Finance & Operations Committee

October 2017

October 12, 2017

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

Boardroom, McNamara Alumni Center

FIN - OCT 2017

REVISED

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: President's Recommended 2017 Six-Year Capital Improvement Plan and 2018 State Capital Request

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

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

PRESENTERS: Brian D. Burnett, Senior Vice President
Matt Kramer, Vice President, University Relations

PURPOSE & KEY POINTS

Board of Regents Policy: *Board Operations and Agenda Guidelines* requires a Six-Year Capital Plan that sets priorities and direction for ongoing academic and capital planning efforts. This policy specifically directs the administration to conduct capital planning with a "six-year time horizon, updated annually." It is the University's primary capital investment planning tool.

The President's recommended Six-Year Capital Plan includes major capital improvements planned for fiscal years 2018 through 2023. The Six-Year Capital Plan includes projects to be funded with state capital support as well as planned major projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships. Year 1 of the Six-Year Capital Plan (2018) outlines the projects that the University will be submitting to the State of Minnesota for consideration during the 2018 legislative session. In addition to a large Higher Education Asset Preservation and Restoration (HEAPR) request, the 2018 State Capital Request presented for consideration by the Board is comprised of two projects which remain unfunded after the past two legislative sessions as well as capital renewal at the Glensheen Estate.

2017 Six-Year Capital Plan Highlights

The plan presented for consideration by the Board meets mission needs by placing almost all of its investment on the reduction of poor and critical space, which is a Maroon Measure on the Board of Regents' Progress Card. First and foremost, the total HEAPR request from the State of Minnesota is 45% greater than in the past plan. In addition to being the cheapest and smartest investment that can be made in existing facilities, it also protects and extends the useful life of investments made by the taxpayers through capital bonding, by students and parents who pay tuition, and by donors who give to support the University's vision. On the balance, all but $16.6 million of the plan represent state investment in full renewal/renovation of existing facilities and budgeted funds for renewal and replacement. This $1.58 billion plan is aggressive in addressing the University's most critical facility needs while positioning its academic and research priorities for success. It aims to advance five strategic priorities.

2018 State Capital Request

There are four items in the 2018 State Capital Request. It includes the University's largest-ever HEAPR request at $200 million. Two other projects were in the 2016 and 2017 request: Academic and Student Experience Investments on the system campuses, and Pillsbury Hall on the Twin Cities Campus. The final project is a capital renewal investment in the historic Glensheen Estate. The $259.8 million in projects represent $238.533 million from the State and $21.267 million from the University.

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

Greater Minnesota Academic Capital Renewal Projects
This request is for funds to make capital renewal investments in existing teaching, research, and student support spaces on the University's Crookston, Duluth, Morris campuses. These projects will convert obsolete spaces into modern facilities to meet the needs of today's programs and provide new learning opportunities across Minnesota. Up-to-date classrooms, instructional laboratories, and collaboration spaces are essential to attract the best and brightest students and remain competitive with other regional universities. Funds will be used to modernize space in Owen Hall and Dowell Hall (Crookston), A.B. Anderson Hall (Duluth), and Humanities Building and Blakely Hall (Morris). The overall student experience at the University of Minnesota will be improved by enhancing the physical environment and adding modern classroom learning technologies.

Pillsbury Hall Capital Renewal
This project will completely renovate and restore historic Pillsbury Hall (1887) scheduled to be vacated by the Department of Earth Sciences when the Tate Hall project is completed in summer 2017. This obsolete science facility will be repurposed to create modern, flexible teaching, learning, and non-laboratory research spaces focused on serving undergraduates as well as the College of Liberal Arts' humanities programs. The renovated space is anticipated to be divided between classroom / assembly-type spaces capable of supporting multiples modes of learning and alternative workplace office space for faculty and staff. At nearly 60,000 gross square feet, the renovation is expected to maintain an equivalent amount of space when complete. The rehabilitation of Pillsbury Hall is expected to be consistent with the Secretary of the Interior's Standards for Preservation.

Glensheen Renewal Challenge Initiative
This request for funds will make capital renewal investments in the Glensheen estate. Glensheen, on the shore of Lake Superior, is a 7.6 acre National Register listed property built between 1905 and 1908 by Chester and Clara Congdon. The estate is comprised of the following components: Manor House (42,100 gsf), Carriage House (11,900 gsf), Gardener's Cottage (2,400 gsf), Boat House (1,875 gsf), and Landscape and Site Structures (12.1 acres). The Congdon family gifted Glensheen

to the University of Minnesota in 1968. The University assumed ownership in 1977 and opened Glensheen for tours as a museum in 1979. The estate received approximately 100,000 visitors in 2015. Funds will be used for capital renewal priorities including the main house boiler / condensate system replacement and the garden walls, terraces, and landscape structures. This project is proposed as 50% State funds and 50% non-University funds (such as private gifts.) State funds will be released by the University when matching funds are secured.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the 2017 Six-Year Capital Improvement Plan and the 2018 State Capital Request.

REVISED

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

2017 Six-Year Capital Plan and 2018 State Capital Request

WHEREAS, preserving the University campuses through stewardship of public investments that have been made over 165 years is a commitment the Board has made to the State; and

WHEREAS, the Board of Regents has directed the administration to annually submit a capital improvement budget and a six-year capital improvement plan in support of the University's strategic priorities; and

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

WHEREAS, advancing key academic priorities is critical for the University to achieve and maintain excellence; and

WHEREAS, continuing investment in research infrastructure is essential for the future competitiveness of the University and the State of Minnesota; and

WHEREAS, enhancing the student experience for both undergraduate education and graduate and professional education is required as the core of its mission in order to generate and disseminate knowledge; and

WHEREAS, improving outreach and engagement is necessary in order to transform State communities, fuel the State economy, address State social issues, and improve the State's health; 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;

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the 2017 Six-Year Capital Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research, and outreach objectives.

BE IT FURTHER RESOLVED, that the Board of Regents approves the University's 2018 State Capital Request to the Minnesota Legislature in the amount of $259,800,000 consisting of $238,533,000 from the State of Minnesota and $21,267,000 from the University of Minnesota.

2017 Six Year Capital Plan
Project Description Report

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dollars in thousands

Project Costs

Project costs included in the Six-Year Capital Plan are order-of-magnitude estimates. Project costs and funding will be verified prior to consideration for the Annual Capital Budget.

179 AHC Capital Renewal - Mayo Decommission Strategy

Vice President:	VP Health Sciences	*RRC:*	Health Sciences Administration
Campus:	UMTC	*Contact:*	Jackson, B
Facility:	To Be Determined	*Year:*	2022
Total Cost:	$90,000	*Stage:*	Proposal

Description: This proposal is to renovate or construct new space for programs currently housed in the Mayo Building, a complex of individual former hospital buildings constructed between 1920 and 1950 that are well past their useful life. The objective of this project is to make significant progress towards the University's goal of decommissioning the Mayo Building while advancing the quality and capability of the University's health science programs.

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180 AHC Clinical Research Facility

Vice President:	VP Health Sciences	*RRC:*	Health Sciences Administration
Campus:	UMTC	*Contact:*	Jackson, B
Facility:	To Be Determined	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: This proposal is to design and construct a new clinical research facility for the Academic Health Center to support clinical and translational health science research. The new facility of approximately 100,000 GSF will include integrated research, clinical exam, consultation, computational, and collaboration space.

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117 Aquatic Center HVAC

Vice President:	EVPP Academic Affairs	*RRC:*	Student Affairs
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	Freeman Aquatics Center, Jean K	*Year:*	Under Consideration
Total Cost:	$12,500	*Stage:*	Feasibility

Description: This proposal is to replace the dehumidification and air-handling systems in the University Aquatic Center. Existing systems are incapable of providing adequate air flow during peak operating conditions. The proposed solution will balance energy recovery with critical health and safety reductions in chloramines and increase air and water quality.

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102 Arboretum - Horticulture and Operations HQ

Vice President:	EVPP Academic Affairs	*RRC:*	College of Food, Agricultural & Natural Resource Sciences
Campus:	ROCs & Stations	*Contact:*	Hanson, K
Facility:	New Facility	*Year:*	2018
Total Cost:	$6,000	*Stage:*	Predesign

Description: This project will construct a new 12,000 GSF, 2 story maintenance facility, 2,500 GSF greenhouse and 4,500 GSF equipment storage building. The existing 4,500 GSF maintenance shop will be converted to storage.

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103 Arboretum - Red Barn

Vice President:	EVPP Academic Affairs	*RRC:*	College of Food, Agricultural & Natural Resource Sciences
Campus:	ROCs & Stations	*Contact:*	Hanson, K
Facility:	Bost Barn	*Year:*	2018
Total Cost:	$2,000	*Stage:*	Predesign

Description: This project will renovate the Red Barn to be a safe and accessible centerpiece of the Arboretum's Eastern Campus. The scope of work will include code and safety improvements, installation of a new elevator, vestibule and public restrooms. Total project area is approx. 4,500 GSF.

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182 Armory Capital Renewal

Vice President:	EVPP Academic Affairs	*RRC:*	Academic Affairs and Provost
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	Armory	*Year:*	2023
Total Cost:	$36,000	*Stage:*	Proposal

Description: This proposal is to renovate the 72,000 sf Armory building in the Old Campus Historic District of the Minneapolis campus. The investment will correct code deficiencies, update HVAC and electrical systems and modernize the facility to support University needs.

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118 Athletic Facilities Targeted Improvement Projects

Vice President:	Systemwide	*RRC:*	Systemwide
Campus:	Systemwide	*Contact:*	Burnett, B
Facility:	Multiple	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: This proposal is to implement targeted investments to improve gender equity in Athletics facilities on the UMC, UMM, UMD and UMTC campuses. Priority projects may include the following: Improvements to Robbie Soccer Stadium; Office re-allocation and remodeling within the current Bierman and Gibson-Nagurski Complex; Locker rooms and office space at UMC; Locker rooms and training facilities at UMM

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131 Boynton Bldg Systems and Interior Capital Renewal

Vice President:	EVPP Academic Affairs	*RRC:*	Student Affairs
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	Boynton Health Service	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: This proposal is to address fire code and life safety requirements, upgrade the 50 year old HVAC system and remodel the interior to improve functionality of space for the Boynton Student Health Service. Utility costs will be reduced with energy efficiency improvements including modern lighting and window replacements. The estimated minimum investment to correct fire code and life safety and renew HVAC is $10 million.

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187 Chemistry Teaching Laboratory Facility

Vice President:	EVPP Academic Affairs	*RRC:*	College of Science and Engineering
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	Fraser Hall	*Year:*	2020
Total Cost:	$96,000	*Stage:*	Predesign

Description: This project will create a state-of-the-art undergraduate chemistry teaching facility with energy efficient teaching laboratories, student collaboration spaces, and classrooms. 18 new teaching laboratories for general and organic chemistry will replace and improve upon outdated facilities. The project will demolish earlier additions to Fraser Hall, renovate the 30,000 GSF original building and construct a new 70,800 addition. The completed project area will be 101,600 GSF. Fraser Hall is a FCA critical building.

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177 Child Development Replacement

Vice President:	EVPP Academic Affairs	*RRC:*	College of Education and Human Development
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	Child Development, Institute Of	*Year:*	2020
Total Cost:	$42,000	*Stage:*	Predesign

Description: This project will renovate the interior and exterior of 1913 Institute of Child Development Building (30,000 GSF), demolish the existing 1967 addition, and construct a new addition (30,000-34,000 GSF). Major program components include research labs and observation space for 20 ICD faculty and research and administrative space for the Center for Early Childhood Education.

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159 Dairy Teaching and Research Facility

Vice President:	EVPP Academic Affairs	*RRC:*	College of Food, Agricultural & Natural Resource Sciences
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	New Facility	*Year:*	Under Consideration
Total Cost:	$35,000	*Stage:*	Feasibility

Description: This proposal is to replace the existing dairy research and education facilities on the St. Paul Campus and at the West Central Research and Outreach Center. The proposed 140,000 GSF St. Paul facility will house 240 milking cows and will include a 4 station robotic milking parlor, classrooms, exhibition space and dairy staff offices. Proposed improvements at WCROC include a new 16,500 SF public outreach, research and operational dairy facility and a 2,500 GSF organic feed mill addition. Project timing is depending upon fundraising in partnership with the Minnesota Dairy Research/Education and Consumer Outreach Authority and the Minnesota dairy industry.

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192 Diehl Hall Vacate and Decommission

Vice President:	VP Health Sciences	*RRC:*	Health Sciences Administration
Campus:	UMTC	*Contact:*	Jackson, B
Facility:	Diehl Hall	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: This proposal is to vacate and prepare Diehl Hall for decommissioning. The opening of HSEC provides the University with the opportunity to vacate remaining units from the building. Approximately 90,000 SF of medical library and other teaching and research functions will be relocated. A number of University buildings are being evaluated as candidates.

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133 Glensheen Capital Renewal

Vice President:	UM Duluth Chancellor	*RRC:*	Duluth
Campus:	UMD	*Contact:*	Black, L
Facility:	Glensheen	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Predesign

Description: This project will reinvest in the University's historic 7.6 acre Glensheen estate. The estate is comprised of the following components: Manor House (42,100 gsf), Carriage House (11,900 gsf), Gardener's Cottage (2,400 gsf), Boat House (1,875 gsf), and Landscape & Site Structures (12.1 acres). Priority reinvestment projects have been organized into three tiers targeted at stabilizing the current structures and minimizing additional deterioration. Project timing is dependent on available funding.

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193 Greater MN Academic Renewal

Vice President:	Systemwide	*RRC:*	Systemwide
Campus:	Systemwide	*Contact:*	Burnett, B
Facility:	Multiple	*Year:*	2018
Total Cost:	$15,800	*Stage:*	Predesign

Description: This project will advance student focused academic renewal projects at UMC, UMM and UMD. Funds will be allocated to advance high priority projects focused on learning spaces, student support services and research laboratories.

The 2018 capital request includes: $4,800 for UMC to upgrade classrooms and laboratories in Dowell Hall and Owen Hall; $4,800 for UMM to renovate teaching spaces in the Humanities Building and Blakely Hall; $6,200 for UMD to renovate A. B. Anderson Hall.

This project was included in the University's 2016 State bonding request.

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194 Greater MN Academic Renewal

Vice President:	Systemwide	*RRC:*	Systemwide
Campus:	Systemwide	*Contact:*	Burnett, B
Facility:	Multiple	*Year:*	2020
Total Cost:	$24,000	*Stage:*	Proposal

Description: This proposal is for targeted strategic investments to enhance the functionality and usability of existing teaching, research, student support spaces systemwide. Funds will be allocated to advance high priority projects focused on learning spaces, student support services and research laboratories. System campus chancellors and field station and ROC leadership will identify priorities for consideration.

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195 Greater MN Academic Renewal

Vice President:	Systemwide	*RRC:*	Systemwide
Campus:	Systemwide	*Contact:*	Burnett, B
Facility:	Multiple	*Year:*	2022
Total Cost:	$24,000	*Stage:*	Proposal

Description: This proposal is for targeted strategic investments to enhance the functionality and usability of existing teaching, research, student support spaces systemwide. Funds will be allocated to advance high priority projects focused on learning spaces, student support services and research laboratories. System campus chancellors and field station and ROC leadership will identify priorities for consideration.

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197 Higher Education Asset Preservation and Replacement

Vice President:	SVP, Finance and Ops	*RRC:*	Systemwide University Finance
Campus:	Systemwide	*Contact:*	Burnett, B
Facility:	Multiple	*Year:*	2018
Total Cost:	$200,000	*Stage:*	Proposal

Description: This request is for funds used system-wide to maximize and extend the life of the University's existing physical plant. Individual projects will fall into one of four broad categories – Health and Safety, Building Systems, Energy Efficiency, and Utility Infrastructure. Facilities Management on each campus, in consultation with University Health & Safety and the Disability Resource Center, make recommendations on individual projects to the Vice President for University Services using data from the Facility Condition Assessment and Building Code Deficiency Report. HEAPR funds do not require a one-third University funding match. Funding for the HEAPR program is included each year in the state request.

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204 Joint Venture Development

Vice President:	SVP, Finance and Ops	*RRC:*	University Finance
Campus:	UMTC	*Contact:*	Burnett, B
Facility:	New Facility	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: This proposal is to be developed by 2407 University Investment LLC, a public/private partnership between the University of Minnesota and United Properties. The U of M maintains 49% ownership in the partnership. Concepts for pedestrian oriented mixed use development including hotels, apartments, offices and retail/commercial space were were presented to the BOR in Feb 2016. Final definition of the project is anticipated in 2017. The investment will provide new office space to support decommissioning of critical AHC facilities and may accommodate programming for the School of Public Health.

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206 Library Collections

Vice President:	EVPP Academic Affairs	*RRC:*	University Libraries
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	To Be Determined	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Proposal

Description: This project will begin to address the collections needs of the University of Minnesota for the next 20 years. Relocation of various library collections into offsite storage from around the library system will enable the creation of new, innovative spaces for teaching and research in prime locations. Secure, environmentally controlled space in offsite facilities will provide for storage, preservation, regeneration and characterization of essential resources. Wilson library will be renovated to better support contemporary learning and scholarship with services focused on enabling new discovery, interaction with digital media and technology tools, community engagement, teaching, and study areas.

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163 Limnology Building and Property Capital Renewal

Vice President:	UM Duluth Chancellor	*RRC:*	Duluth
Campus:	UMD	*Contact:*	Black, L
Facility:	Limnology	*Year:*	2022
Total Cost:	$4,920	*Stage:*	Predesign

Description: This project will renovate the existing 7,000 GSF limnology research station and construct a new 6,000 GSF addition. The program includes a learning lab, meeting space and work stations for 27 personnel. MN Sea Grant Center will relocate to the new facility from its current location at UMD Chester Park.

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148 Lions Eye Institute

Vice President:	VP Health Sciences	*RRC:*	Medical School
Campus:	UMTC	*Contact:*	Jackson, B
Facility:	New Facility	*Year:*	Under Consideration
Total Cost:	$54,000	*Stage:*	Feasibility

Description: This project will construct a new centralized 70,000 - 90,000 GSF clinical care, research and training facility for the Lion's Eye Institute. This building will include an Adult Eye Clinic, Clinical Trial Clinic, Advanced Ocular Imaging Clinic, Low-Vision Clinic, Eye Surgery Suites, Ocular BioMedical Lab, Education Space, Office Space, the Eye Bank, and potential shelled out space for future Visual Neurosciences Laboratories. 18,000 SF on the 9th Floor of PWB, 9,000 SF of leased space at University Enterprise Laboratories and four eye surgery suites currently located in Clinics and Surgery Center will be relocated to the new building.

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165 M Club Room at Mariucci Arena

Vice President:	Intercollegiate Athletics	*RRC:*	Department of Intercollegiate Athletics
Campus:	UMTC	*Contact:*	Coyle, M
Facility:	3M Arena At Mariucci	*Year:*	Under Consideration
Total Cost:	$3,000	*Stage:*	Predesign

Description: This project will construct a 1,500 GSF room behind the press box at Mariucci Arena for M Club members. The M Club Room will be will provide a location for former Gopher Athletes to gather during hockey games and other events at Mariucci Arena. This space will also be used for fundraising efforts for all of athletics.

