Finance & Operations Committee

December 2019

December 12, 2019

2:00 p.m. - 5:00 pm

Boardroom, McNamara Alumni Center

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 12, 2019**

AGENDA ITEM: Administrative Cost Definition and Benchmarking

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

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

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

PURPOSE & KEY POINTS

The purpose of this agenda item is twofold: to summarize "next steps" in building a strategy to address administrative cost analysis at the University and to provide details on the goals, definitions, methodology and FY 2019 results related to the annual Administrative Cost Definition and Benchmarking analysis.

The results for the FY19 analysis are presented and explained in terms of variance from the prior year. Total spending at the University for FY19 (as defined for this purpose) was $3,715,554,000, which was a 3.1 percent (roughly $110 million) increase over the FY18 total of $3,605,143,000. This analysis does not attempt to link changes in spending with specific or tied increases in revenues; it is solely an analysis of spending changes and trends.

Once again, the results show that significant changes are not the norm at the full University level. In all but one of the categories of comparison on a percent-of-total basis, the shifts from FY18 to FY19 were significantly less than 1 percent. The results for FY19 indicate nothing out of the normal course of business. While overall spending increased, the pattern of spending on activities within that total remained relatively stable.

Personnel costs make up the majority of the $110 million increase in expenditures (69 percent). The increase in personnel expense overall is associated with a general increase in the salary pool of 2 percent, increases in the fringe benefit rates (rates increasing for non-student groups an average of 1.2 percent), decisions on equity/market adjustments and promotions, and program growth in select areas. The increase is explained in more detail on the following pages.

The 31 percent of expenditure increase associated with non-personnel costs was largely associated with changes in spending for supplies and services and also equipment and other capital assets. Again, this is similar to patterns seen in previous years.

The overall results for spending across the categories show stability and the analysis continues to be useful in monitoring spending across the institution and providing a deeper understanding of activities in the units.

Cost Benchmarking FY19 Results

The FY19 Expense Summary for Cost Definition and Benchmarking is included in Attachment A. Overall, expenditures increased 3.1 percent from FY18 to FY19.

Further, the analysis shows expenditure patterns with only minor changes from prior years. Total expenditures for Mission and Student Aid are at 55.9 percent of the total spend (FY18: 55.7 percent), with expenditures for Mission Support & Facilities at 35.3 percent (FY18: 35.6 percent), and Leadership and Oversight at 8.8 percent (FY18: 8.7 percent). Personnel expenditures continue to comprise between 60-61 percent of all expenditures included in the analysis for all three years of the analysis. Facility project transfers and debt (included for the first time in FY17) comprise 3.9 percent of all expenditures (FY18: 4.0 percent). Details on changes and what contributed to those changes by spending category follow in the sections below. The examples detailed in this section serve as evidence of the types of significant pattern changes surfacing through the analysis that generate further investigation and allow for a deeper understanding of what drives costs over time and what contributes to changes in spending year to year.

Compensation

It is important to note that the annual change in salaries and fringe benefits is responsible for the majority of cost growth. From FY18 to FY19, personnel costs grew 3.5 percent and were responsible for 69 percent of the total growth in spending for the institution. Included within that growth are the costs of the general merit pool increase (2 percent on average for FY19); other types of annual pay increases for employees (promotions and awards, market and equity adjustments, one-time bonuses); increases in the number of employees; and fringe benefit costs (most notably health care). The fringe benefit rates continued to increase for FY19 (average of 1.2 percent for non-student employees), and the primary driver of that change was medical costs growing consistently with the national trend. The overall fringe rate (a percentage applied to salary expenditures and charged to the same funding source to recover and pay the actual benefit costs) for faculty, professional and administrative, and police increased 0.7 percent (most Leadership & Oversight category personnel) and the rate for civil service, AFSCME and Teamsters employees increased 1.2 percent. Roughly $14.6 million of the increase in overall personnel spending between FY18 and FY19 (0.7 percent) is due to the increase in the fringe benefit rates**:** approximately 19 percent of the cost growth in personnel expenditures is attributed to the fringe costs alone. Without the fringe benefit increase, the overall increase in personnel spending would be 2.8 percent rather than 3.5 percent.

The following examples by spending category provide more context for the increased personnel spending, incorporating the drivers mentioned above (merit pool, other adjustments, increased headcount, benefits), and the increases non-personnel spending.

