the university held cash, high quality, short-term fixed-income assets, U.S. Treasury and Agencies, and investment-grade debt

totaling more than \$1.2 billion that, when discounted, amounted to more than \$1.1 billion. These assets provide ample coverage for the maximum authorized \$400 million CP program. S&P Global Ratings monitors the sufficiency and liquidity of assets identified for self-liquidity monthly.

The long-term rating reflects our view of UM's:

- Position as Minnesota's flagship research university and land-grant institution;
- Stable enrollment with some decline in freshman applicants in fall 2017 and 2018 with stronger enrollment for undergraduate and graduate full-time equivalent (FTE) online programs;
- Manageable pro forma MADS burden of about 3.7% of adjusted operating expenses in fiscal 2018; and
- Favorable philanthropic support with \$3.1 billion pledged toward its current \$4.0 billion capital campaign, including \$343 million raised in fiscal 2018 and slightly in excess of \$300 million in pledges and contributions received for each of the preceding three fiscal years.

Offsetting factors include our view of UM's:

- Weakened financial operations in fiscal years 2017 and 2018, primarily because of relatively flat appropriation and increased pension expense;
- Significant pro forma debt of approximately \$1.57 billion, just under a 12% increase from the \$1.41 billion outstanding at fiscal year-end 2014; and
- Modest unrestricted available resources for a public flagship institution, with adjusted unrestricted net assets (UNA) of \$1.49 billion equal to 38.1% of 2018 adjusted operating expenses and about 95% of pro forma debt (including state-supported debt).

The University of Minnesota's full faith and credit pledge secures its GO bonds and CP. All of the university's debt is fixed-rate, except for its CP program, which has approximately \$251 million outstanding and could reach the authorized \$400 million program amount during our outlook period. Bond proceeds from the various series 2019 issuances are for various projects and refunding of existing debt, including CP. We understand UM may issue approximately \$170 million in additional debt over the next two-to-three years, although it is our understanding that UM typically pays down principal on outstanding debt of between \$80 million and \$90 million annually.

Outlook

The stable outlook reflects our view that, over the next two years, UM's enrollment will modestly increase while other demand metrics remain firm, and its adjusted full-accrual financial operating performance will improve in fiscal 2019 compared with fiscal 2018 and become more robust over time. In addition, the outlook assumes no diminution in available resources relative to operations and debt and total debt outstanding will remain relatively constant.

Downside scenario

Credit factors that could lead to a negative rating action during the outlook period include a significant downturn in enrollment, weakening of financial performance on an adjusted full-accrual basis, or a diminution of available resources relative to operations and debt. In addition, a significant increase in additional debt could pressure the

rating.

Upside scenario

We believe an upgrade is unlikely during the outlook period, but we could consider a positive rating action beyond this period if enrollment increases substantially, adjusted full-accrual financial performance is consistently positive, and available resources increase significantly relative to operations and debt while additional debt is held to a minimum.

Enterprise Profile

UM, established in 1851, is both the flagship university in Minnesota and the state's designated land-grant institution. The main campus is in Minneapolis-St. Paul, and the university has four smaller campuses in Duluth, Crookston, Morris, and Rochester. UM receives about the same amount of state appropriations as the Minnesota State Colleges and Universities system. In addition to its undergraduate programs, the university offers graduate and professional programs in medicine, law, engineering, business, dentistry, pharmacy, and veterinary medicine. We understand from management that UM has one of the top chemical engineering programs in the world and that several of its schools or other programs are highly ranked nationally, including business, pharmacy, medicine, economics, political science, and public affairs.

We understand that in January 2019, the university, UM Physicians (UMP)--a component unit of the university--and Fairview Health Services entered into an expanded and definitive affiliation agreement that continues through Dec. 31, 2026, with an option if both parties agree, for a 10-year extension in 2023. This agreement calls for stronger collaboration and operational alignment among the parties to build a shared medical care delivery system led by a single leadership structure that includes academic physicians. The agreement also provides increased financial support for the University of Minnesota Medical School for its clinical and research endeavors.