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124 Mariucci Arena Rink and Refrigeration System Replacement

Vice President:	Intercollegiate Athletics	*RRC:*	Department of Intercollegiate Athletics
Campus:	UMTC	*Contact:*	Coyle, M
Facility:	3M Arena At Mariucci	*Year:*	Under Consideration
Total Cost:	$5,000	*Stage:*	Predesign

Description: This project will convert the refrigeration system at Mariucci Arena in response to freon being phased out of production by 2020. Concurrently, the project proposes to reduce the scale of the ice sheet and install additional rows of seating in the arena.

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147 MDT - CMRR Imaging Across Multiple Scales

Vice President:	VP Health Sciences	*RRC:*	Medical School
Campus:	UMTC	*Contact:*	Jackson, B
Facility:	Magnetic Resonance Research, Center	*Year:*	2019
Total Cost:	$3,700	*Stage:*	Predesign

Description: This project will renovate approx. 16,000 GSF sf in the Center for Magnetic Resonance and Research building to accommodate the new faculty and researchers for Minnesota Discovery Team (MDT) "Imaging Across Multiple Scales."

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138 Men's and Women's Year Round Golf Practice Facility

Vice President:	Intercollegiate Athletics	*RRC:*	Department of Intercollegiate Athletics
Campus:	UMTC	*Contact:*	Coyle, M
Facility:	New Facility	*Year:*	Under Consideration
Total Cost:	$3,200	*Stage:*	Predesign

Description: This project will construct a year round practice facility at the golf course for the men's and women's golf teams. The facility will include offices and locker rooms for the coaches, locker rooms for each team, a players' lounge for the student-athletes, a putting studio with video equipment, a large indoor putting green and up to 8 hitting stalls with garage doors opening up onto the driving range for year round use.

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126 Oral Surgery Clinic Renovation

Vice President:	VP Health Sciences	*RRC:*	School of Dentistry
Campus:	UMTC	*Contact:*	Jackson, B
Facility:	Moos Health Sciences Tower, Malcolm	*Year:*	Under Consideration
Total Cost:	$3,000	*Stage:*	Feasibility

Description: This proposal is to renovate approx 7,500 sf on the 7th floor of Moos Tower to create a state of the art oral surgery clinic for the School of Dentistry. The existing 1970's era clinic is the site of clinical training for students and residents in Oral and Maxillofacial Surgery. It provides treatment to approx. 15,000 patients per year. The renovated facility will result in six surgical suites equipped to provide full sedation surgery. It will integrate the latest tech innovations and tools with anesthesia services to meet the needs of patients.

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209 Pillsbury Hall Capital Renewal

Vice President:	EVPP Academic Affairs	*RRC:*	College of Liberal Arts
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	Pillsbury Hall	*Year:*	2018
Total Cost:	$36,000	*Stage:*	Predesign

Description: This project will completely renovate Pillsbury Hall, replacing obsolete science facilities with modern, flexible non-laboratory teaching, learning, and research spaces for College of Liberal Arts' humanities programs including the Department of English (which teaches nearly 6,000 students per year). The renovated space is anticipated to be divided approximately equally between classroom- and assembly-type space to support multiple modes of learning and alternative workplace office space. At nearly 60,000 gross square feet, the renovation is expected to maintain an equivalent amount of space when complete. The rehabilitation of Pillsbury Hall is expected to be consistent with the Secretary of the Interior's Standards for Preservation.

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Description Report

272 Shepherd Laboratories Floor 3-5 Renovation

Vice President:	EVPP Academic Affairs	*RRC:*	College of Science and Engineering
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	Shepherd Laboratories	*Year:*	Under Consideration
Total Cost:	$13,700	*Stage:*	Feasibility

Description: This proposal is to repurpose the third, fourth, and fifth floors of the Shepherd Laboratories building. Alternatives uses include research labs, offices and support spaces for the Department of Biomedical Engineering Neural Engineering facility, or instructional labs, open computer labs and faculty offices for the Department of Computer Science and Engineering. Total project area is approx. 12,600 SF.

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140 St. Paul Capital Renewal

Vice President:	EVPP Academic Affairs	*RRC:*	Academic Affairs and Provost
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	To Be Determined	*Year:*	2021
Total Cost:	$45,000	*Stage:*	Proposal

Description: This proposal is to renovate teaching and research space in one or more buildings on the St. Paul Campus. Renovation of space will be prioritized to achieve collegiate goals of synergy among researchers and to allow for the demolition of obsolete teaching and research space. Priorities are being defined through the St Paul Strategic Facilities Plan, in-process through 2018.

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151 St. Paul Gymnasium Renovation/Addition

Vice President:	EVPP Academic Affairs	*RRC:*	Student Affairs
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	St. Paul Gymnasium	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: This proposal is to renovate or construct a small addition to the St. Paul Gym. Programming for the new facility may include an expanded area for youth programs drop off, reconfiguration of the member desk, expanded weight room, refurbished running track and new family locker rooms for the pool area.

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Description Report

113 St. Paul Student Center Replacement

Vice President:	EVPP Academic Affairs	*RRC:*	Student Affairs
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	Student Center	*Year:*	Under Consideration
Total Cost:	$65,000	*Stage:*	Feasibility

Description: This proposal is to renovate or replace the Student Center on the St. Paul campus. The new or renovated facility will be a venue for programming, services, meetings and events on St. Paul campus. Programming for the new facility will be informed by the St Paul Strategic Facilities Plan, in-process through 2018.

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141 TC Campus Capital Renewal

Vice President:	EVPP Academic Affairs	*RRC:*	Academic Affairs and Provost
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	To Be Determined	*Year:*	2022
Total Cost:	$40,000	*Stage:*	Proposal

Description: This proposal is for an investment to enhance existing teaching, research and student academic and student support space on the Twin Cities campus. The project will be defined in a future plan.

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111 Turkey Research Facility

Vice President:	EVPP Academic Affairs	*RRC:*	College of Food, Agricultural & Natural Resource Sciences
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	New Facility	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: The proposal is to relocate the University's UMORE Park turkey research facility. The existing facility supports long-term, large scale research (non-infectious) in the production of commercial and breeder turkeys.

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142 UMM Briggs Library Capital Renewal

Vice President:	UM Morris Chancellor	*RRC:*	Morris
Campus:	UMM	*Contact:*	Behr, M
Facility:	Rodney A. Briggs Library	*Year:*	2019
Total Cost:	$25,000	*Stage:*	Predesign

Description: This project will renovate the existing 50,000 GSF Rodney A. Briggs Library and construct a new east link/entry addition and west entry. Facility improvements will include full replacement of Mechanical, Electrical, and Plumbing systems, technology infrastructure, new elevator, and ADA/Code compliant restrooms. This project will revitalize the Briggs Library facility at the "heart of the campus" and provide facilities that best meet the academic, co-curricular, social and safety needs of the UMM Community.

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116 UMM Eco Center

Vice President:	UM Morris Chancellor	*RRC:*	Morris
Campus:	UMM	*Contact:*	Behr, M
Facility:	New Facility	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: This proposal is to construct a four-season Eco Center Facility on 140 acres of land gifted to UMM near Ashby, Minnesota. The EcoCenter Facility will connect students to nature, support environmental learning and complement the classroom experience. The investment will include an open classroom, small kitchen, data room, bio sample room, and weather station. It is envisioned to be 100% energy efficient (Net Zero) and carbon neutral, with energy consumption data being recorded and available for study. This proposed facility will enable research, education, and outreach by utilizing this unique site's combined attributes of water, native prairie, and continuously cultivated soil. Source of funds is planned to be fundraising.

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143 Welcome Center

Vice President:	EVPP Academic Affairs	*RRC:*	Academic Affairs and Provost
Campus:	UMTC	*Contact:*	Hanson, K
Facility:	To Be Determined	*Year:*	Under Consideration
Total Cost:	To Be Determined	*Stage:*	Feasibility

Description: This proposal is to create a new welcome center for the TC campus, incorporating undergrad, international and transfer student admissions. A visioning and planning process to refine the scope is currently underway.

2017 Six Year Capital Plan
Project Funding Report

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Funding Report

Project Costs

Project costs included in the Six-Year Capital Plan are order-of-magnitude estimates. Project costs and funding will be verified prior to consideration for the Annual Capital Budget.

Project Priority

Projects are shown in order of priority for the state capital budget request in year 2018. Projects in future years of the plan and projects under consideration are not prioritized.

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Funding Report

2018

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
197	Higher Education Asset Preservation and Replacement	Systemwide	$200,000	$200,000	$0
193	Greater MN Academic Renewal	Systemwide	$15,800	$10,533	$5,267
209	Pillsbury Hall Capital Renewal	UMTC	$36,000	$24,000	$12,000
			$251,800	$234,533	$17,267

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
102	Arboretum - Horticulture and Operations HQ	ROCs & Stations	$6,000	$0	$6,000
103	Arboretum - Red Barn	ROCs & Stations	$2,000	$0	$2,000
217	R&R - Crookston Campus	UMC	$245	$0	$245
283	R&R - Duluth Campus	UMD	$3,000	$0	$3,000
223	R&R - Duluth Student Life	UMD	$3,200	$0	$3,200
235	R&R - Morris Campus	UMM	$90	$0	$90
211	R&R - Twin Cities Athletics	UMTC	$1,300	$0	$1,300
253	R&R - Twin Cities Campus	UMTC	$7,400	$0	$7,400
259	R&R - Twin Cities Dining Services	UMTC	$1,300	$0	$1,300
229	R&R - Twin Cities Housing & Residential Life	UMTC	$6,900	$0	$6,900
241	R&R - Twin Cities Parking & Transportation Services	UMTC	$13,300	$0	$13,300
247	R&R - Twin Cities Student Affairs	UMTC	$1,100	$0	$1,100
265	R&R - Twin Cities Utilities	UMTC	$10,100	$0	$10,100
			$55,935	$0	$55,935
		FY Total:	$307,735	$234,533	$73,202
		Running Total:	$307,735	$234,533	$73,202

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Funding Report

2019

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
198	Higher Education Asset Preservation and Replacement	Systemwide	$100,000	$100,000	$0
142	UMM Briggs Library Capital Renewal	UMM	$25,000	$16,667	$8,333
			$125,000	$116,667	$8,333

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
147	MDT - CMRR Imaging Across Multiple Scales	UMTC	$3,700	$0	$3,700
218	R&R - Crookston Campus	UMC	$245	$0	$245
284	R&R - Duluth Campus	UMD	$3,000	$0	$3,000
224	R&R - Duluth Student Life	UMD	$2,000	$0	$2,000
236	R&R - Morris Campus	UMM	$90	$0	$90
212	R&R - Twin Cities Athletics	UMTC	$1,300	$0	$1,300
254	R&R - Twin Cities Campus	UMTC	$7,400	$0	$7,400
260	R&R - Twin Cities Dining Services	UMTC	$2,300	$0	$2,300
230	R&R - Twin Cities Housing & Residential Life	UMTC	$11,500	$0	$11,500
242	R&R - Twin Cities Parking & Transportation Services	UMTC	$13,800	$0	$13,800
248	R&R - Twin Cities Student Affairs	UMTC	$1,100	$0	$1,100
266	R&R - Twin Cities Utilities	UMTC	$10,100	$0	$10,100
			$56,535	$0	$56,535
		FY Total:	$181,535	$116,667	$64,868
		Running Total:	$489,270	$351,200	$138,070

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Funding Report

2020

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
199	Higher Education Asset Preservation and Replacement	Systemwide	$150,000	$150,000	$0
187	Chemistry Teaching Laboratory Facility	UMTC	$96,000	$64,000	$32,000
177	Child Development Replacement	UMTC	$42,000	$28,000	$14,000
194	Greater MN Academic Renewal	Systemwide	$24,000	$16,000	$8,000
			$312,000	$258,000	$54,000

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
219	R&R - Crookston Campus	UMC	$245	$0	$245
285	R&R - Duluth Campus	UMD	$3,000	$0	$3,000
225	R&R - Duluth Student Life	UMD	$2,000	$0	$2,000
237	R&R - Morris Campus	UMM	$90	$0	$90
213	R&R - Twin Cities Athletics	UMTC	$1,300	$0	$1,300
255	R&R - Twin Cities Campus	UMTC	$7,400	$0	$7,400
261	R&R - Twin Cities Dining Services	UMTC	$1,000	$0	$1,000
231	R&R - Twin Cities Housing & Residential Life	UMTC	$17,800	$0	$17,800
243	R&R - Twin Cities Parking & Transportation Services	UMTC	$9,000	$0	$9,000
249	R&R - Twin Cities Student Affairs	UMTC	$1,100	$0	$1,100
267	R&R - Twin Cities Utilities	UMTC	$10,100	$0	$10,100
			$53,035	$0	$53,035
		FY Total:	$365,035	$258,000	$107,035
		Running Total:	$854,305	$609,200	$245,105

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Funding Report

2021

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
200	Higher Education Asset Preservation and Replacement	Systemwide	$100,000	$100,000	$0
140	St. Paul Capital Renewal	UMTC	$45,000	$30,000	$15,000
			$145,000	$130,000	$15,000

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
220	R&R - Crookston Campus	UMC	$245	$0	$245
286	R&R - Duluth Campus	UMD	$3,000	$0	$3,000
226	R&R - Duluth Student Life	UMD	$2,000	$0	$2,000
238	R&R - Morris Campus	UMM	$90	$0	$90
214	R&R - Twin Cities Athletics	UMTC	$1,300	$0	$1,300
256	R&R - Twin Cities Campus	UMTC	$7,400	$0	$7,400
262	R&R - Twin Cities Dining Services	UMTC	$2,800	$0	$2,800
232	R&R - Twin Cities Housing & Residential Life	UMTC	$23,700	$0	$23,700
244	R&R - Twin Cities Parking & Transportation Services	UMTC	$4,000	$0	$4,000
250	R&R - Twin Cities Student Affairs	UMTC	$1,100	$0	$1,100
268	R&R - Twin Cities Utilities	UMTC	$10,100	$0	$10,100
			$55,735	$0	$55,735
		FY Total:	$200,735	$130,000	$70,735
		Running Total:	$1,055,040	$739,200	$315,840

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Funding Report

2022

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
201	Higher Education Asset Preservation and Replacement	Systemwide	$150,000	$150,000	$0
179	AHC Capital Renewal - Mayo Decommission Strategy	UMTC	$90,000	$60,000	$30,000
195	Greater MN Academic Renewal	Systemwide	$24,000	$16,000	$8,000
141	TC Campus Capital Renewal	UMTC	$40,000	$26,667	$13,333
			$304,000	$252,667	$51,333

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
163	Limnology Building and Property Capital Renewal	UMD	$4,920	$0	$4,920
221	R&R - Crookston Campus	UMC	$245	$0	$245
287	R&R - Duluth Campus	UMD	$3,000	$0	$3,000
227	R&R - Duluth Student Life	UMD	$2,000	$0	$2,000
239	R&R - Morris Campus	UMM	$90	$0	$90
215	R&R - Twin Cities Athletics	UMTC	$1,300	$0	$1,300
257	R&R - Twin Cities Campus	UMTC	$7,400	$0	$7,400
263	R&R - Twin Cities Dining Services	UMTC	$1,100	$0	$1,100
233	R&R - Twin Cities Housing & Residential Life	UMTC	$24,300	$0	$24,300
245	R&R - Twin Cities Parking & Transportation Services	UMTC	$6,900	$0	$6,900
251	R&R - Twin Cities Student Affairs	UMTC	$1,100	$0	$1,100
269	R&R - Twin Cities Utilities	UMTC	$10,100	$0	$10,100
			$62,455	$0	$62,455
		FY Total:	$366,455	$252,667	$113,788
		Running Total:	$1,421,495	$991,867	$429,628

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dollars in thousands

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Project Funding Report

2023

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
202	Higher Education Asset Preservation and Replacement	Systemwide	$100,000	$100,000	$0
182	Armory Capital Renewal	UMTC	$36,000	$24,000	$12,000
			$136,000	$124,000	$12,000

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
222	R&R - Crookston Campus	UMC	$245	$0	$245
288	R&R - Duluth Campus	UMD	$3,000	$0	$3,000
228	R&R - Duluth Student Life	UMD	$2,000	$0	$2,000
240	R&R - Morris Campus	UMM	$90	$0	$90
216	R&R - Twin Cities Athletics	UMTC	$1,300	$0	$1,300
258	R&R - Twin Cities Campus	UMTC	$7,400	$0	$7,400
264	R&R - Twin Cities Dining Services	UMTC	$2,800	$0	$2,800
234	R&R - Twin Cities Housing & Residential Life	UMTC	$22,800	$0	$22,800
246	R&R - Twin Cities Parking & Transportation Services	UMTC	$5,000	$0	$5,000
252	R&R - Twin Cities Student Affairs	UMTC	$1,100	$0	$1,100
270	R&R - Twin Cities Utilities	UMTC	$10,100	$0	$10,100
			$55,835	$0	$55,835
		FY Total:	$191,835	$124,000	$67,835
		Running Total:	$1,613,330	$1,115,867	$497,463

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dollars in thousands

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Under Consideration List

Funding To Be Determined

File	Project Title	Campus	Preliminary Estimate	Project Status
180	AHC Clinical Research Facility	UMTC	To Be Determined	Feasibility study in progress. Preliminary estimate to be determined as part of feasibility study.
118	Athletic Facilities Targeted Improvement Projects	Systemwide	To Be Determined	Feasibility study in progress. Preliminary estimate to be determined as part of feasibility study.
131	Boynton Bldg Systems and Interior Capital Renewal	UMTC	To Be Determined	Feasibility study in progress. Preliminary estimate to be determined as part of feasibility study.
192	Diehl Hall Vacate and Decommission	UMTC	To Be Determined	Feasibility study in progress. Preliminary estimate to be determined as part of feasibility study.
133	Glensheen Capital Renewal	UMD	To Be Determined	Multiple predesign studies in progress. Cost estimate to be determined as part of predesign.
204	Joint Venture Development	UMTC	To Be Determined	Feasibility study in progress. Preliminary estimate to be determined as part of feasibility study.
206	Library Collections	UMTC	To Be Determined	Feasibility study in progress. Preliminary estimate to be determined as part of feasibility study.
151	St. Paul Gymnasium Renovation/Addition	UMTC	To Be Determined	Feasibility study in progress. Preliminary estimate to be determined as part of feasibility study.
111	Turkey Research Facility	UMTC	To Be Determined	Feasibility study in progress. Preliminary estimate to be determined as part of feasibility study.
116	UMM Eco Center	UMM	To Be Determined	Feasibility study paused. Further review to determine preliminary estimate.
143	Welcome Center	UMTC	To Be Determined	Visioning and planning study in progress. Feasibility study to follow.

State Funded

File	Project Title	Campus	Preliminary Estimate	Project Status
159	Dairy Teaching and Research Facility	UMTC	$35,000	Feasibility study complete. Preliminary estimate by consultant.