Mission

Mission spending increased both in the total spend ($59.5 million, 3.5 percent) and as a percent of total expenditures (from 47.3 percent to 47.5 percent) between FY18 and FY19, with personnel spending increasing 3.7 percent. Outside of the general cost increases for salaries and benefits, this increase was driven largely by increased spending in sponsored grants. Notable shifts in mission spending include:

- $17.8 million increase (6.3 percent) for personnel in the Medical School, further categorized as increases in research spending on sponsored funds ($7.0 million, 11.6

percent increase), instructional spending on O&M funds ($3.2 million, 11.6 percent increase), and spending on general academic support funded by multiple funding sources ($4.8 million, 12.1 percent increase).

- $2.8 million increase (4.6 percent) for personnel supported by sponsored research in the College of Science & Engineering, including a $1.9 million (5.1 percent) increase in sponsored spending on Students (mainly post-doctoral associates and research assistants).
- $3.8 million increase (43.9 percent) in spending on Direct Academic personnel in the Office of Clinical Academic Affairs supported by sponsored research projects, primarily in the Clinical & Translational Sciences Institute.

Personnel expenditures represent 73 percent of the total mission spend.

Non-personnel spending increased 2.9 percent from FY18 to FY19, with notable shifts in spending in the Office of Clinical Academic Affairs ($7.8 million, 11.9 percent increase, various expenditure categories) and research related expenditures in the Medical School ($11.1 million, 13.7 percent increase, with the largest increases in expenditures on sponsored subcontracts and capital equipment).

Student Aid

Student aid spending increased 3.2 percent, with the largest upticks occurring in fellowships, grants, and scholarships in the Law School and the Medical School.

Mission Support & Facilities

Mission support and facilities expenses increased 2.2 percent between FY18 and FY19, with a 3.0 percent increase in personnel spending and 1.4 percent increase in non-personnel. Some notable increases in personnel spending for this category include:

- Increased spending in the Audit/Finance/HR/Info Tech/Legal group in the College of Food, Agriculture, and Natural Resource Sciences (CFANS) ($860,000, 14.5 percent increase) related to technology development and support.
- Increased spending in the Audit/Finance/HR/Info Tech/Legal group in the Office of Information Technology ($3.2 million, 8.2 percent increase) related to the OIT Health Sciences group.
- Increases in the Audit/Finance/HR/Info Tech/Legal group in the Medical School ($1.0 million, 7.1 percent increase) related to financial and grants management and compliance personnel.
- Increases in the Audit/Finance/HR/Info Tech/Legal group in the Office of Undergraduate Education ($820.000, 8.9 percent increase) related to business analysts and additional recruiting staff in the Academic Support Resources unit.
- Spending in the Other Support personnel group increased 3.5 percent overall, with the most notable increase in the CFANS ($964,000, 11.5 percent increase) due to investment in development and alumni relations personnel.
- Spending in the Skilled Generalists group increased 10.0 percent overall, however this category makes up only 4.2 percent of the total personnel expenditures in the Mission Support & Facilities category. The most notable increase in this category is an increase in the Office of Equity & Diversity of 188.2 percent ($649,000). The increase is attributable to the reassignment of personnel in Student Support job codes in the Other Support group to an Access Consultant job code in the Skilled Generalists group; the

total change in personnel spending in the affected department across all employee groups is only 0.1 percent.

There continues to be more significant fluctuation within the category of non-personnel expenditures changes in personnel and yet those changes within the non-personnel expenditures in the Mission Support & Facilities category netted to an increase of only 1.4 percent overall. Examples of more significant change include:

- Expenditures for Supplies Services & Miscellaneous increased 5.1 percent ($9.2 million) with notable increases in education abroad fees paid to other institutions through the Learning Abroad Center and in the OIT Network & Design unit related to the network upgrade project.
- The increase of 1.8 percent in spending on Equipment/Other Capital Assets is relatively low due in part to capital equipment fabrication expenditures of $2.4 million in auxiliary service units at UMD that occurred in FY18 and were not repeated in FY19.
- Consulting/Professional Services is one of the most highly fluctuating expenditure categories since most of these expenditures are one-time in nature. One of the more significant shifts between FY18 and FY19 is the $2.0 million reduction (40.9 percent) in outside legal expense incurred by the Office of the General Counsel.
- Expenditures in the Repair and Maintenance Supply group reduced by 1.2 percent overall. Expenditures for repairs are by nature the most unpredictable, with reductions of $1.4 million in the Medical School and $2.1 million in Undergraduate Education offset by increases across other units.
- Utility expenditures overall increased 3.4 percent driven primarily by increases in electricity and steam heat. The College of Science & Engineering was the unit most significantly affected by increases due to the renovated Tate Lab of Physics coming online in FY19.
- The significant reduction of 16.7 percent in the Rents/Leases category is attributable to two factors: an accounting change moving lease expense managed by the Planning Space and Real Estate unit on behalf of the institution to the Systemwide RRC ($7.8 million); and one-time back payments on building additions for the Hormel Institute in Austin, MN in FY18 ($2.2 million) that did not recur in FY19. Excluding those items, Rents/Leases expenditures increased 7.9 percent. Of significance, expenditures in the Medical School increased by 30.8 percent due to lease payments for the pediatrics facility on Fairview's Riverside campus.