Management and governance

Eric Kaler, president of UM since 2011, is stepping down and will be transitioning back to the faculty at the conclusion of the current school year. The board of regents, which includes 12 members elected by the state legislature, governs the university and in December 2018, selected Joan T.A. Gabel as the 17th president of the university effective July 1, 2019. Ms. Gabel is currently the executive vice president for academic affairs and provost of the University of South Carolina. We also understand that in the next school year, the university will launch a search for a new provost, as the current one will be retiring in fiscal year 2020. The management team historically is very stable, with conservative budgeting and finance practices. The university has put on hold its plan to update its strategic plan until its new president is in place.

Industry risk

Industry risk addresses the higher education sector's overall cyclicity and competitive risk and growth by applying various stress scenarios and evaluating barriers to entry, levels and trends of profitability, substitution risk, and growth trends observed in the industry. We believe the higher education sector represents a low credit risk when compared to other industries and sectors.

Economic fundamentals

We view the university's geographic diversity as good, with about 34% of students coming from outside the state. Given that the majority of students are in-state, we base our assessment of UM's economic fundamentals on Minnesota's (local) GDP per capita.

Market position and demand

Enrollment is stable, in our view, with favorable demand metrics. FTE enrollment for fall 2018 was 61,322, a slight 1.1% decline from the fall 2017 FTE enrollment of 61,994. About 75% of students are undergraduates, approximately 71% of whom come from Minnesota. With about 50,943 students in fall 2018, the Twin Cities campus is the largest in the UM system. Management reports expectations for stable enrollment in fall 2019.

Demand is generally firm at the flagship Twin Cities campus, while admissions at other system campuses has been flat or declining and with a modest increase at two of the smallest campuses. The number of high school graduates in Minnesota is shrinking, perhaps accounting for an application decline of 7.6% in fall 2017 and negative 0.3% in fall 2018. During the past two fall enrollment periods, UM has had to become less selective, accepting 56.3% of applicants in fall 2018 compared with 50.2% in fall 2016 with matriculation for each year in the range of 27% to 28%, indicative of a competitive higher education market place in the Upper Midwest.

The university's freshmen applicants are academically better qualified, as indicated by an average ACT score of about 27 for fall 2018 (the national average is about 21) across all campuses.

UM also has a favorable fundraising record and reports that fiscal years 2016, 2017, and 2018 were solid fundraising years, with over \$300 million raised in each year. The university is in the midst of a \$4 billion comprehensive campaign launched in September 2017, which has raised \$3.1 billion to date.

Financial Profile

Financial management policies

UM has extensive financial policies, including investment policies and a debt policy, which we view favorably. It operates according to a five-year strategic plan and has a formal reserve liquidity policy. The university meets standard annual disclosure requirements. The financial policies assessment is neutral, reflecting our opinion that, while there may be some areas of risk, the organization's overall financial policies are not likely to impair its ability to pay debt service. Our analysis of financial policies includes a review of the organization's financial reporting and disclosure, investment allocation and liquidity, debt profile, contingent liabilities, and legal structure; and a comparison of these policies to those of comparable providers.

Financial performance

UM's financial performance for the past two fiscal years on a full-accrual basis has been uncharacteristically weak, in our view, with deficits due to relatively flat state operating appropriation and significant pension expense. State operating appropriation actually declined to \$650.7 million in fiscal 2017 from \$663.7 million in fiscal 2016 before rebounding to \$684.3 million in fiscal 2018. Pension expense was \$274.5 million in fiscal 2018 and \$371.3 million in fiscal 2017.

Management indicates that the recurring operating appropriation for fiscal 2019 remained flat compared to fiscal 2018 appropriation. However, it is a bit more optimistic about fiscal 2020 as the state's new governor, Tim Walz, included more funding for higher education in his executive budget recommendation for the fiscal 2020-2021 biennium.

Management indicates that uncertainty from investment market performance and GASB adjustments make it difficult to predict how UM will end the current fiscal year and the budget process is just underway for fiscal 2020. UM reduced its administrative expenses by 1% per year since fiscal 2014 and estimates it has cumulatively reallocated \$91.4 million in savings since then.

Revenue diversity is very good with 40.1% student dependency (net tuition plus auxiliary revenue), 24.6% from research, 17.9% state operating appropriation, and 17.4% other. Grants and contract revenue is over \$900 million in fiscal 2018 and management believes UM may breach the \$1 billion mark in fiscal 2019.