UNIVERSITY OF MINNESOTA

2017 Six Year Capital Plan - Under Consideration List

University Funded

File	Project Title	Campus	Preliminary Estimate	Project Status
117	Aquatic Center HVAC	UMTC	$12,500	Design in progress. Preliminary estimate by consultant.
148	Lions Eye Institute	UMTC	$54,000	Feasibility study in progress. Preliminary estimate based on similar projects.
165	M Club Room at Mariucci Arena	UMTC	$3,000	Predesign complete. Preliminary estimate by consultant.
124	Mariucci Arena Rink and Refrigeration System Replacement	UMTC	$5,000	Predesign complete. Preliminary estimate by consultant.
138	Men's and Women's Year Round Golf Practice Facility	UMTC	$3,200	Predesign in progress. Preliminary estimate by consultant.
126	Oral Surgery Clinic Renovation	UMTC	$3,000	Feasibility study in progress. Preliminary estimate based on similar projects.
272	Shepherd Laboratories Floor 3-5 Renovation	UMTC	$13,700	Feasibility study complete. Preliminary estimate by consultant.
113	St. Paul Student Center Replacement	UMTC	$65,000	Feasibility study complete. Preliminary estimate by consultant.

2017 Six-Year Capital Plan and 2018 State Capital Request

Senior Vice President Brian Burnett
Vice President Matt Kramer

Board of Regents Finance and Operations Committee

October 12, 2017

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

University Services

Stewardship • Integrity
Respect • Innovation • Safety

Mission Priorities

Facility Priorities

Six-Year Capital Plan

Six-Year Plan Core Strategy:

Focus reinvestment on
our existing infrastructure.

Six-Year Plan Priorities

- Address poor and critical backlog
- Advance the Health Sciences
- Modernize Saint Paul campus research laboratories
- Expand capacity in STEM programs
- Reposition Libraries for the 21st century

The University relies on the State for **70% of our capital funding**

State Financial Outlook

Capitol Trends and Priorities

State Capital Request

State Capital Request Strategy:

Only renewal.

Only existing projects.

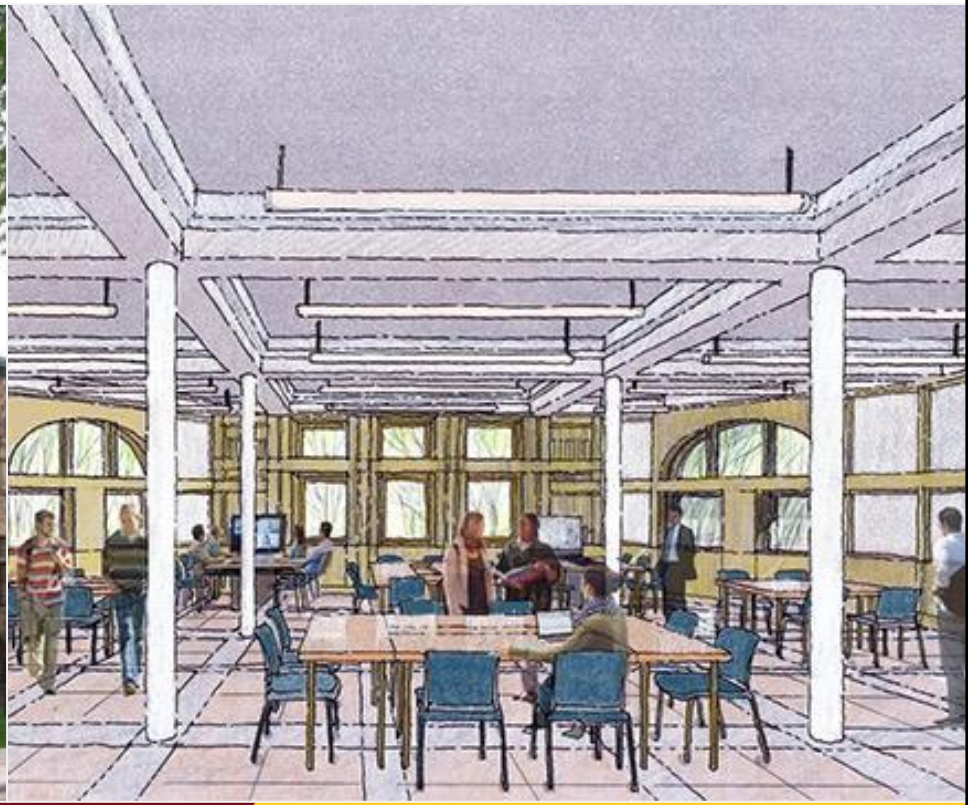
The 2018 State request prioritizes renewal

Location	Project	Request (dollars in millions) Total	State	U of MN
SYSTEM	HEAPR	$200.0	$200.0	$0.0
SYSTEM	Academic and Student Experience Investments	$15.8	$10.5	$5.3
UMTC	Pillsbury Hall Renewal	$36.0	$24.0	$12.0
	Total:	**$251.8**	**$234.5**	**$17.3**

HEAPR is cheaper

This request prioritizes system campuses

Pillsbury renewal creates new opportunities



UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: FY 2019 Budget Variables and Levers

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

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

PRESENTERS: Brian D. Burnett, Senior Vice President
Julie A. Tonneson, Associate Vice President, Budget and Finance

PURPOSE & KEY POINTS

The purpose of this agenda item is to:

1. Review the President's recommended FY 2019 undergraduate non-resident/non-reciprocity (NRNR) tuition rate for the Twin Cities campus in preparation for action in December.
2. Engage in a policy discussion regarding the remaining preliminary budget planning assumptions for the fiscal year beginning July 1, 2018 (FY19).

The timeline for Board discussion and review of components of the annual operating budget begins with this discussion, which introduces ideas and variables and ends with review and action on the President's Recommended Annual Operating Budget for FY19, anticipated in May and June of 2018.

The goals of each interaction are for the administration to share information and recommendations and for the Board to provide input and guidance reflecting priorities and expectations for next year's budget. With the exception of the Twin Cities NRNR tuition rate, this discussion will focus on general definitions and trends in resources and expenditures, rather than specific issues or values.

The Budget Framework

At the very early stages of developing each biennial budget request to the State of Minnesota, the University creates a budget planning framework for the two years of the upcoming biennium. The framework is a very high level-set of assumptions regarding changes in revenues and expenditures that summarize plans for achieving a balanced budget. In the summer of 2016, a budget framework was created for both FY18 and FY19. The framework focuses on the significant unrestricted funds available to support the maintenance and operations of the University's core missions: the state's appropriation to the University, and tuition.

The institution's other funds (fees; auxiliary and other unrestricted sales; restricted grants; contracts; gifts; etc.) are generated differentially by units throughout the University based on their activities. These funds are monitored and reviewed by central administration, but are automatically

attributed to the units as generated revenue. The annual budgeting of revenues and expenses in this category of funds requires estimating and decision-making processes at the local unit level, but not by central administration. (Some auxiliary rates, such as those for student room and board and parking, are reviewed and approved by central administration.) These other funds are incorporated into detailed budget planning for each unit and are included in the President's Recommended Annual Operating Budget, but they are only a very small component of the "budget framework."

A typical budget framework reflects incremental changes in resources and costs and includes the following components:

- Assumed or known changes in state appropriations.
- Planned internal reallocations.
- Planned changes in tuition revenue based on recommended rates and enrollment.
- Planned increases in salary costs based on recommended compensation plan.
- Estimated cost increases for fringe benefits.
- Estimated cost increases for facilities operations (utilities, debt service etc.).
- Planned investment pool for programmatic and operating initiatives.

The budget framework is a guide that impacts the decision-making process throughout the year, but it does not remain stagnant. The framework is adjusted as new information becomes available or as decisions are made based on priority needs of the institution. It must always, however, result in a positive or $0 balance.

Trend in Major Framework Components

State Appropriation

In recent years, state appropriations to the University have increased modestly after a four-year decline during the great recession (dollars in millions):

FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
$708.8	$701.5	$647.8	$615.6	$569.7	$569.7	$601.2	$615.5	$650.0	$650.8	$683.1
	-$7.3	-$53.7	-$32.2	-$45.9	$0.0	+$31.5	+$14.3	+$34.5	+$0.8	+$32.3

At $683.1 million in FY18, without adjusting for inflation, the appropriation remains $25.7 million less than the University received at its peak support of $708.8 million in FY08. Adjusting for inflation, an appropriation of $708.8 million in FY08 would have the same buying power as $833.0 million today, which is $149.9 million more than the actual FY18 appropriation.

It is also important to note that $10,050,000 of the FY18 appropriation is nonrecurring and is therefore not available in FY19. The FY18 approved budget included plans to spend those nonrecurring dollars on nonrecurring expenses ($10m to repair and renovation projects) to avoid an unbalanced budget entering FY19. **There is no appropriation increase for FY19**.

Internal Reallocation

Every year the budget has incorporated some level of internal reallocation, choosing to reduce spending in some areas in order to pay for cost increases and investments in other areas (dollars in millions):

	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Framework Funds							
Reallocation	$40.5	$4.0	$14.9	$16.1	$30.5	$22.8	$17.1
% of O&M/Tuition	3.1%	0.3%	1.1%	1.2%	2.1%	1.6%	1.1%

Prior to FY14, the reallocations were largely driven by a reduction in state appropriations combined with annual cost increases and investment priorities. Beginning in FY14, those pressures on the budget were joined by concern over increasing tuition rates, and President Kaler introduced the goal to reduce administrative costs by $90 million over six years. The recommended budget for each year since then has included reallocations in the framework funds to reduce administrative costs and some reallocations to reduce spending on mission activities in order to balance the budget.

FY19 is the year in which the full $90 million will be achieved. The total administrative reallocation necessary to reach that goal is estimated at $11 million. Moreover, due to a flat state appropriation, increasing costs, and the desire to hold down resident tuition rates, it is likely that mission-related reallocations will also be necessary to balance the budget.

Tuition:

In development of the budget framework at the beginning of the process, tuition rate decisions are generally considered in three categories:

1. Resident undergraduate on each campus.
2. Nonresident/non-reciprocity undergraduate on each campus.
3. Graduate/professional.

During the first decade of this century, tuition rates at the University increased in almost all categories significantly –in response to periodic reductions in state funding, to address cost increases for essential items in the budget, and to maintain excellence in academic programs and services. Tuition rate-setting is an annual decision that considers a variety of factors as part of a larger total budget package.

In two of the last three biennia, the University requested funding from the state specifically to take the place of increased resident tuition rates. The state approved that request in FY14-FY15 and partially in FY16-FY17. As a result of those increased dollars and University decisions to reallocate more internally (control costs), the resident undergraduate tuition rate on the Twin Cities campus has increased at only an average annual rate of 1.2 percent since FY13. On the system campuses, the increase has been an average annual rate of 0.5 percent. This year (FY18) the Twin Cities campus resident undergraduate tuition rate ranks 7 out of 14 in the Big Ten. The system campuses remain at or near the top of their comparison groups.

Without an increase in state funding for FY19, the decision on resident undergraduate rates will need to consider a variety of factors: the trade-offs between stable or minimally increased rates and inflationary costs plus desired investments in excellence; the placement by campus in their various comparison groups; the availability of need-based financial aid for students; and the financial burden placed on all students and families.

Recent history for NRNR undergraduate tuition rates has been different. The Crookston and Rochester campuses do not have a nonresident tuition differential for competitive reasons, and the Morris campus just reinstated a differential beginning in FY17. The Duluth campus has a nonresident tuition differential that increased in the 2.5-5.5 percent range in recent years.

In June of 2007 (for students entering fall 2008), the University decreased the nonresident tuition differential on the Twin Cities campus significantly – to the bottom of the Big Ten – to improve recruitment potential and build pipelines of potential students from markets throughout the country. This happened at the same time the State of Minnesota changed the reciprocity agreement with Wisconsin in such a way that resulted in additional revenue for the University, so the small loss in nonresident tuition was offset by increased reciprocity tuition. This strategy, combined with continued improvement in the academic profile of the University, has been successful in building strong demand for nonresident enrollment. Over the last four years, the Twin Cities campus nonresident tuition rates have increased at an annual average rate of 7.7 percent, but the rate remains very near the bottom of the Big Ten. **The decisions for NRNR rates in FY19 and beyond will need to weigh the goal of setting a rate that recognizes demand and adds resources to maintain academic excellence, with the potential impact large increases might have on recruiting talented students from all economic backgrounds** (see President's Recommendation, below).

Tuition rate changes for graduate and professional programs vary significantly by program. The professional schools consider their tuition rate compared to peers, student demand and the ranking of their programs, as well as the debt levels and earning potential for their graduates. The rates for graduate programs factor in many of those same variables, plus the financial impact to departments of assistantship costs. Generally, these rates have increased at a steady, moderate pace reflecting inflation or trends at other schools.

Compensation

Board of Regents Policy: *Employee Compensation and Recognition* outlines the goals for the University's compensation strategies:

> "(a) The University strives to achieve and maintain a compensation structure that, when combined with benefits and other rewards is competitive…
> (b) The University seeks to reward meritorious performance…
> (c)…the University considers the work responsibilities, market, internal equity, experience and expertise, performance, and other criteria as appropriate."

While the University continues to refine comparative market information by employee group or job family, information collected from surveys for local and national industries, higher education institutions, and public sector employers for 2017 show the University's compensation increase in general to be slightly lower than average:

	Local Industry	National Industry	Higher Education	Public Sector	University of Minnesota
Average Increase	2.96%	2.98%	2.61%	2.63%	2.50%

In the last five years, the approved University average compensation increases have been either 2.0 percent or 2.5 percent, delivered on a merit basis (not across the board) or through collective bargaining agreements. **The decision for FY19 compensation increases should consider what is necessary to provide market-competitive rates within the context of available resources.**

In addition to salary increases, the University's budget framework must include the projected impact of changes in fringe benefit rates charged to departments. If these rates are increasing

overall, then there will be a budgetary cost to all University departments, regardless of whether there is a salary increase. For FY18 and FY19, this cost is higher than "normal" as the impact of a one-time reduction in rates during FY17 works its way through the methodology. In O&M and tuition alone for FY19, the additional fringe cost (with no salary increase) is estimated to be $11.9 million. Each percentage increase in salaries will thus have an additional impact on the budget, over and above that $11.9 million.

Other Costs and Investment:

The other primary cost categories for the budget framework include facilities (utilities, debt service, new building operations and leases), general operations (technology licensing and maintenance agreements, library inflation, basic infrastructure), and strategic investments.

Required facility and operating cost increases generally fluctuate annually in the $2-7 million range. In any given year, some costs go up while others remain stable or decrease. For example, utility increases may occur while debt remains stable, or technology maintenance agreements increase while utility costs go down. Each year estimated changes are built into early versions of the framework and updated throughout the process as more information becomes available.

The strategic investment category is included as a discretionary item in the framework. Academic and support units bring forward many proposals for funding during the budget development process – from expansion of programs and services, to general support for base operations, to enhancements in financial aid. Maintaining excellence in University programs and services is a consistent priority, but available resources change as other revenue and spending components of the framework fluctuate. The challenge is often committing adequate funds to this category while providing a reasonable salary increase and covering required cost increases, all while balancing within constrained resource growth. **The decision for FY19 will be centered on the level of new investment funding to include in the budget, over and above the required amounts necessary to address the other categories of spending.**

Budget Framework Variables – Equivalencies

Attachment 1 in the docket includes the estimated value of standard "change metrics" for a number of resource and expenditure variables included in the budget framework.

BACKGROUND INFORMATION

The Board reviews and acts on the President's Recommended Annual Operating Budget each year in late spring or early summer, depending on the adjournment date of the Minnesota Legislature. Because the FY19 appropriation is already set as a result of action taken during the 2017 legislative session, it is anticipated that the Board will receive a recommended FY19 annual operating budget for review in May 2018 and action in June 2018.

In the last two years, Board work sessions on the budget assumptions were held in September prior to the FY17 and FY18 budgets. Because feedback from Regents indicates discussion on the annual operating budget early in the process benefits the development of priorities and recommendations for future action, this type of session is being repeated at this meeting.

PRESIDENT'S RECOMMENDATION

The President recommends a 15 percent increase in the Twin Cities NRNR undergraduate tuition rate for FY19. The recommendation is coming forward at this time (with action anticipated in December) to provide the best opportunity for a positive impact on the fall 2018 recruitment cycle. Attachment 2 in the docket includes recommended rates in detail.

As previously described, this rate is currently very near the bottom of the Big Ten comparison group (13 out of 14) and is therefore not aligned with the undergraduate resident tuition rate in a similar comparison (7 out of 14). The recommended increase is year one of a two-year plan to set the NRNR price consistent with the resident rate in reflecting a high-quality educational experience for students. After two years of similar increases, the NRNR tuition and required fees on the Twin Cities campus will be approximately $35,000, remaining an excellent value but reset to a more appropriate level in comparison to peer institutions.

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

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

Current estimates are that the proposed 15 percent increase in the NRNR tuition rate on the Twin Cities campus will result in a revenue increase of roughly $10 million. Recommendations to increase investments in recruiting staff and scholarships will reduce the net gain incorporated into the final recommended budget framework for FY19.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the FY 2019 Twin Cities undergraduate nonresident/non-reciprocity tuition rate as displayed on Attachment 2 to the "Budget Variables and Levers" docket item summary.