Leadership & Oversight

Spending on leadership and oversight (all spending on managerial and supervisory positions plus their related supplies and equipment costs) increased 3.9 percent between FY18 and FY19. A careful analysis occurs annually on changes in leadership and oversight spending to ensure a thorough understanding of decisions that affect institutional initiatives to control administrative costs. Spending on personnel in this category remained consistent in terms of the overall percent of total spending across all categories at 12.2 percent (see Attachment B).

From FY18 to FY19 noteworthy changes in personnel spending included:

- Direct Academic spending for leadership and oversight increased 5.3 percent ($1.3 million). Examples include intentional investment in targeted areas including: leadership appointments in the recently founded Institute on the Biology of Aging and Metabolism (iBAM) ($254,000); appointment of a Director of Research in the Office of the Associate Dean for Research within the College of Pharmacy to strengthen research

productivity ($110,000); reclassification of research supervisors in the Department of Soil, Water, and Climate in the College of Food, Agriculture and Natural Resource Sciences ($161,000); and more.

- Leadership spending increased by only 1.7 percent ($1.0 million). Leadership spending in many units decreased even with the general 2 percent salary pool increase and even though fringe benefit rates increased significantly. In general, changes reflected reorganizational or promotional shifts rather than new hires.
- Campus Operations spending increased 2.6 percent ($608,000). The most significant increase occurred in Public Safety (TC Campus), which increased by $273,000, due in part to the hire of a police lieutenant. In University Health and Safety, job reclassifications resulted in a 13.7 percent increase in leadership and oversight expenditures in the Campus Operations group, but this occurred within an overall reduction in leadership and oversight expenditures of -3.4 percent, indicating shifts in job classifications.
- Audit/Finance/HR/Info Tech/Legal spending increased $3.1 million (6.3 percent) due in part to reclassifications, filling open positions, and increased staffing particularly in the info tech and human resource areas, and particularly in academic units.
- Skilled Generalists spending increased $2.2 million (3.9 percent). Increases occurred in many units and job codes, sometimes related to promotional situations reclassifying the position from a support role to a supervisory role to reflect actual duties more accurately, or hiring replacement positions in a different job code. In other situations, employees moved from more refined job codes to job codes in the Skilled Generalists group due to expansion of job duties (for instance, reclassification from a finance director role to an administrative director role incorporating additional areas of responsibility like info tech or facilities planning).
- Other Support spending increased $1.7 million (3.3 percent). In the Medical School, spending on research manager positions increased by $468,000, funded by private practice funds, gifts, and sponsored grants. Increased spending of $303,000 in the College of Science and Engineering for gift officer roles was the result of reclassifications from non-supervisory job codes.

Non-personnel spending in the Leadership & Oversight category is prorated based on salaries, and drivers are discussed in the Mission Support & Facilities section.

Headcount

In recent months, the Office of Human Resources, Enterprise Data Management and Reporting, and the University Budget Office have worked together to incorporate the Cost Definition and Benchmark Groups (mission, mission support and facilities, and leadership and oversight) and subgroups (employee groupings: Direct Academic, Student, Leadership, etc.) into headcount and FTE reports available in UM Analytics, the University's enterprise data reporting system. The University Budget Office is currently exploring the complex relationship between headcount, FTE, and financial data and how the additional nuances provided by these frameworks can enhance the Cost Definition and Benchmarking Analysis.

Recent analysis shows that the growth in total headcount at the University has been slower than the growth rate for other associated factors. For example, while headcount has grown roughly 7.5 percent over the last ten years, total revenues during that same time frame increased 26.5 percent and sponsored awards (excluding ARRA awards 2010-2014 for comparability) grew 30.6 percent over roughly the same time period. It appears decisions at the unit level are holding down the growth in the number of employees, but new reporting capabilities, categorizing headcount in the cost-benchmarking groupings for example, will

allow for improved analysis on the details of any headcount changes, which in turn can lead to further targeted reductions if necessary. Exposing outliers inconsistent with best practice or desired goals will foster strategies and decisions for change.