Available resources

Available resources remain modest, in our view, for a public flagship university, but adequate to support the rating, although lagging somewhat compared with those of other comparably rated flagship institutions. However, this is offset in part, we believe, by the fact that approximately \$404.5 million in debt on UM's balance sheet is supported by third parties, the largest component of which is \$252.4 million supported by state funds.

As of June 30, 2018, the university only had about \$345.6 million of UNA, down from \$812.4 million in fiscal 2014, due to the implementation of GASB statements No. 68 and No. 71 relating to pension liability. Adjusted UNA at fiscal year-end 2018 (which includes the previously stated UNA plus \$221.8 million University of Minnesota Foundation UNA plus an \$889 million adjustment primarily for UM's portion of the state's pension plan liability) totaled about \$1.5 billion, equal to 38.1% of 2018 adjusted operating expenses, and 95% of pro forma post-issuance debt (about \$1.6 billion). Excluding third-party-supported debt from our calculations, the university's adjusted UNA-to-pro forma debt ratio rises significantly to 112.6% and is more in line with that of comparably rated flagship universities.

UM benefits from a substantial endowment. As of June 30, 2018, it had \$1.45 billion in the university-held endowment and an additional \$2.30 billion in the University of Minnesota Foundation. In addition, it had an additional \$1.1 billion in its temporary investment pool (short-term reserve) fund. The endowment draw on the university-held endowment for fiscal 2018 is \$59.7 million, representing 4.5% of a rolling 60-month market value average, which we consider standard.

Debt and contingent liabilities

UM has approximately \$1.6 billion in pro forma debt (including \$270.5 million of CP outstanding at fiscal year-end 2018). The pro forma MADS burden remains moderate, in our view, at about 3.7% of fiscal 2018 expenses.

The university and its employees contribute to pension plans characterized as either a defined benefit or defined contribution. The majority of university employees participate in The State Employees Retirement Fund (SERF), which is the largest plan of the Minnesota State Retirement System (MSRS). SERF provides coverage to approximately 24 employers within the State of Minnesota. UM's participation in SERF covers approximately 8,900 active civil service and non-faculty bargaining unit employees. Participation is mandatory and begins from the first day of employment. The plan provides retirement, survivor, and disability benefits. Benefit provisions are established by state statute and

can only be modified by state legislature. UM also participates in the defined-benefit pension plan of the Public Employee Police and Fire Fund (for its 65 active law enforcement staff). In addition, the university has other defined-contribution plans in which it participates that it funds on a pay-as-you-go basis.

UM made the required pension contributions of \$137.97 million, or approximately 4% of operations, for these plans in fiscal 2018, which is a manageable amount, in our view. The MSRS pension liability funded ratio is 63% a considerable improvement from recent prior years when the plan was viewed as being under funded. We also understand UM has a \$34.9 million other postemployment benefit obligation at fiscal year-end 2018 (June 30).

University of Minnesota Enterprise And Financial Statistics						Medians for 'AA' rated public colleges and universities
	--Fiscal year ended June 30--					
	2019	2018	2017	2016	2015	2017
Enrollment and demand						
Headcount	66,880	67,949	67,480	66,651	67,477	MNR
Full-time equivalent	61,322	61,994	61,119	60,620	60,950	34,653
Freshman acceptance rate (%)	56.3	54.9	50.2	49.8	50.9	66.0
Freshman matriculation rate (%)	27.4	28.2	27.6	28.8	29.5	MNR
Undergraduates as a % of total enrollment (%)	66.4	65.6	65.1	65.2	64.3	79.2
Freshman retention (%)	89.6	89.4	89.8	88.0	88.2	86.0
Graduation rates (six years) (%)	75.6	74.9	73.6	73.3	78.7	MNR
Income statement						
Adjusted operating revenue (\$000s)	N.A.	3,815,945	3,682,080	3,688,071	3,577,057	MNR
Adjusted operating expense (\$000s)	N.A.	3,901,969	3,763,405	3,593,598	3,534,219	MNR
Net adjusted operating income (\$000s)	N.A.	(86,024)	(81,325)	94,473	42,838	MNR
Net adjusted operating margin (%)	N.A.	(2.20)	(2.16)	2.63	1.21	1.22
Estimated operating gain/loss before depreciation (\$000s)	N.A.	135,773	127,320	307,442	261,403	MNR
Change in unrestricted net assets (UNA; \$000s)	N.A.	(48,601)	(63,347)	182,409	(537,259)	MNR
State operating appropriations (\$000s)	N.A.	684,261	650,749	663,705	642,069	MNR
State appropriations to revenue (%)	N.A.	17.9	17.7	18.0	17.9	19.5
Student dependence (%)	N.A.	40.1	39.6	38.8	39.0	42.4
Research dependence (%)	N.A.	24.6	24.5	24.3	24.4	MNR
Endowment and investment income dependence (%)	N.A.	2.3	2.5	2.6	2.7	1.4
Debt						
Outstanding debt (\$000s)	N.A.	1,458,265	1,411,264	1,441,043	1,389,652	798,089
Proposed debt (\$000s)	N.A.	174,055	N.A.	N.A.	N.A.	MNR
Total pro forma debt (\$000s)	N.A.	1,572,685	N.A.	N.A.	N.A.	MNR
Pro forma MADS	N.A.	145,936	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	3.86	3.75	3.67	3.51	MNR