Attachment 1 – FY19 Budget Assumptions

Budget Variables – Change Equivalencies

To aid in guiding the administration on budget priorities for FY19, it has been helpful in the past to provide early estimates of standard "change metrics" for the different budget variables. All else being equal, the estimated values to consider are as follows:

Resources:

Tuition rate increases (stable enrollment)

- 1% overall (all levels, all campuses) = $9.1 million
- 1% resident undergraduate (TC, UMR) = $3.4 million
- 1% resident undergraduate (UMC, UMD, UMM) = $1.2 million
- 1% nonresident/non-reciprocity undergraduate (TC only) = $1.0 million
  (note – this is up to 5.5% only – past that each 1% raises $490,000)
- 1% nonresident/non-reciprocity undergraduate (UMD and UMM only) = $87,000
- 1% resident graduate and professional = $2.0 million
- 1% nonresident graduate and professional = $1.4 million

Reallocation – 1% on the Framework base = $18.0 million

Expenditures:

Compensation

- Fringe with no salary increase framework funds = $11.9 million
- 1% general salary increase (on top of the $11.9m) framework funds = $11.9 million
- Fringe with no salary increase all funds = $22.6 million
- 1% general salary increase (on top of the $22.6m) all funds = $22.2 million

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

Attachment 2
University of Minnesota 2018-19 Tuition Plan: Tuition Rates

	A	B	C	D	E	F
	2017-2018 Semester Rates		2018-2019 Semester Rates		2018-2019 Semester Rates	
	Resident	Nonresident	Resident	Nonresident	Resident % Increase	Nonresident % Increase
Twin Cities						
Undergraduate						
Per Credit	$492.31	$961.00	TBD	$1,105.00	TBD	15.0%
13 Credits or more	$6,400.00	$12,493.00	TBD	$14,367.00	TBD	15.0%
Carlson School of Management tuition surcharge (paid in addition to rates above; Fall, Spring & Summer)						
Per Credit (1-8 credits)	$100.00	$100.00	$100.00	$100.00	0.0%	0.0%
9 Credits or more (full-time)	$1,000.00	$1,000.00	$1,000.00	$1,000.00	0.0%	0.0%

FY2019 Budget Variables and Levers

Brian D. Burnett, Senior Vice President
Julie A. Tonneson, Associate Vice President

Finance & Operations Committee
October 12, 2017

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS
World Class Services for a World Class University

University Budget & Finance

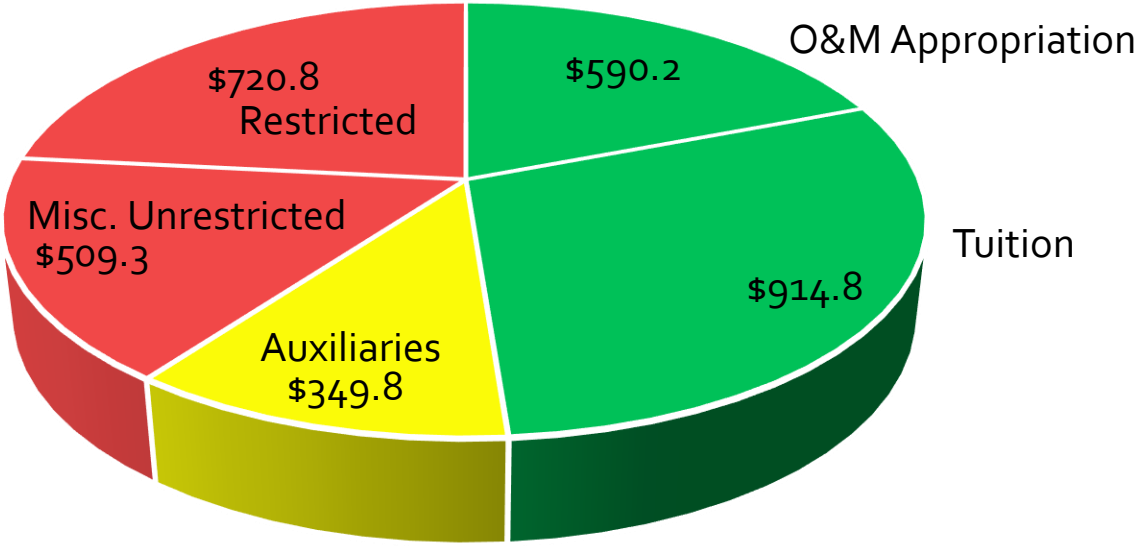
Today's Purpose:

- To review the President's recommended undergraduate NRNR tuition rate for the Twin Cities campus for action in December.
- To gather questions and learn of priorities that Board members have related to the primary remaining budget variables that must be addressed in balancing next year's budget.

Timeline – Annual Budget Items Before the Board

2017	June	Review Long-Range Financial Plan Fy18-Fy23
	October	Discuss FY19 Budget Variables & Levers
	December	Discuss Major Budget Levers
2018	March	Discuss FY19 Annual Budget Framework
	May	Review President's Recommended Budget
	June	Act on President's Recommended Budget

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



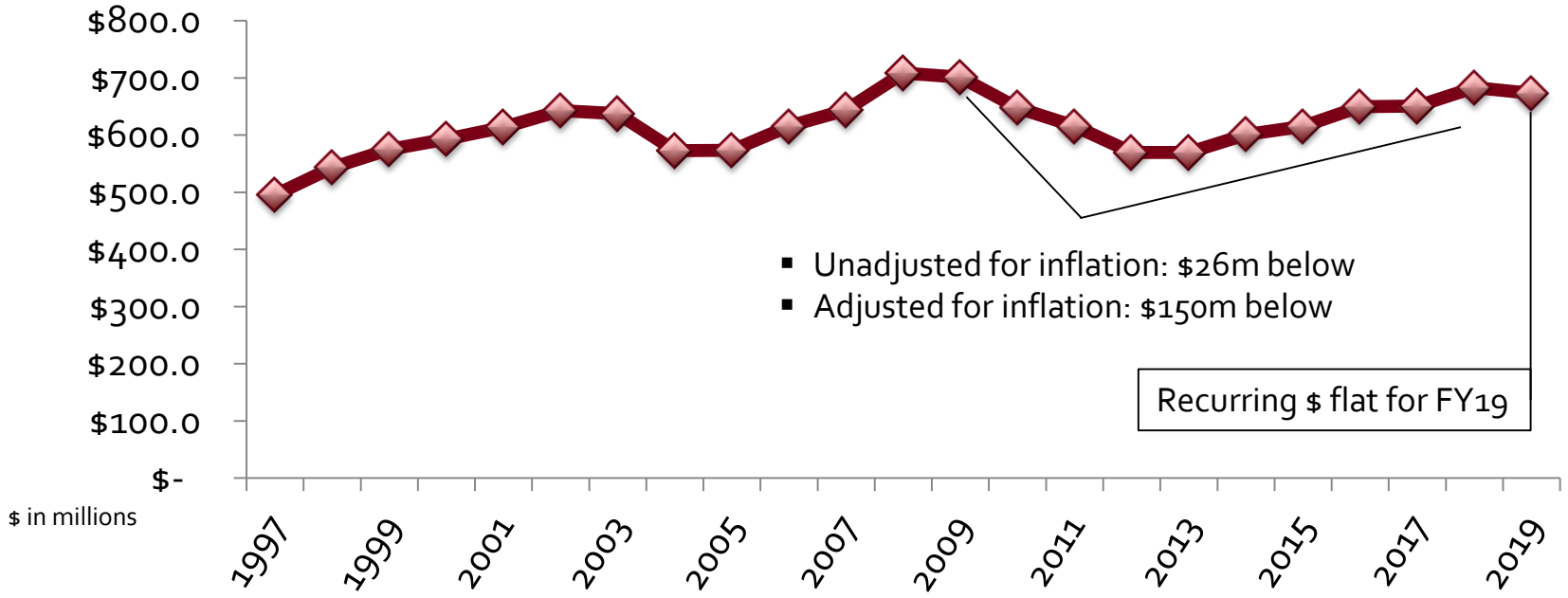
FY18 Approved Budget – Nonsponsored

The "Budget Framework" is a high level plan to balance the University's budget – focusing on O&M and tuition.

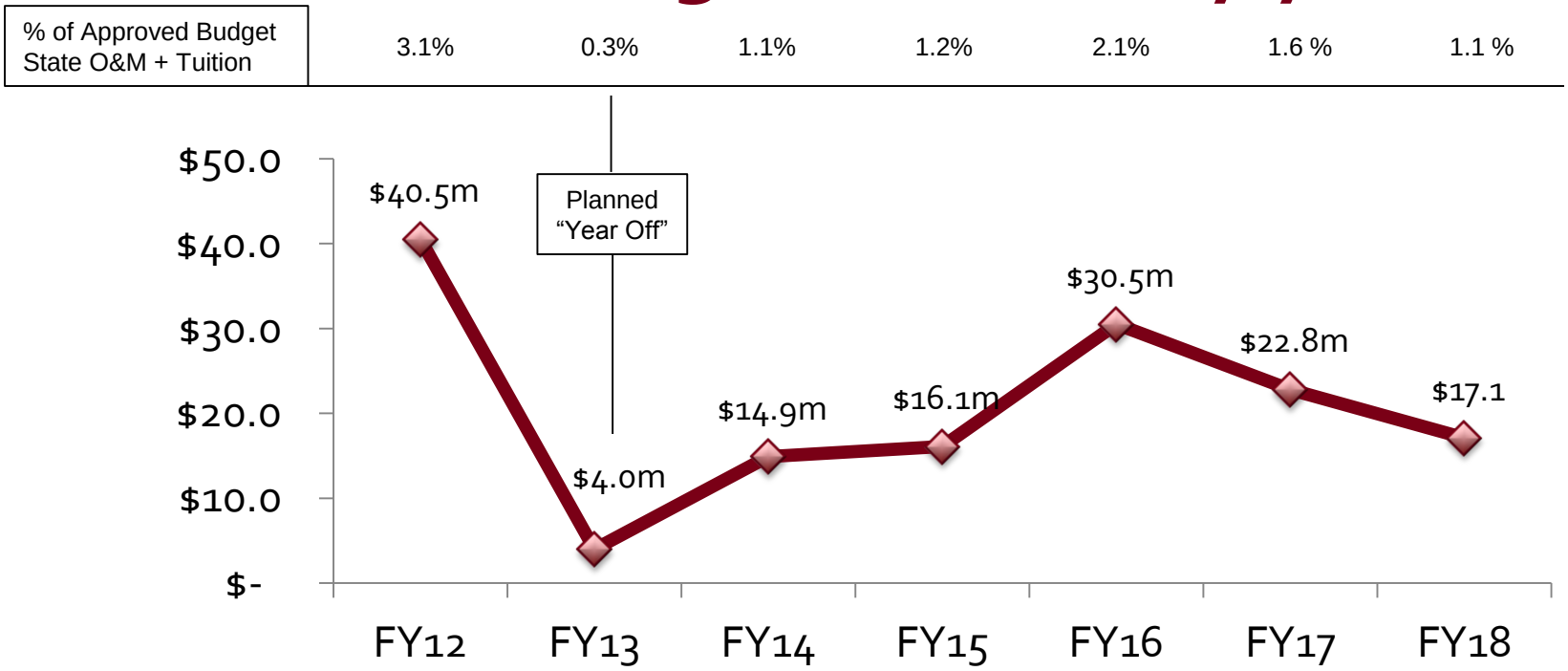
Change in Available Resources	= or >	Change in Costs & Investments

Framework Resource Changes

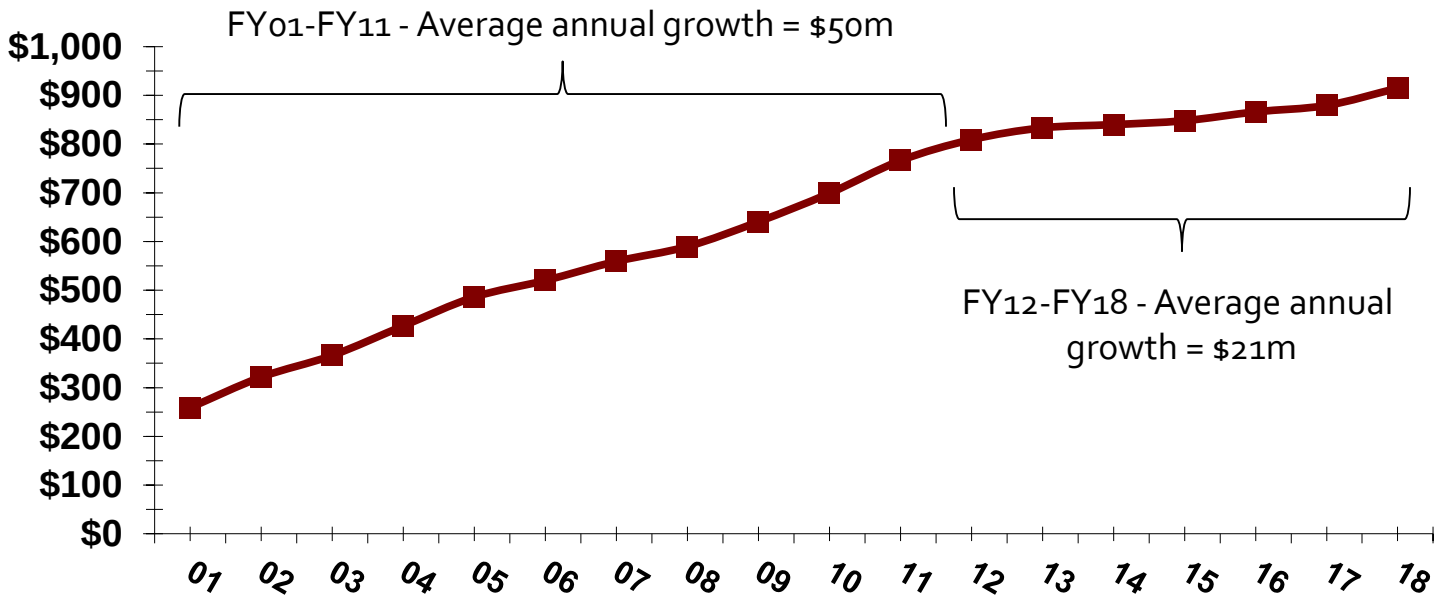
State Appropriations to the University rise and fall with the economy BUT the FY18 level remains below the pre great recession peak.



The Budget Framework includes reallocation (budget cuts) every year.



Since FY12, annual tuition revenue growth has slowed dramatically



Undergraduate Resident Tuition Rates Have Been Relatively Stable

Campus	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Average annual increase
Twin Cities	$12,060	$12,060	$12,060	$12,240	$12,546	$12,800	1.2%
Duluth	$11,720	$11,720	$11,720	$11,896	$11,896	$12,016	0.5%
Morris	$11,720	$11,720	$11,720	$11,896	$11,896	$12,016	0.5%
Rochester	$11,720	$11,720	$11,720	$11,896	$11,896	$12,016	0.5%
Crookston	$10,030	$10,030	$10,030	$10,180	$10,180	$10,282	0.5%

Twin Cities Undergraduate Non-Resident Tuition Rates Have Been Increasing

Campus	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Twin Cities	$17,310	$18,310	$19,310	$20,660	$22,210	$24,986
Dollar change		+$1,000	+$1,000	+$1,350	+$1,550	+$2,776
% change		+5.8%	+5.5%	+7.0%	+7.5%*	+12.5%*

*Reminder - students paying the non-resident rate and enrolled in 2015-16 plus the fall 2016 cohort, will see no more than a 5.5% rate increase through 2019-20.

Framework Cost & Investment Changes

"The University strives to achieve and maintain a compensation structure that, when combined with benefits and other rewards, is competitive." *Board of Regents Policy*

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Annual Increase	Freeze	2.0%	Freeze	2.5%	2.5%	2.5%	2.0%	2.5%	2.0%

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

Facilities

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

Operations

- Technology Licensing
- Library Inflation/Licensing
- Infrastructure

Strategic Choices

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

President’s Recommendation

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

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

*Students paying the non-resident rate and enrolled in 2015-16 plus the fall 2016 cohort, will see no more than a 5.5% rate increase through 2019-20.

Questions for Discussion

- level of reallocation?
- tuition rate changes?
- strategy for compensation?
- strategy for facilities?
- level of planned programmatic investment?
- strategy for financial aid?
- other?

Resources – Major Decision Categories
Resident Undergrad Tuition
Nonresident Undergrad Tuition
Graduate & Professional Tuition
Reallocation
Expenses – Major Decision Categories
Compensation
Strategic Initiatives – Academic
Strategic Initiatives – Support
Institutional Financial Aid
R & R

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: Expansion of Commercial Paper Facility

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

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

PRESENTERS: Brian Burnett, Senior Vice President
Michael Volna, Associate Vice President & Assistant CFO
Carole Fleck, Director of Debt Management
Stuart Mason, Associate Vice President & Chief Investment Officer

PURPOSE & KEY POINTS

The purpose of this item is to take action on the Resolution Related to Issuance of Commercial Paper and the Establishment of a Commercial Paper Facility.

The term "facility" will be used going forward in order to distinguish between the current proposal and the University's existing Commercial Paper Dealer Agreement with Merrill Lynch, initiated in 2005 and amended with each issuance of Commercial Paper since then, which has been referred to as a "program" in multiple Board resolutions. No substantive change to the current proposal is intended by this change in terminology.

About Commercial Paper

Commercial Paper (CP) is unsecured, short-term, variable rate debt with maturities of 1-270 days. It can be issued as either tax-exempt or taxable in note form, and upon maturity, the notes can be remarketed at new rates and maturities.

CP is an effective and efficient method to maintain an acceptable percentage of variable rate debt within an overall debt portfolio, with the goal of lowering overall cost of capital. It can be restructured to long-term debt quickly and efficiently since it is short-term in duration. It can be supported by the University's self-liquidity, a bank's line of credit, or a combination of the two.

Proposed CP Facility/Resolution

The resolution establishes the authorization of up to $400 million of CP, the maximum that can be issued under the facility. CP will be issued for approved projects, paid off, and then re-issued for new approved projects, with the total amount of CP issued and outstanding no greater than the Board's maximum authorization of $400 million. The facility is considered revolving in nature, as capacity to issue increases as paydowns on the outstanding CP occur.

Other characteristics of the CP Facility include:

- CP can be issued as either tax-exempt or taxable, but used for capital projects only (not operations).
- Existing series of CP outstanding (Series A, B, C, D, E, F) are considered part of the overall CP facility and remarketed until required paydowns occur.
- CP becomes the first choice for financing during construction for approved capital projects with debt totaling at least $1 million, unless the treasurer recommends use of long-term debt during construction.
- Issuances under the facility are based on actual spending on projects in process.
- Mix of the projects for each issuance potentially changes; University personnel track the use of proceeds by projects in the same manner used today.
- All issuances within an 18-month period must be considered a "program", or one series for tax purposes.
- When the amount of CP outstanding approaches the maximum facility size, the treasurer determines how much to issue in long-term bonds for specific projects.

External rating agencies will rate the entire CP facility based on the maximum amount authorized by the Board, as opposed to previous CP financing issued under a single debt offering and rated as an individual series of CP. The proposed facility includes multiple issuances of CP using a single master offering memorandum that is updated at least annually with current governance, financial, and student information.

Rationale for Recommended Size of CP Facility

The difference between the maximum authorization and the existing balance represents the additional amount of CP that can be issued without further authorization by the Board. Given that the University currently has approximately $239 million of CP issued and outstanding, a $400 million CP facility yields approximately $161 million in additional CP capacity for use on approved projects.

The Board has approved or is considering a number of projects for which debt financing will be required. These projects are candidates to be funded by the CP facility issuances. The following projects' financing plans contain debt in the amounts listed below:

PROJECT		AMOUNT
Pioneer Hall		$ 104,000,000
2018 Capital Improvement Budget		
Biological Sciences Renovations		5,500,000
Mariucci Weight Room *(gift bridging)*		1,112,000
Utility Infrastructure		1,861,000
Energy Conservation projects		2,000,000
	Subtotal	10,473,000
2017 Bonding Bill (University's portion)		
Health Sciences Education Center		34,000,000
Chemistry & Advanced Materials Science		14,000,000
Plant Growth Research Facility		2,200,000
	Subtotal	50,200,000
Athletes Village – pledged gifts		41,000,000
Total short-term financing needs		$ 205,673,000

Benefits and Advantages

The advantages of a CP Facility include:

- Increased investment opportunity - CP proceeds, instead of University cash, are used to fund construction costs. This means the University can invest the cash it historically has spent on construction costs in securities that earn a higher rate of return than the cost of CP. The additional investment earnings generated can be used to pay the interest on the CP during construction.
- Lower overall cost of capital – Increasing the percent of total debt issued as variable rate debt reduces the overall financing cost for capital projects.
- Financial flexibility – CP debt financing can be obtained quickly and efficiently during the construction period. Cash received over time under donor pledge agreements can be applied against the principal of the CP outstanding.
- Balance sheet alignment – Short-term liabilities, rather than long-term debt, will be better aligned with the short-term assets supporting the facility.