Summary of Cost Definition and Benchmarking Analysis

The Cost Definition and Benchmarking Analysis is a valuable tool to monitor expense categories at the all-University level over time, but its greatest contribution is through providing a different lens to understand unit-level costs. It serves as just one of many tools that are used to manage spending at the University effectively. Cost Definition and Benchmarking characteristics and lessons include:

- It is most useful as a way to frame conversations about spending and as a tool for developing and tracking reallocation plans. Since the inception of the analysis in 2012, the cost categories of Mission, Mission Support & Facilities, and Leadership and Oversight have become part of the common parlance. There has never been greater awareness of the expectation to reduce and control costs.
- It is difficult to shift percentages on an institutional basis; movement of a tenth of a percent in one of the analysis categories takes roughly $3.7 million (see Attachment B).
- Non-personnel spending experiences the most volatility with fluctuations common in such items as sponsored subcontracts, significant equipment purchases, professional services/consulting, and repairs and maintenance.
- Increased personnel spending can often be connected to growth for specific activities (e.g., investment in additional recruiting efforts for NRNR students and expansion in health care areas). However, compensation is also subject to market forces and benefit cost increases, particularly medical benefits, which can result in spending increases without expansion of the work force.
- Shifts in sponsored awards disproportionately affect the mission category.
- Changes in mission spending also affect mission support and facilities and leadership and oversight.
- Program expansions and investment in essential services required to support the mission (such as maintaining library materials, technology licensing, compliance, etc.) result in increases to mission support and facilities and leadership and oversight expenditures without a corresponding increase in mission expenditures.

One of the most valuable uses for cost benchmarking is the perspective it brings to unit-level analysis and its ability to highlight changes over time at that level. This analysis is the start of many in-depth conversations.

External Review of Administrative Costs and Activities

The administration has engaged an external firm to benchmark administrative costs to a comparable set of peer institutions. The definition of administrative costs will be different from that used for purposes of the Cost Definition and Benchmarking analysis as no other institution uses the same methodology. The firm will review different data sets common to the identified peer set and will summarize results for areas in which the University aligns with peers, performs “better” than peers, and/or shows negative/inefficient performance. Preliminary results from this analysis with recommendations for follow-up are planned for presentation at the February 2020 Finance & Operations committee meeting.

BACKGROUND INFORMATION

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

History and Purpose

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

Originally, it was created to answer questions related to "administrative costs" at the University. Prior to this analysis, there was no shared definition of those costs, so there was no accepted and standard way to answer those questions. Through a consultative process involving stakeholders throughout the institution, the analysis was shaped in a way to define mission (and student aid) related spending separately from all other spending on support functions and basic infrastructure. It was further decided at the time that these latter two categories would be the basis for how the University would define "administrative costs" for purposes of reallocation and communication to external parties. The focus of the analysis, however, encompasses all of the University's spending, so moving forward it will be referenced as simply the annual Cost Definition and Benchmarking Analysis.

FY12 was the first year of the cost benchmarking analysis. Goals for the analysis included:

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

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

The cost benchmarking analysis is unique to the University and cannot be used to compare spending patterns across institutions. While other institutions may be creating similar analyses, they have not progressed to the same level of detail. Other institutions also rely on unique aspects of their individual reporting and data elements, so the results will not be comparable.

Structure and Methodology

This analysis starts with total expenditures at the close of each fiscal year, but it will not equal expenditures as represented in the final audited financial statements for a number of reasons. Most significantly, institution-level accounting entries for accruals, deferrals, depreciation, amortization,

etc., are not included because they do not contribute to the operational view of spending management at the unit level. Spending in internal service organization (ISO) funds is excluded to avoid duplicating the effect of expenses charged internally. Expenses in systemwide management Resource Responsibility Centers (RRCs) are excluded for much the same reason; for example, including direct payment of fringe benefit expense to service providers from the systemwide RRC would duplicate the fringe benefit charges assigned at the unit level and included in the personnel costs.

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

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

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

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

Expenditures by Expense Category

Direct Mission Delivery 'doers' of the mission	**Mission Support & Facilities** 'support' the delivery of the mission	**Leadership & Oversight** 'leadership, direction, control, and management' of the mission
Personnel: • Tenured and tenure-track Professors • Adjunct instructors, lecturers, clinical professors • Extension educators • Health science professionals • Scientists and laboratory technicians • Students in teaching assistant, research	Personnel: • Audit/Finance/HR/Info Tech/Legal • Clerical Support • Advisors, librarians, curators, child care workers, coaches • "Skilled generalists" – administrative professional, associate to, etc. • Buildings and grounds workers • Skilled trades, engineers, safety technicians,	Personnel: • Executive leadership – President, Vice Presidents, Chancellors, Provost & Vice Provosts • Academic leadership – Deans & Associate Deans, Department chairs and heads • Directors – program, department, campus, system-wide, and job family-specific

assistant, or fellowship roles	environmental health and safety workers, police • Temp & Casual workers	• Supervisor and manager titles across the organization
Non-Personnel: All non-personnel expenses with instruction, research, or public service function codes – Excludes facility-related activity: utilities, rents, leases and repairs & maintenance, etc.	Non-Personnel: Prorated share of supplies and services, etc. in non-mission functions; equipment purchases in non-mission functions, all consulting in non-mission functions, facilities costs: utilities, rents, leases, repairs & maintenance, transfers for facilities projects, debt	Non-Personnel: Prorated share of supplies & services, non-capital equipment, etc.