University of Minnesota Enterprise And Financial Statistics (cont.)

	--Fiscal year ended June 30--					Medians for 'AA' rated public colleges and universities
	2019	2018	2017	2016	2015	2017
Current MADS burden (%)	N.A.	3.45	3.79	3.76	3.46	3.51
Pro forma MADS burden (%)	N.A.	3.74	N.A.	N.A.	N.A.	MNR
Financial resource ratios						
Endowment market value (\$000s)	N.A.	3,750,749	3,490,000	3,306,000	3,297,000	858,805
Related foundation market value (\$000s)	N.A.	2,876,790	2,684,387	2,572,548	2,557,373	564,320
Cash and investments (\$000s)	N.A.	2,650,441	2,528,495	2,587,253	2,558,385	MNR
UNA (\$000s)	N.A.	345,558	394,159	457,506	275,097	MNR
Adjusted UNA (\$000s)	N.A.	1,487,023	1,532,102	1,336,429	1,225,336	MNR
Cash and investments to operations (%)	N.A.	67.9	67.2	72.0	72.4	58.2
Cash and investments to debt (%)	N.A.	181.8	179.2	179.5	184.1	167.8
Cash and investments to pro forma debt (%)	N.A.	168.5	N.A.	N.A.	N.A.	MNR
Adjusted UNA to operations (%)	N.A.	38.1	40.7	37.2	34.7	34.3
Adjusted UNA plus debt service reserve to debt (%)	N.A.	102.0	108.6	92.7	88.2	100.5
Adjusted UNA plus debt service reserve to pro forma debt (%)	N.A.	94.6	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	15.1	15.3	14.2	13.1	13.1
OPEB liability to total liabilities (%)	N.A.	0.9	3.7	5.0	4.3	MNR

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Adjusted UNA = Unrestricted net assets + unrestricted net assets of the foundation. Average age of plant = accumulated depreciation/depreciation and amortization expense.

Ratings Detail (As Of April 15, 2019)

Univ of Minnesota Crookston Dorm bonds ser AB

Long Term Rating AA/Stable Affirmed

Regents of the University of Minnesota, Minnesota

University of Minnesota, Minnesota

Regents of the University of Minnesota (University of Minnesota)

Long Term Rating AA/Stable Affirmed

Regents of the University of Minnesota (University of Minnesota) comm pap nts (University of Minnesota) ser G, H, I due 02/01/2042

Short Term Rating A-1+ Affirmed

Regents of the University of Minnesota (University of Minnesota) GO bnds

Long Term Rating AA/Stable Affirmed

Regents of the University of Minnesota (University of Minnesota) GO bnds (University of Minnesota) ser 2017A due 09/01/2042

Long Term Rating AA/Stable Affirmed

Regents of the University of Minnesota (University of Minnesota) GO rfdg bnds (University of Minnesota) ser 2017B due

Ratings Detail (As Of April 15, 2019) (cont.)

12/01/2036

Long Term Rating

AA/Stable

Affirmed

Regents of the University of Minnesota (University of Minnesota) GO taxable rfdg bnds (University of Minnesota) ser 2017C due 04/01/2029

Long Term Rating

AA/Stable

Affirmed

University of Minnesota at Morris, Minnesota

University of Minnesota, Minnesota

University of Minnesota at Morris rev bnds ser 72 A B

Long Term Rating

AA/Stable

Affirmed

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