Potential Risks and Mitigation Strategies

A CP facility of this type does involve some incremental risks, which the University has developed strategies to address:

- Counter-party risk - This is the risk that our dealer with whom the University contracts to remarket the CP will default on its obligations under that contract. The University will mitigate this risk by utilizing a second dealer on its CP issuances to spread counter-party risk across dealers.
- Self-liquidity risk - The University provides "self-liquidity" on the CP currently issued and outstanding by using the Temporary Investment Pool (TIP) as the vehicle for self-liquidity. A larger CP facility may require a larger balance in the assets supporting the CP to maintain acceptable asset to liability ratios. The University manages these risks through daily and weekly maturity limitations. If a dealer is unable to remarket the CP, only a portion of the total CP outstanding needs to be covered. These strategies will continue to be used under an expanded CP facility. The University also will consider using external standby lines of credit or similar vehicles to augment liquidity if needed.
- Interest rate risk - While a higher percentage of variable-rate debt in the overall portfolio reduces the cost of borrowing, it also increases the risk of volatility in the annual debt service repayments if interest rates rise. The University mitigates this risk by monitoring interest rates and, if necessary, quickly converting CP debt into long-term, fixed rate debt. A conversion to fixed rate debt at the CP maturity date is considered a "current refunding", and there are no limits as to the number of times this can occur.

BACKGROUND INFORMATION

The expansion of a commercial paper facility (formerly "program") was reviewed by the committee on September 7, 2017.

The University has issued six individual series of CP since 2005 to:

1. Refund outstanding bond obligations, and

2. Finance purchases of land and buildings, construction and remodeling projects and acquisition and installation of equipment.

The current outstanding balance of Series A – F is approximately $239 million.

Each series required Board approval for issuance, a separate offering memorandum, and a separate rating from each of the rating agencies.

The University's CP is backed by the full faith and credit of the University and supported by the University's self-liquidity. All series except for 'D' have required annual paydowns similar to a long-term debt structure. Series D is reduced as original pledges for TCF Bank Stadium are received. Merrill Lynch, the University's CP dealer, remarkets the outstanding notes with staggered maturities. The aggregate amount of final maturities of all CP Notes issued by the University that will occur on any given day is limited to $50 million and in any given week to $175 million.

Any additional debt to be issued in the future under the current process requires Board approval, a separate issuance process, and a separately rated series.

The use of revolving CP facilities is common at major universities. In mid-August 2017, the University discussed its use of a revolving CP facility with its rating analysts from Moody's Investors Service and S&P Global Ratings. Neither firm raised specific objections, though they noted they will treat the maximum amount of the facility as the authorized amount for their respective ratio calculations, even if the full amount is not yet issued.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to Issuance of Commercial Paper and the Establishment of a Commercial Paper Facility.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Issuance of Commercial Paper and the Establishment of a Commercial Paper Facility

WHEREAS, Board of Regents Policy: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 4, and Board of Regents Policy: *Debt Transactions*, Section III, Subd. 1, provide that the power and authority to issue and refund debt is reserved exclusively to the Board of Regents; and

WHEREAS, it has been proposed that the University establish a revolving facility through which it may issue tax-exempt and taxable variable rate debt in the form of commercial paper ("Commercial Paper") from time to time as general obligation indebtedness of the University for the short or long-term financing of capital projects, which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of items of capital equipment, and which shall include the related costs of issuance (such facility, the "Commercial Paper Facility"), in such amounts as may be determined from time to time so long as the aggregate principal amount outstanding, including that of the University's currently outstanding Commercial Paper Notes Series A, B, C, D, E, and F (the "Prior Notes"), does not exceed $400,000,000; and

WHEREAS, Commercial Paper will be issued under the Commercial Paper Facility pursuant to one or more Indentures of Trust between the University and a bank or trust company acting as trustee, or pursuant to one or more Orders of the University; and

WHEREAS, the Indenture(s) of Trust or Order(s) pursuant to which Commercial Paper will be issued under the Commercial Paper Facility will contain the terms of such Commercial Paper and agreements and covenants of the University with respect to the payment of the principal and interest on such Commercial Paper.

NOW, THEREFORE, BE IT RESOLVED by the Board of Regents of the University of Minnesota (the "Board") as follows:

1. To provide funds to finance and/or reimburse the University for capital projects currently in process or to be undertaken in the future, which may include purchases of land and buildings, construction and remodeling projects, and/or the acquisition and installation of items of equipment (all of such capital projects, together with the projects financed or refinanced with proceeds of the

Prior Notes, the "Projects"), the Board hereby authorizes the establishment of a Commercial Paper Facility and the issuance of Commercial Paper in such principal amounts as may be designated from time to time by the Treasurer or the Assistant CFO (each, an "Authorized Officer"), provided that any such amount, including all costs of issuance thereof, together with all other Commercial Paper then outstanding including without limitation the Prior Notes, shall not exceed $400,000,000. Commercial Paper issued under the Commercial Paper Facility may be tax-exempt or taxable, as determined by an Authorized Officer, and shall be a general obligation of the University.

2. This authorization by the Board of a Commercial Paper Facility constitutes the authorization of multiple issuances of debt pursuant to Board of Regents Policies: Reservation and Delegation of Authority, Section VII, Subd. 4 and Debt Transactions, Section III, Subd. 1, subject to the limitation stated in Paragraph 1.

3. The Projects to be financed by the proceeds of Commercial Paper shall be those Projects the source of funding of which is so designated by either of the Authorized Officers as part of the University's capital planning process.

4. Projects that in the aggregate are designated by either of the Authorized Officers as a single issue shall constitute a single governmental purpose of the University. The amortization schedule for repayment of Commercial Paper issued under the Commercial Paper Facility shall be not longer than 25 years after the date of first issuance in each series.

5 Each of the Authorized Officers is authorized to negotiate with one or more banks, investment banking firms or financial institutions to act as issuing and paying agent and/or as a dealer for Commercial Paper, the terms and conditions upon which Commercial Paper shall be sold and issued, and to approve the terms of each sale and issuance.

6. In connection with the Commercial Paper Facility and the issuance of Commercial Paper, the President and each of the Authorized Officers are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order of the University and any supplement or amendment thereto under which Commercial Paper is to be issued in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by either of the Authorized Officers and the General Counsel, and the Secretary and each of the Authorized Officers are authorized to execute and deliver Commercial Paper in accordance with such Indenture of Trust or Order of the University or any supplement or amendment thereto. The signatures of the Secretary and/or each of the Authorized Officers may be made on Commercial Paper by facsimile.

7. In connection with any issuance of Commercial Paper under the Commercial Paper Facility, each of the Authorized Officers is authorized to select the portions, if any, of then-outstanding Commercial Paper to be refunded and to take any and all actions necessary and appropriate to provide for the payment when due of all amounts due in connection with such refunding from the proceeds of the Commercial Paper.

8. Each of the Authorized Officers is further authorized to negotiate with one or more commercial banks, insurers or other credit support or liquidity facility providers the terms and conditions of any credit support or liquidity facility for Commercial Paper, and to execute and deliver any agreements of the University with the provider of any such credit support facility or liquidity facility. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as may be approved by either of the Authorized Officers and the General Counsel.

9. If any of the resolutions of the Board authorizing the issuance of the Prior Notes, which resolutions were adopted on November 8, 1996 and September 9, 2005; December 9, 2005; October 12, 2007; June 12, 2009; December 13, 2013; October 10, 2014; and December 12, 2014 respectively (collectively the "Prior Resolutions," and each a "Prior Resolution of [a given date]") is found to be in conflict herewith, such Prior Resolution(s) is/are hereby repealed to the extent necessary to resolve such conflict.

10. Each of the Authorized Officers is authorized to approve the Official Statement, Offering Memorandum, Offering Circular or other offering material to be prepared and distributed by the University to any purchaser or potential purchaser of any of Commercial Paper (however so entitled, the "Offering Memorandum"), and to execute and deliver the Offering Memorandum.

11. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the Commercial Paper Facility and the issuance and sale of Commercial Paper.

12. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of Commercial Paper certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of Commercial Paper and the Commercial Paper Facility as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the University as to the truth of all statements contained therein.

13. The execution of any document by the appropriate officers of the University herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, Offering Memorandum, purchase agreement with the initial purchaser or purchasers of Commercial Paper or any other document to be executed by the President or Treasurer in connection with Commercial Paper or the Commercial Paper Facility may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.

Commercial Paper Facility

Brian D. Burnett, Senior Vice President for Finance & Operations
Michael Volna, Associate Vice President & Assistant CFO
Carole Fleck, Director of Debt Management
Stuart Mason, Associate Vice President & Chief Investment Officer

Finance and Operations Committee

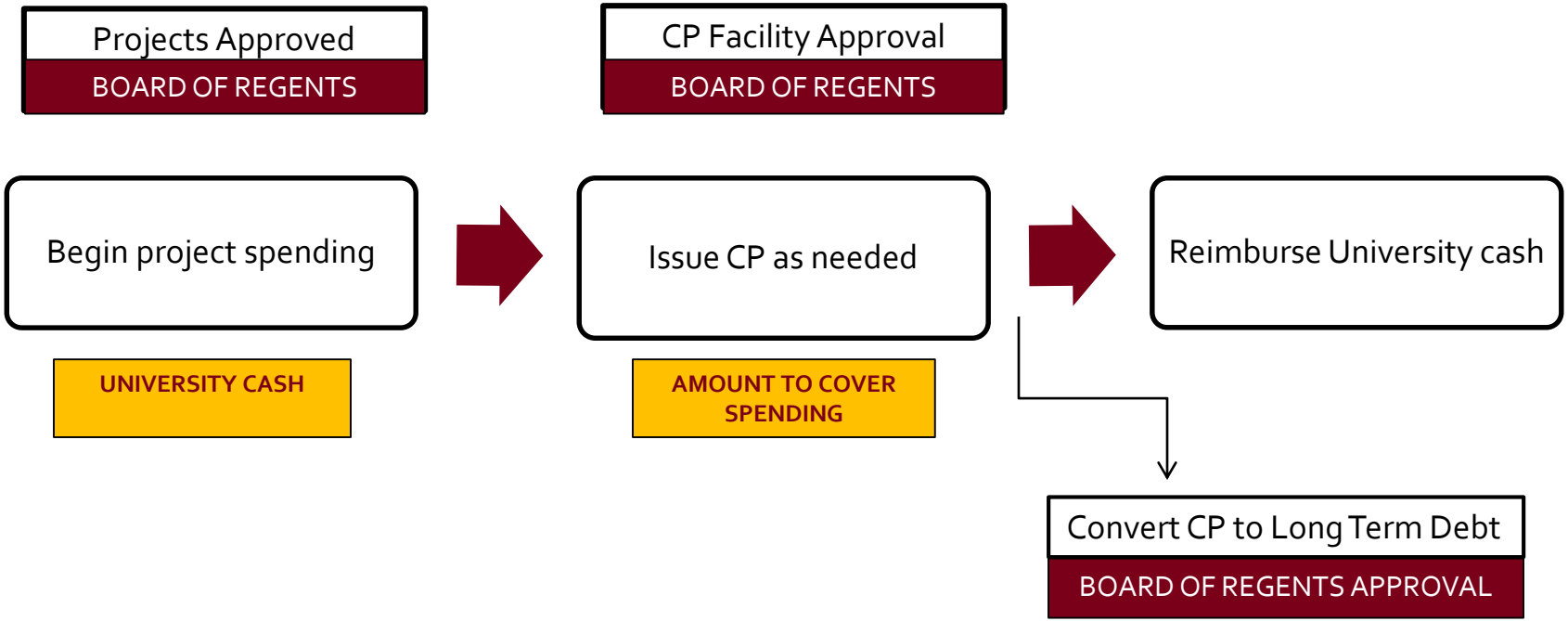
October 12, 2017

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

The University is seeking Board approval to establish a revolving Commercial Paper (CP) Facility of $400 million

Upon facility approval, issuances occur as needed based on project spending



Facility Characteristics

- Tax-exempt or taxable
- Issued for capital projects only – not operations
- Existing series A – F ($240 million) become part of the new facility
- Capacity to issue ~ $160 million of the $400 million
- First choice for debt financing during project construction
- Issuances based on actual spending on a mix of projects
- Entire facility will be rated by rating agencies based on maximum authorized

Our goal is to **lower** the overall cost of capital, **increase** earnings on cash, and add **flexibility and nimbleness**.

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: Update to Asset Allocation Guidelines

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

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

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

PURPOSE & KEY POINTS

The purpose of this item is for the committee to take action on the Resolution Related to Asset Allocation Guidelines, which will update the asset allocation guidelines (guidelines). The recommendation includes modifications to the asset allocation ranges that govern the investment strategy of the University's approximately $1.37 billion Consolidated Endowment Fund (CEF). The Office of Investments and Banking (OIB) developed the proposed guidelines in consultation with the President, Senior Vice President, and the Investment Advisory Committee (IAC).

The recommended purpose-driven asset allocation framework provides a methodology to construct a portfolio by segmenting assets into categories that align with an investment objective. The recommendation to the Board includes the following long-term strategic guidelines:

1. Stability – The long-term allocation for Stability assets shall be between 5 to 15 percent and include Liquid Reserves (5-15 percent) and High Quality Credit (0-6 percent).

2. Diversifiers – The long-term allocation for Diversifier assets shall be between 20 to 40 percent and include Enhanced Stability assets (5-20 percent), Idiosyncratic assets (0-15 percent), and Growth Diversifiers (5-20 percent).

3. Growth – The long-term allocation for Growth assets shall be between 50 to 70 percent and include Equity (45-70 percent) and Extended Credit (0-10 percent). Within Growth assets, the Equity allocation shall have long-term geographic target exposures of United States markets (45 percent), Developed Markets (30 percent), and Emerging Markets (25 percent).

Based on current capital market expectations, it is estimated that successful implementation of the guidelines will lead to a 0.5 percent increase in expected annual returns, from 7.4 percent to 7.9 percent, without a material change to the risk profile of the investment program. This will improve the likelihood of preserving the inflation-adjusted corpus of the endowment for generations to come.

The primary drivers of the improvement are associated with an increased exposure to higher expected return strategies, like private equity and private senior lending, and a reduced exposure to lower fixed income and real asset investments. The capital market scenarios in which the current portfolio is likely to outperform the proposed framework involve either overextension (high growth, high inflation) or stagflation (low growth, high inflation) because the proposed framework has less exposure to real asset strategies, which tend to perform the strongest in high-inflation environments.

OIB will continue to work with IAC to develop a strategic transition plan to migrate to the proposed framework.

BACKGROUND INFORMATION

The Finance & Operations Committee reviewed the recommendation at its September 2017 meeting.

Board of Regents Policy: *Endowment Fund* directs the president or delegate to recommend asset allocation guidelines for approval by the Board. The Board last approved guidelines in June 2012.

Since that time, the capital market environment has changed. Accommodative monetary policy, relaxed credit conditions, modest global economic growth, and other stimulative factors have coalesced to drive asset prices across the global capital market spectrum to record highs. This environment has helped buoy short-term returns for CEF, but also raises doubts about whether returns from traditional fixed income and equity markets will be sufficient to preserve the inflation-adjusted corpus of the endowment over the next 5-10 years. This concern was the primary catalyst for OIB undertaking a comprehensive asset allocation framework review during 2017.

Review Process

In January 2017, OIB and investment consulting firm NEPC began conducting a comprehensive review of the CEF program. Topics of focus included:

- Governance
- Fund goals and objectives
- Philosophy and strategy
- Comprehensive risk assessment
- Portfolio construction methodologies
- Capital market environment
- Liquidity requirements and guidelines
- Tactical positioning

A summary of key takeaways is as follows:

1. Comprehensive risk assessment

   The aim of the comprehensive, programmatic risk assessment was to identify the risks most likely to impact the program's ability to meet its objectives and determine the most effective methods of measuring, managing and monitoring those risks. Over 30 measures of investor, statistical and asset-specific risk were identified and addressed. Those of most concern were failing to meet return objectives and effectively managing liquidity risk:

   - Failing to achieve CPI+5 percent – The low yield environment and elevated equity market valuations will create headwinds for returns going forward. OIB evaluated the merits of numerous levers to improve the probability of success. Conviction was found in the following: marginally increasing exposure to alternative strategies, enhancing diversification, pursuing idiosyncratic and uncorrelated return streams, and ensuring that sufficient liquidity and dry powder are present in the event a near-term market dislocation creates rebalancing and/or buying opportunities. Such a strategy reduces

reliance on traditional fixed income and equity markets, creating more ways to win by further diversifying the portfolio's return drivers.

- Liquidity risk – The portfolio relies on alternative investments, creating a critical need to effectively measure and manage both liquidity and solvency risk. As described below, the Stability category was sized and constructed to ensure short-term (six-month) operational and programmatic cash flow needs could be met at all times, thus mitigating liquidity risk.

  Solvency risk is effectively mitigated by employing a commitment pacing strategy for illiquid private investments that is dynamic and aims to materially lower the probability of the portfolio becoming too heavily allocated to alternative investments in stress periods. The illiquid portfolio modeling led to a target range of 45-50 percent illiquid investments during normal market environments. This range strikes the appropriate balance between harnessing the illiquidity and complexity risk premiums and not exposing the portfolio to the risk of being too illiquid (in excess of 65 percent) in extreme and prolonged market dislocations.

2. Portfolio construction methodologies

   No single asset allocation approach or model has proven to be a universal solution. OIB's aim was to explore and bring to bear the best of multiple classification systems and approaches. A purpose-driven framework provides advantages over either the current traditional mean variance-based approach or more esoteric risk factor-based approaches.

   The purpose-driven approach provides a clear methodology to construct a portfolio by segmenting assets into categories that align with an investment objective. The approach is practical to implement, theoretically sound, and aligned with the mission, risk/return objectives and investment philosophy of CEF. Other benefits include a preferred taxonomy, in which strategies are categorized by objective and risk/return profile as opposed to formal asset class or vehicle type. The guidelines mitigate many of the pitfalls of traditional mean variance-based construction methodologies, which are heavily reliant on and sensitive to minor changes in forecast assumptions.

Summary Of Purpose-Driven Asset Allocation Framework

The proposed allocation across the Stability, Diversifiers, and Growth categories was arrived upon by right-sizing the safety net (Stability) at 8 percent and then establishing the right balance between higher risk, higher expected return Growth assets and lower risk, lower expected return Diversifier assets. The aim is to generate CPI+5 percent returns with commensurate levels of volatility.

- Stability (5-15 percent) – The purpose of the Stability category is to provide a sufficient safety net that ensures short-term operational and programmatic cash flow needs can be met at all times. The target weight of 8 percent is the result of a bottoms-up assessment:
  - 2.5 percent represents 6 months of operational needs and quarterly distribution payments.
  - Greater of 2.5 percent or 33 percent of annual capital call estimates to ensure illiquid commitments can be funded without having to sell liquid investments at inopportune times.
  - 3 percent for dry powder to rebalance into growth or diversifier opportunities in stressed or opportunistic scenarios.

    - Investment strategies that may be utilized in the Stability category include, but are not limited to: cash, short duration bonds, U.S. Agency securities, Treasury Inflation-Protected Securities, Treasuries, Treasury futures, long-duration bonds, core bonds and other high-quality credit instruments.

- Diversifiers (20-40 percent) – The purpose of the Diversifiers category is to offer a meaningful return contribution (CPI + 5 percent) with a low expected correlation to the equity-oriented Growth assets. Three distinct sub-categories within Diversifiers, each with a 10 percent target allocation, were constructed to provide a range of exposures to unique return drivers:
    - Enhanced Stability – income oriented or low volatility strategies;
    - Idiosyncratic – strategies expected to have a correlation less than 0.3 to equity markets, mainly hedge funds; and
    - Growth Diversifiers – niche, countercyclical or inflation-sensitive investments with equity-like return expectations, but slightly higher expected correlation to growth factors than others across the Diversifiers category.
    - Investment strategies that may be utilized in the Diversifiers category include, but are not limited to: bank loans, senior secured lending, core real estate, structured credit, hedge funds, re-insurance strategies, natural resources, infrastructure and global tactical asset allocation strategies.

- Growth (50-70 percent) – The purpose of the Growth category is to seek higher returns by investing in strategies where growth is the primary driver of returns. Growth catalysts could include GDP gains, technological advancement, earnings growth and/or financial growth. Importantly, the category will be constructed without preference for vehicle. This will ensure that public equity, private equity, and equity-oriented hedge funds will compete for capital based on the perceived opportunity to exploit inefficiency or add excess return through active or illiquid strategies.
    - Within the equity-oriented portion of the Growth category, a long-term strategic allocation of 45 percent United States, 30 percent Developed Markets and 25 percent Emerging Markets is recommended. This geographic mix is representative of the opportunity set available to CEF as an institutional pool of capital and reflects the viewpoint that significant return potential exists across the emerging markets.
    - Investment strategies that may be utilized in the Growth category include, but are not limited to: public equity (both passive and active strategies), equity-oriented hedge funds, alternative beta strategies, private equity (including venture, growth equity and buyouts) as well as emerging market debt and high yield bonds.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to Asset Allocation Guidelines.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Asset Allocation Guidelines

WHEREAS, Board of Regents Policy: *Endowment Fund* provides that the president or delegate shall recommend asset allocation ranges for approval by the Board of Regents (Board); and

WHEREAS, the Board last approved asset allocation ranges on June 8, 2012; and

WHEREAS, the following asset allocation ranges are recommended to replace those approved on June 8, 2012:

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

NOW, THEREFORE, BE IT RESOLVED that the Board approves the recommended asset allocation ranges for investment in the University of Minnesota endowment fund, effective upon approval of this resolution.

Recommended Asset Allocation Guidelines

Brian D. Burnett, Senior Vice President for Finance and Operations
Stuart Mason, Associate Vice President, Chief Investment Officer
Andrew Parks, Senior Director of Investment Strategy & Research

Finance and Operations Committee

October 12, 2017

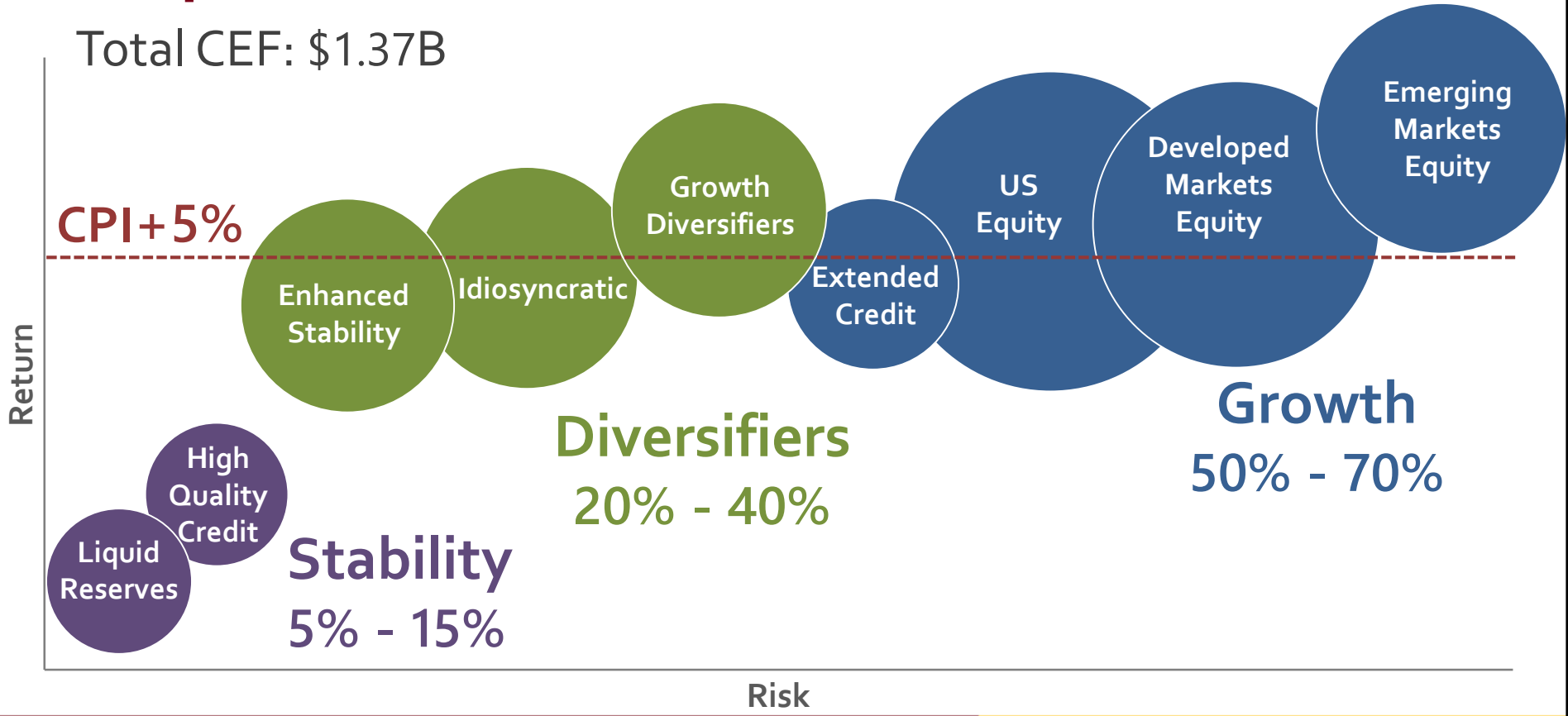
SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

Office of Investments & Banking
University of Minnesota

Purpose-Driven Asset Allocation Framework

Total CEF: $1.37B



Current portfolio aligns well with new framework

Asset Class Buckets	Proposed Target	Change (vs. Actual Weights)
Liquid Reserves	5%	-2.5%
High Quality Credit	3%	-2.5%
Enhanced Stability	10%	+4.0%
Idiosyncratic	10%	-0.5%
Growth Diversifiers	10%	-1.5%
Equity (Public and Private)	57%	+1.0%
Extended Credit	5%	+2.0%

Benefits: Improved risk vs. return profile

RETURN

7.4% to 7.9%

VOLATILITY

13.5% to 13.4%

≈

PROBABILITY OF ACHIEVING CPI+5%

50% to 54%

10-YR SHORTFALL RISK (vs. CPI+5%)

$20M shortfall to $100M surplus

Asset Allocation Recommendation

STABILITY 5% - 15%	DIVERSIFIERS 20% - 40%	GROWTH 50% - 70%
Provides liquidity and capital protection	CPI+5% returns with lower correlation to equities	Higher returns correlated to global growth
Liquid Reserves 5-15%	Enhanced Stability 5-20%	Equity 45-70%
	Idiosyncratic 0-15%	
High Quality Credit 0-6%	Growth Diversifiers 5-20%	Extended Credit 0-10%

U.S.	Developed	Emerging
45%	30%	25%

UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: Collective Bargaining Agreement: Regents of the University of Minnesota and the University Education Association, Duluth and Crookston

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

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

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

PURPOSE & KEY POINTS

The purpose of this item is for the committee to review and take action on a Collective Bargaining Agreement (CBA) between the Regents of the University of Minnesota and the University Education Association, Duluth and Crookston (UEA). Once approved, the CBA will define the terms and conditions of employment for covered employees between the date of signing and June 30, 2020.

Covered Employees

The employees covered by this CBA are the faculty on the Duluth and Crookston campuses, as defined by the Minnesota Public Employees Labor Relations Act Unit 9. The total number of employees is approximately 602.

Summary of Economic Highlights

During FY 2018, there will be a salary adjustment of a 2 percent increase to the aggregate salary base, effective June 12, 2017. During FY 2019, there will be a salary adjustment as follows:

- Effective the first pay period in the fiscal year, the aggregate salary base shall increase by no less than the percentage set forth in the University's Spring 2018 academic salary memo. Further, each employee who was employed as of July 1, 2018 will receive a $300 lump sum.

During Fiscal Year 2020, there will be a salary adjustment as follows:

- Effective the first pay period in the fiscal year, the aggregate salary base shall increase by no less than the percentage in the University's Spring 2019 academic salary memo.

Financial Impact

Recurring Costs: FY 2018	
Base annual Payroll	$38,988,545
Salary Pool Adjustment	$ 779,771
Total Recurring Cost	$ 779,771

BACKGROUND INFORMATION

Negotiations began on May 31, 2017 on the Duluth campus, and on June 28, 2017 on the Crookston campus. A tentative agreement was reached on September 20, 2017. The UEA ratification process was completed on October 2, 2017. Approval by the Board is required before the CBA can be implemented.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Collective Bargaining Agreement between the University of Minnesota and the University Education Association, Duluth and Crookston.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The Proposed Labor Agreement with the University Education Association

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

WHEREAS, the University Education Association, Duluth and Crookston, have ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for October 12, 2017.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: Collective Bargaining Agreement: Regents of the University of Minnesota and AFSCME Local 3260, Health Care Unit

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

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

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

PURPOSE & KEY POINTS

The purpose of this item is for the committee to review and take action on a Collective Bargaining Agreement (CBA) between the Regents of the University of Minnesota and AFSCME Local 3260, Health Care Unit. Once approved, the CBA will define the terms and conditions of employment for covered employees between the date of signing and June 30, 2018.

Covered Employees

The employees covered by this CBA are health care employees as defined by the Minnesota Public Employees Labor Relations Act Unit 4. The total number of employees is approximately 195.

Summary of Economic Highlights

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

Financial Impact

Recurring Costs: Fiscal Year 2018

Base annual Payroll	$ 8,457,630
Wage Scale Adjustment	$ 84,576
Progression Step Increases	$ 102,284
Total Recurring Cost	$ 186,860

BACKGROUND INFORMATION

Negotiations began on May 17, 2017. A tentative agreement was reached on August 30, 2017. The Union's contract ratification process was completed on September 25, 2017. Approval by the Board is required before the CBA can be implemented.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Collective Bargaining Agreement between the University of Minnesota and AFSCME Local 3260, Health Care Unit.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The Proposed Labor Agreement with
AFSCME Local 3260, Health Care Unit

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

WHEREAS, AFSCME Local 3260 has ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for October 12, 2017.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: Collective Bargaining Agreement: University of Minnesota and the International Brotherhood of Electrical Workers (IBEW), Local 292, Radio and Broadcast Technicians

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

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

PRESENTERS: Kathryn F. Brown, Vice President

PURPOSE & KEY POINTS

The purpose of this item is for the committee to review and take action on a Collective Bargaining Agreement (CBA) between the Regents of the University of Minnesota and the International Brotherhood of Electrical Workers (IBEW) Local 292, Radio and Broadcast Technicians. Once approved, the CBA will define the terms and conditions of employment for covered employees between the date of signing and June 30, 2018.

Covered Employees

The employees covered by this CBA are Radio and TV Broadcast Technicians who perform operations and/or maintenance work at KUMD Radio and Classroom Engineering. The total number of employees is 2.

Summary Economic Highlights

During Fiscal Year 2018, there will be an across-the-board adjustment of 2% to all wage scales, effective June 12, 2017.

Financial Impact

Recurring Costs: Fiscal Year 2018

Base annual Payroll	$122,678
Wage Scale Adjustment	$2,454
Total Recurring Cost	$2,454

BACKGROUND INFORMATION

Negotiations began on September 22, 2017. A tentative agreement was reached on September 27, 2017. The Union's contract ratification process was completed on October 4, 2017. Board approval is required before the CBA can be implemented.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Collective Bargaining Agreement between the University of Minnesota and the IBEW Local 292, Radio and Broadcast Technicians.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The Proposed Labor Agreement with the International Brotherhood of Electrical Workers, Local 292, Broadcast Technicians

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

WHEREAS, IBEW Local 292 has ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for October 12, 2017.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

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

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

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

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

PURPOSE & KEY POINTS

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

Attachment 1 in the docket includes the specific proposed amendment language that will replace current language in the Plan.

BACKGROUND INFORMATION

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

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

Timeline

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

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

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

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

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

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

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

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

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

Next Steps

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

PRESIDENT'S RECOMMENDATION

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

ATTACHMENT 1

2017 CORRECTION AMENDMENTS TO THE UNIVERSITY OF MINNESOTA FACULTY RETIREMENT PLAN

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

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

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

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

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

In the case of a Faculty Member who was a Participant in the Plan prior to July 1, 1996, the dollar limit contained in the preceding sentence shall be replaced with $395,000 (as adjusted for cost of living pursuant to Code section 401(a)(17) under the transition rule for state and local governmental plans found at Treas. Reg. 1.041(a)(17)-1(d)(4)(ii) and in subsequent IRS guidance as may be published from time to time. The applicable annual limitation for partial Plan Year will equal the annual limitation multiplied by a fraction, the numerator of which is the number of months in such partial Plan Year and the denominator of which is 12.

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

Sec. 2.01 Eligibility.

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

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

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

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

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

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

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

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

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

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

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: Consent Report

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

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

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

General Contingency

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

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

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

- To Dalco Enterprises for an estimated $1,150,000 for custodial paper products including toilet paper and paper towels for the Twin Cities campus for the two-year period of November 1, 2017, through October 31, 2019, with possible contract extensions through October 31, 2022, for an additional $1,725,000. Total contract value if all options are exercised would be $2,875,000. Funding for the custodial paper products will come from departmental purchases through U Market. Supplier was selected through a competitive process.

Real Estate Transactions

The purpose of this item is to seek approval for the following real estate transactions:

- Purchase of 0.394 acres land and building from VFW Post 1215 in Rochester, Minnesota. Purchase price is $2,665,000.

Demolition of Quarantine Barn (Twin Cities Campus)

The purpose of this item is to seek approval for demolition of the Quarantine Barn located on the St. Paul campus. Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board the authority to approve projects that have a significant visual impact. The administration

recommends demolishing the vacant barn as it is inefficient and in very poor condition, and renovation and abatement costs would far outweigh any benefits.

Resolution Related to Historically Eligible Asset: Pioneer Hall

The purpose of this item is to seek approval for a resolution objecting to the listing of Pioneer Hall on the National Register of Historic Places.

Employment Agreements

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

- Michael Berthelsen as Vice President for University Services
- Allen Levine as Vice President for Research

Secondary Dean Title - Academic Leadership for University Libraries

The purpose of this item is to seek approval to expand the title of *University Librarian* to *University Librarian and Dean of Libraries*.

BACKGROUND INFORMATION

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

- General Contingency: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 1.
- Purchase of Goods and Services $1,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6
- Real Estate Transactions: *Reservation and Delegation of Authority*, Article I, Section VIII, Subd. 1–4.
- Demolition of Quarantine Barn (Twin Cities Campus): *Reservation and Delegation of Authority,* Article I, Section VIII, Subd. 9
- Resolution Related to Historically Eligible Asset: Pioneer Hall: *Reservation and Delegation of Authority,* Article I, Section VIII, Sudb. 4
- Employment Agreements: *Reservation and Delegation of Authority,* Article I, Section IV, Subd. 1.
- Request for Approval of Secondary Dean Title - Academic Leadership for University Libraries: *Reservation and Delegation of Authority,* Article I, Section IV, Subd. 1.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Consent Report.

General Contingency

Fiscal Year 2017-18

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

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

FY18 r. 2017 October

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

To Dalco Enterprises for an estimated $1,150,000 for custodial paper products including toilet paper and paper towels for the Twin Cities campus for the two-year period of November 1, 2017 through October 31, 2019 with possible contract extensions through October 31, 2022 for an additional $1,725,000. Total contract value if all options are exercised would be $2,875,000.

U Market Services purchases and distributes the supplies to 300 custodial closets across the Twin Cities campus. The previous contract was scheduled to expired on March 31, 2017 with provision for three one year extensions. The decision was made to proceed through the RFP process to ensure that the University was getting the best possible price and service.

Through the competitive bid process, Dalco Enterprises was chosen as the successful respondent to the updated Custodial Paper RFP. The new contract will begin on November 1, 2017 and conclude on October 31, 2019, with the provision for three one-year extensions included in the contract terms. The annual value of the contract is estimated at $575,000 per year.

Funding for the custodial paper products will come from departmental purchases through U Market.

Submitted by: Mark Teragawa, Director U Market Services
2901 Talmage Avenue SE
Minneapolis, MN
Phone: (612) 624-3835
m-tera@umn.edu

Approval for this item is requested by:

Laurie Scheich — 9-27-17
Laurie Scheich — Date
Associate Vice President of Auxiliary Services

Michael Berthelsen — 9-27-17
Michael Berthelsen — Date
Interim Vice President of University Services

PURCHASE OF 16-24 6th STREET SW, ROCHESTER, MN (ROCHESTER CAMPUS)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to purchase the property at 16-24 6th Street SW, Rochester, Minnesota.

2. Location and Description of the Property

The subject property consists of approximately 0.394 acre of land (two contiguous parcels), "improved" with two buildings that have reached the end of their useful life. The property is located on 6th Street SW, west of Broadway Avenue South, contiguous to other property previously purchased by the University for Rochester Campus development (see attached map).

The legal description of the property:

Parcel 1: The West 87 feet of Lots 10, 11, and 12, Block 103, Willson's Addition, to the City of Rochester, Olmstead County, MN and;

Parcel 2: The East 43 feet of Lots 10, 11, and 12, Block 103, Willson's Addition, to the City of Rochester, Olmstead County, MN

3. Basis for Request

The subject property has long been considered a key cornerstone property and critical gateway entrance for the development of the Rochester Campus.

The owner of the property, Whitlock-Sonnenberg Post 1215 Veterans of Foreign Wars of the United States of America (VFW), has found a site (at 2775 43rd Street NW, Rochester) it is willing to relocate to, but must close on the purchase of that property by October 31, 2017, and requires the proceeds from the sale of the subject property to the University to complete the purchase of the relocation property. This presents an opportunity for the University to purchase the VFW property now, which may not exist in the future.

Although the current UMR Campus Master Plan shows the need for the majority of this property at Phase 4 of campus development, part of the VFW property is required for an entrance road in conjunction with Phase 2 of campus development.

4. Details of Transaction

The seller is Whitlock-Sonnenberg Post No. 1215 Veterans of Foreign Wars of the United States of America. The purchase price for the subject property will be $2,665,000 ($155.28 per square foot) to be paid in cash at closing. The closing is expected to occur on or before October 27, 2017. The seller will complete the demolition of structures and transfer vacant land to the University.

5. Use of Properties

The property will be used for development of the Rochester Campus, including a gateway entrance.

6. Environmental

The University will complete the appropriate environmental investigation before closing to confirm the land is in acceptable environmental condition. Depending on the results of the Phase I environmental site assessment (ESA), a limited Phase II ESA may also be completed in conjunction with the seller's demolition of structures.

7. Source of Funding

Rochester City Sales Tax funds appropriated for Rochester Campus development (balance available currently estimated at $8.8 million for Rochester Campus property purchases) is the expected source of funding for the purchase of the subject property, with City approval expected in early October.

The City has requested that if the VFW property is never developed for the Rochester Campus, that the property would be deeded to the City.

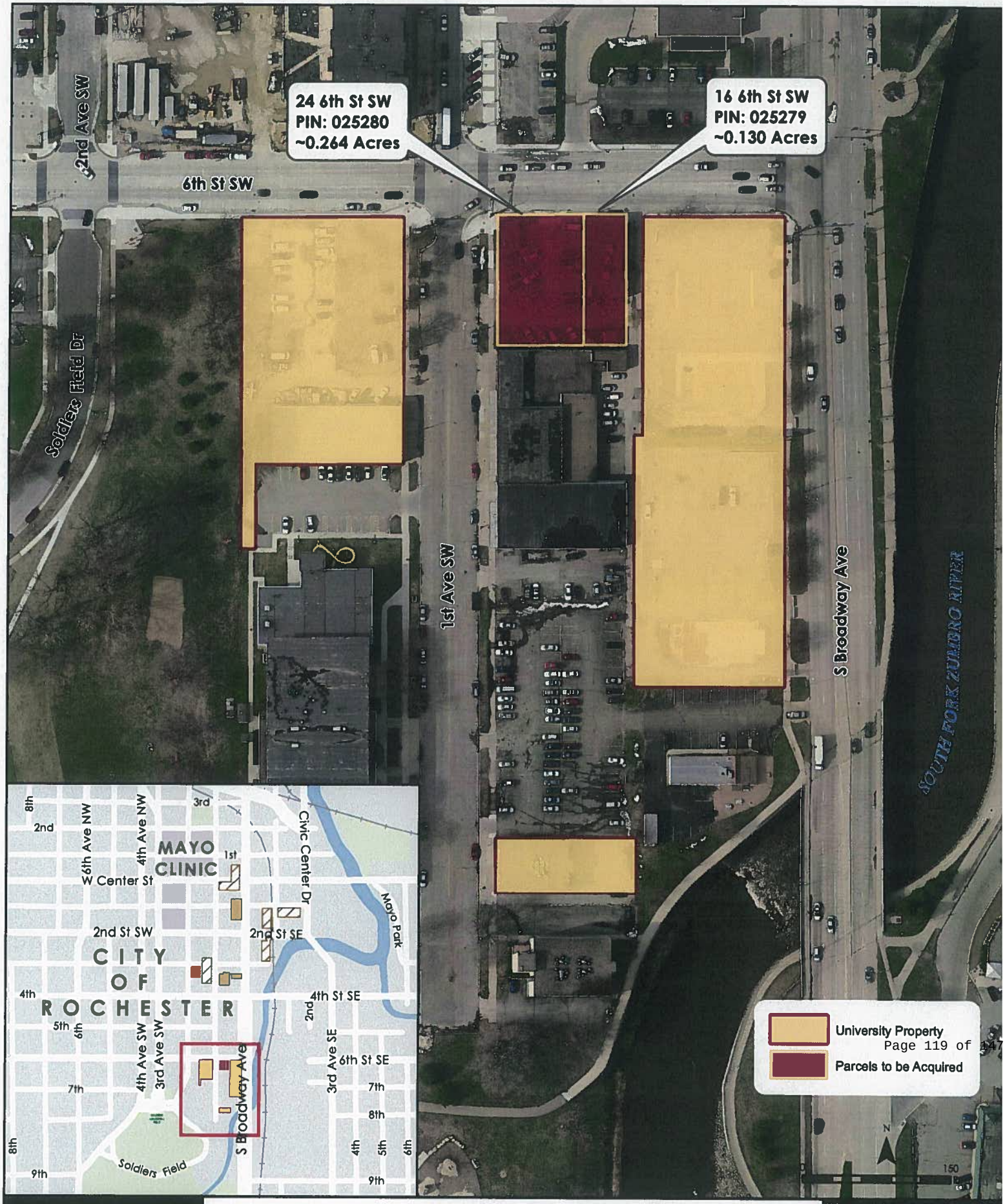
8. Recommendations

The above-described real estate transaction is appropriate:

Lori J. Carrell, Interim Chancellor, U of M Rochester

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

Mike D. Volna, Assistant CFO



Real Estate Office

University of Minnesota

Acquisition of 16 & 24 6th Street SW
University of Minnesota - Rochester 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, Olmsted County, City of Rochester

9/26/2017

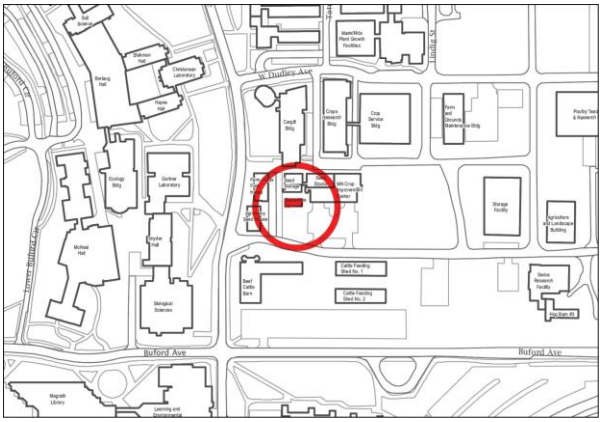
DEMOLITION OF QUARANTINE BARN (TWIN CITIES CAMPUS)

Significant Visual Impact

Board of Regents Policy: *Reservation and Delegation of Authority* Section VIII Subd. 9 reserves to the Board authority to approve projects that have a significant visual impact. The Administration intends to demolish the vacant Quarantine Barn located at 1913 Buford Place on the Saint Paul campus. The project is estimated at $95,000.

The 1,000 square foot structure was built in 1928 for the purpose of isolating newly-acquired livestock before introduction to the herd, but has stood vacant since being decommissioned in the 1990s. The building is not historic. A 1998 cultural resource evaluation determined that the barn "cannot be considered significant within an historical context."[1] The Facilities Condition Needs Index (FCNI) of the structure is 0.62 or "Critical" due to "Major" building code deficiencies and "Serious" accessibility issues. There are no restrooms or water heaters; no fire detection, alarms, or suppression; and no emergency lighting in addition to other obstructions to emergency egress. Any renovation and abatement costs would far outweigh any benefits.

The structure offers minimal potential for reuse given the small footprint, limited structural capacity and long vacancy. With agricultural land uses on the Saint Paul campus shifting east, use of this small structure as a barn would be inefficient and a poor operational fit. The site is ideal for the placement of the Microbial Sciences building, a future use that is consistent with the Saint Paul campus master plan.



[1] "Architectural, Historical and Cultural Resource Evaluation for Six Buildings," Miller-Dunwiddie Associates, Inc. Architects, March 1998

Summary Overview

Resolution related to historically eligible asset: Pioneer Hall

National Register nomination background

In 2009, the University was made aware that one component of the federally funded Green Line project was to identify potentially eligible historic resources, and define potential mitigations to offset the project. The Metropolitan Council prepared a nomination for Pioneer Hall to the National Register of Historic Places (National Register) as part of the Green Line mitigation project. The University was aware the work was underway, but did not participate in any review of the documents.

The University received a letter from SHPO dated August 31, 2017 with a copy of Pioneer Hall's nomination form, which will be presented to the State Review Board for action on November 14, 2017. If accepted, the nomination will be advanced to the National Register for consideration. SHPO's communication advises that the University may submit a letter of objection to the listing of Pioneer Hall on the National Register. If the University submits a statement of objection, SHPO may still advance the property for determination of eligibility, but not for formal action on nomination.

Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board authority related to designation of historic resources. The effort initiated by SHPO to submit Pioneer Hall for nomination to the National Register is not recommended by the Administration. While the University cooperates with SHPO, it is not practical to support National Register status for the property at this time.

Pioneer Hall project background

Mindful of Board policy and the University's obligations under state law, University staff engaged in a meeting with SHPO staff in May 2016 detailing the potential approach to Pioneer, which the University recognizes as a historic resource. The discussion points included the University's commitment to housing in this neighborhood and Pioneer Hall as part of the campus fabric and the essential need to renovate the building to provide adequate beds and dining to support campus life. At that time SHPO verbally identified concerns about the potential scope of the work that would create impacts to cultural resources if a major renovation was undertaken.

Board of Regents action in September 2016 approving schematic design and the capital budget authorization to spend University funds confirmed the final program, including bed count and dining facility scope of work. The docket materials for that meeting referenced the significant renovation, the historic qualities of the building as a cultural resource, and the economic imperative to realize the bed and dining

seat count required to support residential life in the superblock neighborhood. The approved project addresses major deficiencies in accessibility, building code, community space, and student experience while retaining the character-defining features of the building.

After iterative work on design and budget arriving at better definition of the project scope, University staff transmitted a review package to SHPO on June 22, 2017. This process is consistent with the process the University and SHPO have utilized with renovations of other historic resources. In official correspondence from SHPO dated August 25, 2017, the agency indicates that it intends to move nomination to the National Register forward. The letter also states that based on the documents received, SHPO finds the project will result in adverse effects on the subject property. In response to the letter, staff have reached out to SHPO to discuss specific concerns and will continue to cooperate throughout the process.

Recommendation

The Administration recommends that the University object to the listing of Pioneer Hall on the National Register of Historic Places. This recommendation is based in large part on the Board's consideration of the historic status of the property in July and September 2016 in the approval of the schematic design and capital budget authorization, as well as the need to move forward with the project to complete the Pioneer Hall renovations in a timeframe that meets the academic calendar. Keeping Pioneer Hall off the National Register of Historic Places affords the University maximum flexibility to meet the requirements of Board of Regents Policy: *Historic Preservation* and the programmatic needs of the University. The University will continue to cooperate with SHPO to address concerns, while being mindful of the schedule and budget for the project.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Listing of Pioneer Hall on the National Register of Historic Places

WHEREAS, Pioneer Hall was designed by prolific University architect Clarence Johnston as the University's first men's dormitory, consisting of the north court constructed in 1931, and the south court in 1934; and

WHEREAS, Pioneer Hall underwent significant renovation between 1977 and 1978 that significantly altered many of the original, historic interiors as well as the replacement of historic windows in the 1990s; and

WHEREAS, a nomination study was required in 2009 as a condition of Federal funding of the Metro Green Line (then Central Corridor Light Rail) project, commissioned by the Metropolitan Council, completed in 2014, and submitted to the State Historic Preservation Office (SHPO) in early 2015; and

WHEREAS, exhaustive studies were completed by the University in 2009 and 2015 regarding potential for historically-sensitive renovation within the building's existing walls; and

WHEREAS, student housing at the University does not use any State, taxpayer, or tuition funds, but instead is funded in its entirety by the room and board rates charged to the students who live there; and

WHEREAS, renovation options within the existing building shell were cost prohibitive and would not meet programmatic goals for total beds and dining seats, and would result in a significant impact on total cost of attendance for students; and

WHEREAS, a design was commissioned that preserves the substantial historic elements of the facility as part of the campus fabric while balancing the need for a modern residence hall facility; and

WHEREAS, the University has been in communication with SHPO regarding its intentions for the facility, beginning in May 2016 and continuing throughout the design process; and

WHEREAS, the Board of Regents approved the schematic design and capital budget for renovation of Pioneer Hall in September 2016; and

WHEREAS, the University received correspondence from SHPO in August 2017 indicating that it will consider a nomination to the National Register of Historic Places for Pioneer Hall in November 2017, and the correspondence included information related to the rights of owners to object to listing in the National Register; and

WHEREAS, the Board of Regents reaffirms its commitment to historic preservation as included in Board of Regents policy, while also retaining the flexibility necessary to meet the programmatic needs of the University.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents directs the Vice President for University Services to sign a statement on behalf of the University objecting to the listing of Pioneer Hall on the National Register of Historic Places.

BE IT FURTHER RESOLVED that the Administration is directed to continue work already underway in order to deliver a renovated Pioneer Hall and consolidated Superblock dining facility that is substantially complete in time for students to take residence in fall 2019.

Finance & Operations Committee
Consent Report
October 12, 2017

Personnel Appointment

Pending approval by the Board of Regents, Mr. Michael Berthelsen will be appointed Vice President for University Services, effective October 2, 2017.

Position Overview

The Vice President for University Services is a senior leadership position reporting directly to and serves at the pleasure of the Senior Vice President for Finance and Operations. As a member of the finance and operations leadership team, the vice president works in collaboration with peers in budget, finance, human resources, and university services to ensure the University community receives a high level of effective, budget-conscious, and service-oriented operational services.

As Vice President for University Services, Mr. Berthelsen will:

- Provide leadership and oversight for six key units of operation supporting the University system: Auxiliary Services, Capital Planning and Project Management, Facilities Management, Public Safety, and University Health and Safety;
- Work in partnership with the University's academic leadership to understand the needs of the academic enterprise, ensuring the requisite services and facilities are provided efficiently and effectively;
- Establish relationships to effectively maintain and enhance University Services to ensure efficient, complementary, and coordinated approaches to service delivery;
- Assess the organizational structure of University Services to ensure that the structure supports an innovative, highly productive, responsive, customer service oriented organization;
- As part of an overall University of Minnesota initiative, participate in identifying areas of efficiency and cost savings across University Services;
- Be an active contributor to the Finance and Operations leadership team that will work across functional support areas to build world-class and cost-effective support services for the University's academic, research, and outreach missions.

Appointees Background and Qualifications

Mr. Berthelsen has been with the University of Minnesota since 1993. For the past 13 months, Mr. Berthelsen has served as Interim Vice President for University Services. Over these past 13 months, he has demonstrated his strategic, administrative, and relationship-building abilities required to succeed in this important position. His work during that time has been exceptional as he provided direction and guidance at a time of considerable change in leadership and organizational structure.

Prior to serving in the interim role, Mr. Berthelsen held various positions including Associate Vice President for Facilities Management, Assistant Vice President and CFO for University Services, and University Budget & Finance Officer. Throughout his career, his leadership approach focused on strategy, improving customer service and accountability, reducing the cost of operations, building a respectful work environment and

improving measurement systems to document success. Mr. Berthelsen has a documented record of being an agent of continuous improvement in both business process and organizational culture.

Areas of expertise include strategic planning; operational leadership and execution; change management; working with boards and academic leadership; collaboration with faculty, staff, and students; human resources including unions; financial oversight; and communications. Additionally, Mr. Berthelsen brings experience working with neighborhoods and both city and state governments. He is known to be a relation-based, innovative problem solver and change agent who aligns financial resources, information tools, human capital and operational practices with organizational goals and mission.

Recommended Salary and Appointment Type

Mr. Michael Berthelsen's annual salary will be $265,000. His appointment as vice president is a 100%-time, A-term (12-month), L-type (limited) appointment, reporting to and serving at the pleasure of the Senior Vice President for Finance and Operations. The full employment agreement between the University of Minnesota and Mr. Berthelsen 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

With respect to peer institutions, Mr. Berthelsen's annual salary of $265,000 is on the lower end, and yet a market competitive rate, against similar positions among Big Ten and AAU peers. His salary falls appropriately within the range of the 2016 salaries (aged to July 2017) for the position of Chief Administrative Officer:

25th percentile $257,335
50th percentile - $285,704
75th percentile - $315,643
Average - $284,527

According to the Sibson Executive Survey (2016 data aged to 2017), his annual salary falls appropriately within the range for the position of Chief Administrative Officer (Big Ten and AAU peers):
25th percentile - $262,250
50th percentile - $275,086
75th percentile - $317,067

Recommendation

The president recommends the appointment of Mr. Michael Berthelsen as Vice President for University Services.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 27th day of September, 2017, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Michael Berthelsen ("Michael Berthelsen," "you").

WHEREAS, the University wishes to employ Michael Berthelsen as the Vice President for University Services, and Michael Berthelsen wishes to accept employment as the Vice President for University Services;

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 Michael Berthelsen 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 Michael Berthelsen as the Vice President for University Services and he agrees to be so employed by the University for a term commencing on October 2, 2017. The Vice President for University Services 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 Senior Vice President for Finance and Operations. As such, you report to and serve at the pleasure of the Senior Vice President for Finance and Operations and your appointment may be terminated at any time without advance notification.

II. DUTIES

During the term of your employment as Vice President for University Services, you will diligently and consciously devote your full-time attention and best efforts in performing and discharging the duties of the Vice President for University Services as they are set forth in the profile for this position (attached) including, but not limited to, the following duties:

A. Partner with senior leadership and become fully integrated into the leadership team; be perceived as a solid team player who has credibility and integrity and contributes broadly at system, campus, and division leadership meetings;

B. Establish relationships to effectively maintain and enhance University Services to ensure efficient, complementary, and coordinated approaches to service delivery;

C. Assess the organizational structure of University Services to ensure that the structure supports an innovative, highly productive, responsive, customer service oriented service organization;

D. As part of an overall University of Minnesota initiative, participate in identifying areas of efficiency and cost savings across University Services;

E. Be an active contributor to the Finance and Operations leadership team that will work across functional support areas to build world-class and cost-effective support services for the University's academic, research, and outreach missions;

F. 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 and, in accordance with University policy, you will receive a broader systemic review of your performance no later than the end of your third year in the position.

IV. COMPENSATION

A. Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall pay you an annual salary of Two Hundred and Sixty-Five Thousand and No/100 Dollars ($265,000).

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.

V. BENEFITS

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

VI. SEPARATION

A. Your appointment as Vice President for University Services 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.

VII. UNIVERSITY POLICIES AND GENERAL CONDITIONS

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

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

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

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

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

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

VIII. BOARD OF REGENTS APPROVAL

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

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

By: _____
Michael Berthelsen

REGENTS OF THE UNIVERSITY OF MINNESOTA

By: _____
Brian Burnett
Senior Vice President for Finance and Operations

Approved as to Form and Execution

By: _____
Douglas R. Peterson
General Counsel

Finance & Operations Committee
Consent Report
October 12, 2017

Personnel Appointment

Pending approval by the Board of Regents, **Dr. Allen S. Levine** will be appointed as Vice President for Research at the University of Minnesota, effective October 16, 2017, and continuing up to August 31, 2019.

Position Overview

As chief research officer for the University of Minnesota system, the Vice President for Research is responsible for overseeing all aspects of the research enterprise across the University of Minnesota's five campuses, including providing central leadership to the University's research agenda; serving as an advocate and champion of the University's research mission; communicating the research vision and its direction to internal and external constituencies; enhancing and sustaining a robust, service-oriented research infrastructure that spans the University's campuses, colleges, departments, and centers; fostering interdisciplinary collaboration and cooperation to leverage faculty talent and expertise through collaborative research; promoting and developing technology commercialization and applications of intellectual property; and ensuring full compliance with federal and state law, rules and regulations as well as institutional policies and procedures related to research.

Appointees Background and Qualifications

Dr. Allen S. Levine was appointed interim Vice President for Research for the University of Minnesota on January 1, 2017. In this position, he oversees the University's $900 million research enterprise across all its campuses and facilities, including the administration of sponsored projects, research compliance and regulatory offices, and units dedicated to economic development and technology commercialization.

Dr. Levine previously served as Vice Provost for Faculty and Academic Affairs; Dean of the College of Food, Agricultural, and Natural Resource Sciences; Department Head of Food Science and Nutrition; and Associate Director of Research; and Senior Career Scientist at the Minneapolis VA Medical Center. He is a Professor in the Department of Food Science and Nutrition and holds an adjunct appointment in the Department of Psychiatry. In addition, he is a member of the Food Science and Nutrition Graduate Programs. Dr. Levine's research focus for the past 35 years has been on the neural regulation of food intake. He and his colleagues have published extensively on the brain circuitry involved in the rewarding properties of foods.

Dr. Levine has published over 300 scientific papers and over 100 review articles, editorials, and book reviews, and his current career h-index in Google Scholar is 82. He is a fellow of the American Association for the Advancement of Science, the American Society for Nutrition, and the American Psychological Association. He is president of the Obesity Society, a 2,500-member national organization of health professionals, where he is also a fellow. He has received several awards for his research efforts, including the Mead Johnson Award from the American Institute of Nutrition and the Grace A. Goldsmith Award from the American College of Nutrition.

Recommended Salary and Appointment Type

Dr. Levine's annual salary for 2017-18 is $305,000. His appointment as Vice President for Research is a 100%-time, A-term (12 month), L-type (limited) appointment, reporting to and serving at the pleasure of the president. The full employment agreement between the University of Minnesota and Dr. Levine is attached as an exhibit.

Individually Negotiated Terms of Employment or Separation Agreements

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

Comparable Market Data

Benchmarking with the *Annual Review of Senior Leader Compensation*, which was presented to the Board of Regents in December 2016, shows comparative base salary data* for the position of Vice President for Research as follows:

25th percentile – $307,800
50th percentile – $329,400
75th percentile – $367,100

The data represents responses from surveys sent to 35 peer/comparison institutions of higher education across 21 states. When determining comparable market data for the University of Minnesota against our peers, there are oftentimes distinct differences in positions and salaries across institutions of higher education (i.e., the credentials, background and experience that the incumbent holds; reporting line; scope of responsibilities; size and complexity of the college/school), which may impact the range and validity of the data.

President's Recommendation

The president recommends the appointment of Dr. Allen S. Levine to the position of Vice President for Research.

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

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 2nd day of October, 2017, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Allen S. Levine ("Allen S. Levine," "you").

WHEREAS, the University wishes to employ Allen S. Levine as the Vice President for Research and Allen S. Levine wishes to accept employment as Vice President for Research;

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 Allen S. Levine 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 Allen S. Levine as the Vice President for Research and he agrees to be so employed by the University for a term commencing on October 16, 2017, and continuing up to August 31, 2019. The Vice President for Research is a 100-percent time, 12-month, "L" appointment in the professional and academic personnel classification who serves as an at-will employee. As such, you report to and serve at the pleasure of the President and your appointment may be terminated at any time without advance notification.

II. DUTIES

During the term of your employment as Vice President for Research you will diligently and consciously devote your full-time attention and best efforts in performing and discharging the duties of Vice President for Research including, but not limited to, the following duties:

A. Oversee all aspects of research at the University's five campuses, providing guidance and support to individual researchers and managing the system-wide research enterprise;

B. Manage the staff, responsibilities, and operations of the Office of the Vice President for Research and the units which report to you;

C. Serve as an advocate and champion of the University's research mission, communicating the University's research vision and its direction to internal and external constituencies;

D. Enhance and sustain a robust, service-oriented research infrastructure that spans the University's campuses, college, departments, and centers;

E. Ensure full compliance with federal, state, and University laws, regulations, policies and procedures related to research;

F. Foster interdisciplinary collaboration and cooperation to build upon and leverage faculty expertise;

G. Promote and develop technology commercialization and applications of intellectual property;

H. Prepare and submit budget and appropriate financial information in accordance with University policies; and

I. Perform such other duties as assigned by the president.

III. PERFORMANCE

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

IV. COMPENSATION

A. Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall pay you an annual salary of Three Hundred and Five and No/100 Dollars ($305,0000).

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.

V. BENEFITS

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

VI. SEPARATION

A. Your appointment as Vice President for Research 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.

VII. UNIVERSITY POLICIES AND GENERAL CONDITIONS

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

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

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

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

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

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

VIII. BOARD OF REGENTS APPROVAL

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

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

By:_____
Allen S. Levine

REGENTS OF THE UNIVERSITY OF MINNESOTA

By:_____
Eric W. Kaler
President

Approved as to Form and Execution

By:_____
Douglas R. Peterson
General Counsel

REQUEST FOR APPROVAL OF SECONDARY DEAN TITLE - ACADEMIC LEADERSHIP FOR UNIVERSITY LIBRARIES

Recommendation

The President recommends that the title of *University Librarian* be expanded to *University Librarian and Dean of Libraries*. Included with the approval is the direction to the executive director and corporate secretary to make any necessary technical corrections to Board policy. Board approval is sought consistent with Board of Regents Policy: *Reservation and Delegation of Authority,* Article I, Section IV, Subd. 1.

Rationale

Pending approval by the Board of Regents, the title of *University Librarian* will be expanded to *University Librarian and Dean of Libraries*. This addition of the secondary dean title will more accurately reflect the full scope of academic leadership responsibilities at the University of Minnesota and is consistent with practices of peer institutions in the Association of Research Libraries (123 largest research libraries in North America) as well as the majority of the 14 member institutions in the Big Ten Academic Alliance. No terms and conditions of employment for Wendy Pradt Lougee will be altered with the addition of the secondary dean title alongside her present payroll title *University Librarian*.

This dual title will also resolve ambiguity and confusion engendered by the solo title *University Librarian.* Although the title of *University Librarian* continues to be widely used and meaningful within the library profession, it is frequently misunderstood within and beyond the University because it fails to distinguish this senior leadership role from other academic professional "university librarian" positions.

The *University Librarian* title is already classified as a senior leadership position and carries similar senior leadership responsibilities as collegiate deans. The University Librarian is a member of the Council of Twin Cities deans and has served as chair of this key academic leadership group. As executive, administrative, and strategic leader for the University Libraries, the University Librarian oversees and manages a large research library system that has a vital and comprehensive role at the center of the University's academic mission. The responsibilities of the lead administrative role for University Libraries include oversight of fiscal, human, and capital resources, collection acquisition and development, strategic planning, external partnerships, and fundraising. This includes oversight of the recruitment and retention of librarian professionals who have faculty-like roles, with expectations for research/scholarship, education, and service, and with continuous appointments defined as similar to tenure.

The University of Minnesota Libraries are among the University's and state's greatest intellectual assets. The mission statement reflects the library system's distinctive dual role as a service agency and an educational agency in its own right: University Libraries' services support the tri-partite mission of the institution: education, research, and service, including support for campus curriculum and student success as well as researcher productivity and the advancement of knowledge. As the state's only research library system, University Libraries also reach well beyond campus borders to develop and deliver high-demand services and programs to all 5.5 million Minnesota residents.

The U of M University Libraries include 12 buildings on the Twin Cities campus, collections of over 8 million volumes, and a staff of 332 (including Minitex program), complemented by nearly 500 student workers. Its operating budget totals $41.9 million (exclusive of grants and contracts). Its primary users include 48,000 students and 2,500 faculty members across the schools and colleges of the Twin Cities campus. More broadly, the University Libraries serve large and diverse communities that span from local to global.

The dual title of *University Librarian and Dean of Libraries* accurately reflects the significance and scope of academic leadership responsibilities required and expected of the lead administrator for our outstanding research libraries.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **October 12, 2017**

AGENDA ITEM: Information Items

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

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

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

FY 2017 Report on Real Estate Transactions Greater than $1,250,000 and/or Greater than 10 Acres

The FY 2017 Real Property Transactions Over $1,250,000 and/or Over 10 Acres report is provided to the Board for information on real property transactions. Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board authority to approve the purchase or sale of real property with a value greater than $1,250,000 or larger than ten (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 $1,250,000, consistent with Board policies.

Debt Management Advisory Committee Update

The purpose of this item is to provide a report on the meeting of the Debt Management Advisory Committee (DMAC) held on October 9, 2017. The agenda included a discussion of the recent sale and issuance of the General Obligation Bonds Series 2017A, and General Obligation Refunding Bonds Series 2017B and Series 2017C, and discussion of the establishment of a Commercial Paper Facility that has been reviewed with the Board.

Issuance of Debt - Series 2017A, 2017B, and 2017C

On September 28, 2017, the University closed on its issuance of $117,095,000 General Obligation Bonds Series 2017A, $292,955,000 General Obligation Refunding Bonds Series 2017B, and $13,240,000 General Obligation Taxable Refunding Bonds Series 2017C. The issuance provides total proceeds of $490,590,684 - the sum of par plus net premium of $67,300,684. The bonds were priced at an all-in true interest cost of 3.272%, 2.329% and 2.648%, respectively, with a total combined all-in rate of 2.754%.

Proceeds of the Series 2017A will be used to finance various capital projects including a portion of the Athletes Village Project, construction of a new Track and Field Facility and relocation of the recreation sports bubble and softball field, construction of a new veterinary bio-containment

facility, various renovations of other existing space, and certain property acquisition and demolition activities.

The Series 2017B was issued to advance refund and defease the University's General Obligation Bonds Series 2009A, Series 2009C, Series 2011A and Series 2011D. The Series 2017C was issued to advance refund and defease the University's General Obligation Taxable Bonds Series 2009B. The refundings resulted in a total net present value (NPV) savings of approximately $28.6 million.

Net proceeds of the Series 2017B and 2017C were deposited in escrow accounts, which will be invested in Defeasance Obligations which mature and bear interest sufficient to pay the principal of and interest on the refunded bonds to and including their redemption dates, and to pay the redemption prices of the refunded bonds on their redemption dates.

Neither the outstanding indebtedness nor the related trust account assets for the defeased bonds will be included in the University's consolidated financial statements.

In connection with the issuance, the University received ratings from Moodys Investors Service (Moody's) and S&P Global Services (S&P), as follows:

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

- S&P – AA, with stable outlook
  - The AA rating reflects their view of the University's, 1) position as Minnesota's flagship research university and land-grant institution, 2) stable enrollment with rising freshman applicants and matriculants, 3) improved financial performance on an adjusted full-accrual basis, 4) manageable pro forma maximum annual debt service burden, and 5) favorable philanthropic support.
  - The stable outlook reflects their continued view that over the next two years, enrollment and demand trends will remain firm and its financial operating performance on an adjusted full-accrual basis will remain positive and become more robust.

Final Project Review

The purpose of this item is to provide final project review of the following projects as required by Board of Regents Policy: *Reservation and Delegation of Authority*:

A. Final Project Review: Pioneer Hall Renovation and Consolidated Superblock Dining

   This project will retain the character-defining features of the existing building, while strategically expanding the building footprint to improve housing and dining programs.

B. Final Project Review: Shepard Labs – Robotics Laboratories

   This project will renovate approximately 19,260 square feet to consolidate several existing robotics research laboratories on the first and second floors of Shepard Laboratories.

Twin Cities Student Housing Update

The purpose of this item is to update the Board on the current status of student housing on the Twin Cities campus with particular attention to the closing of Pioneer Hall, the commencement of two new master leases, and a larger than expected first-year class. The University had sufficient housing supply to meet market demand and it is not experiencing financial risk from vacancies in either owned or leased facilities.

UNIVERSITY OF MINNESOTA

FY17 REAL PROPERTY TRANSACTIONS
OVER $1,250,000 AND/OR OVER 10 ACRES

	Amount (to be) Received	Amount (to be) Paid
Purchase of 600-27th Ave. SE, Minneapolis (Twin Cities Campus)		$1.30 million
Amendment to 99-Year Lease and Amendment to 20-Year Sublease at 801-16th Avenue NE, Austin (Hormel Institute)		$51.27 million (1)
Five-Year Lease Extension, First Floor, 1100 Washington Avenue South, Minneapolis (Twin Cities Campus)		$2.52 million
Five-Year Lease Extension, Second Floor, 1100 Washington Avenue South, Minneapolis (Twin Cities Campus)		$2.67 million
Agreements for Facilities and Services for Minnesota United's Use of TCF Bank Stadium (Twin Cities Campus)	$10.16 million (2)	
Sale of 158.881 Acres at UMore Park for Industrial-Business Park Phased Development (UMore Park)	$14.02 million (3)	
Five-Year Lease for 44 Apartments at Keeler Apartments, 317-17th Avenue SE, Minneapolis, for Student Housing Purposes (Twin Cities Campus)		$6.67 million

Five-Year Lease for 200 Apartments at Radius at 15th, 710-15th Avenue SE, Minneapolis, for Student Housing Purposes (Twin Cities Campus)	$33.82 million

(1) Estimate of total lease costs for remaining term of lease and initial 20-year term of sublease
(2) Estimate for 2 seasons, 2017 and 2018
(3) Estimate of gross sales price if buyer closes on entire 158.881 acres

University of Minnesota
Final Review of Capital Projects over $5 Million

Pioneer Hall Renovation and Consolidated Superblock Dining
Project #01-052-16-1660

Policy Summary:

According to Board of Regents Policy *Reservation and Delegation of Authority,* Article I, Section VIII, Subdivision 9, "The Board reserves to itself the authority for a subsequent review of approved capital budget projects with a value greater than $5,000,000 prior to the award of construction contracts."

Project Summary:

This project will retain the character-defining features of the existing building, while strategically expanding the building footprint to improve housing and dining programs. The housing component will increase the number of beds to 756, while aligning program delivery and student amenities with comparable University facilities. The plan also incorporates study and community spaces to enhance first-year student experience.

The dining program will be raised up to grade level, and seating capacity expanded to serve the student population of the Superblock while offering expanded meal, serving, and seating options. Seating capacity for the new dining facility will accommodate 850 students at any given time.

Board of Regents Approval Summary:

Capital Budget Amendment:	September 2016
Schematic Plans:	May 2017

Project Team:

Architect/Engineer Team:	TKDA
Construction Manager:	McGough Companies

Project Budget:

University Debt	$104,500,000
Total Capital Funding	$104,500,000

Project Schedule:

Begin Construction:	October 2017
Construction Completion:	Summer 2019

Consistency of project with approved scope, schedule, and budget:

_X_ Yes ___No

University of Minnesota
Final Review of Capital Projects over $5 Million

Shepherd Labs – Robotics Laboratories
Project Number 01-125-16-1242

Policy Summary:

According to Board of Regents Policy *Reservation and Delegation of Authority,* Article I, Section VIII, Subdivision 9, "The Board reserves to itself the authority for a subsequent review of approved capital budget projects with a value greater than $5,000,000 prior to the award of construction contracts."

Project Summary:

The Robotics Research Lab is a component of the MnDRIVE initiative, housed in the Department of Computer Science and Engineering in the College of Science and Engineering.

This project will renovate approximately 19,260 square feet to consolidate several existing robotics research laboratories on the first and second floors of Shepherd Laboratories. The project will provide needed space for additional faculty, staff, and students. Locating the robotics researchers in contiguous space will assist in enhancing important collaborations. Space on the first floor will also be allocated to the college's Solar Vehicle Project, which with the emerging developments in autonomous vehicle technologies will soon have a strong connection to work in robotics.

Board of Regents Approval Summary:

Capital Budget:	June 2016
Schematic Plans:	May 2017

Project Team:

Architect:	BWBR Architects
Construction Manager:	Knutson Construction

Project Budget:

College of Science and Engineering	$ 203,000
MnDRIVE	$ 2,000,000
Private Gifts	$ 10,000,000
Total Capital Funding	$12,203,000

Project Schedule:

Begin Construction:	February 2018
Substantial Completion:	August 2018

Consistency of project with approved scope, schedule, and budget:

_X_ Yes ___No

UNIVERSITY OF MINNESOTA

Crookston · Duluth · Morris · Rochester · Twin Cities

University Services
Office of the Vice President

317 Morrill Hall
100 Church Street Southeast
Minneapolis, MN 55455

612-624-3557

TO: Regents

FROM: Vice President Mike Berthelsen

DATE: October 2, 2017

RE: University Housing Update (Twin Cities Campus)

You have requested an update on how Housing and Residential Life (HRL) has met student demand this fall, given the closing of Pioneer Hall, the commencement of two new master leases, and a larger than expected first-year class. While the balance between residence halls and apartments has changed from last year, it is important to note that overall net capacity has increased by 237 beds even with Pioneer Hall offline.

HRL has provided the data below, which are current as of September 18 (10th day of class, when the University takes official semester counts.) **The primary take-away from these data are that the University had sufficient housing supply to meet market demand, and it is not experiencing financial risk from vacancies in either the owned or leased facilities.** HRL is very close to the Board-adopted target for housing 90% of first-year students, in line with the historical average. While official data are not yet available, the target of 10% of transfers is likely to be met, but HRL will fall short of housing 25% of those students returning for a second year. HRL intends to aggressively pursue this 25% target for fall 2019 when Pioneer Hall reopens and the residence hall capacity can handle all first-year students.

Overall Housing Capacity for FY2018

Room Type	Capacity	Notes
Residence Hall	5,197	*Residence Hall capacity includes 114 expanded spaces in rooms where an extra student can be added to larger rooms for a period of time, with all students paying a lower rate during that period. No lounges are used for expanded space.*
Apartment	2,037	
Total Beds	**7,234**	

First-Year Student Planning Assumptions and Yield

Projection	Yield	Notes
Class of 2021 - September 2016 Forecast	5,850	*Historically, 100-150 of those who apply by the May 1 guarantee cancel their housing before fall semester begins.*
90% in University Housing Target	5,265	
Applications Received by May 1 guarantee date	5,617	
Class of 2021 - actual enrollment on Day 10	6,195	
First-Year Occupancy on Day 10	**5,452**	
First-Year Students in U Housing	**88%**	

HRL was able to provide housing to all incoming first year students who applied by the May 1 guaranteed housing deadline. This yield is consistent with the historical cancellation rate prior to the start of classes. There are no lounges being used to house students, a practice that was discontinued in 2016.

Second-Year Students
707 spaces are assigned to second-year students who returned to University housing. Only second-year students participating in a Living Learning Community (LLC) were allowed to return to residence halls for 2017-2019. All other second-year students are living in apartments.

Transfer Students
268 spaces are assigned to transfer students. 210 transfer students were guaranteed housing, however available space permitted a higher number to be housed. Any transfer student living in a residence hall is participating in the Transfer Student Living Learning Community.

Upper-Division Students and Reserved International Programs
697 spaces were assigned to upper division students and international programs.

Total Occupancy compared to Total Capacity

Student Cohort	Occupancy		Notes
First-Year	5,452		*Remaining 110 beds represent vacancies on Day 10. HRL's FY2018 budgeted occupancy projects 125 vacancies.*
Second-Year	707		
Transfers	268		
Upper-Division / Reserved	697		*Regarding new master leased facilities, there are 12 vacancies in Radius (700 bed capacity) and 1 vacancy in Keeler (140 bed capacity) as of Day 10.*
Total Occupancy	**7,124**		
Total Capacity	7,234		
Vacancies on Day 10	**110**		