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

The FY19 analysis has been updated to incorporate changes in the financial chart of accounts and new job codes. Updates to the financial chart of accounts reflect organizational changes and affect the Cost Definition and Benchmarking Analysis only at the RRC level (e.g., a department moving from one RRC to another). Organizational updates have been applied to all three years of the current analysis for comparability. For the most part, new job codes in FY19 are the result of the market refinement initiative, thus related job code changes for an individual employee did not result in reclassification that would affect their Cost Definition and Benchmarking placement. For instance, the market refinement may have reclassified an employee with job code 9780A3 *Finance Analyst 3* to 9783FN to 9783TA *Fin Anlst 3 – Tax* without affecting their Cost Benchmarking assignment as Mission Support & Facilities in the Audit/Finance/HR/Info Tech/Legal group. No institution-level initiatives required a systemwide restatement of job codes, thus the three years of the current analysis are comparable without further restatement. Job code reassignments based on changes in job responsibilities for an individual are not restated for previous years as they accurately indicate managerial decisions that affect institutional costs.

The FY19 analysis continues changes made to the FY17 and FY18 versions of the analysis: the addition of temporary and casual employees in the personnel section, and the addition of facility-related transfers and debt service at the institutional level in the non-personnel section. All of the expenses added for the FY17 and FY18 versions of the analysis and continued in the FY19 version fall within the Mission Support & Facilities expense category. Inclusion of these expenses in the analysis offers an even more complete reflection of management decisions affecting the allocation of annual resources to overall operating costs.

Very few changes have been made to the methodology used in the report for the current year. However, in recent years, personnel data in the analysis was restated to reflect then current job codes for all fiscal years of the analysis for employees whose job codes changed due to the job family study. No job code data has been restated this year since the Job Family Study changes mainly occurred prior to FY17. This difference in approach may create some inconsistencies when comparing the current report to those presented in previous years.

ATTACHMENT A:

Expense Summary for Administrative Cost Benchmarking

FY19

University of Minnesota - Systemwide *

($$ in Thousands)

10/30/19

	a	b	c	d	e	d	e	f	g	h
1	**PERSONNEL**	**Mission**	Mission as % of Total	**Student Aid**	Student Aid as % of Total	**Mission Support & Facilities**	MS&F as % of Total	**Leadership & Oversight**	L&O as % of Total	**Total**
2	Direct Academic	1,014,922	97.4%					26,715	2.6%	1,041,637
3	Students **	274,376	86.2%			44,096	13.8%			318,472
4	Leadership							61,695	100.0%	61,695
5	Campus Operations ***					115,947	83.0%	23,813	17.0%	139,760
6	**Support:**									
7	*Audit/Finance/HR/Info Tech/Legal*					*208,122*	*80.1%*	*51,628*	*19.9%*	*259,750*
8	*Clerical Support*					*78,925*	*100.0%*	*0*	*0.0%*	*78,925*
9	*Skilled Generalists*					*29,187*	*33.2%*	*58,700*	*66.8%*	*87,887*
10	*Other Support*					*197,948*	*78.6%*	*53,843*	*21.4%*	*251,791*
11	*Temp/Casual*					*17,292*	*100.0%*			*17,292*
12	**Support Subtotal**	0	0.0%	0	0.0%	531,473	76.4%	164,170	23.6%	695,644
13	**Total Personnel**	**1,289,298**	57.1%	**0**	0.0%	**691,516**	30.6%	**276,394**	12.2%	**2,257,208**
14										
15										
16	**NON-PERSONNEL**	**Mission**	Mission as % of Total	**Student Aid**	MS&F as % of Total	**Mission Support & Facilities**	MS&F as % of Total	**Leadership & Oversight**	L&O as % of Total	**Total**
17	**Operating Expense**									
18	*Direct Mission Subcontract/Participant*	*113,447*	*100.0%*							*113,447*
19	*Supply/Service/Misc*	*223,616*	*49.0%*			*189,259*	*41.5%*	*43,044*	*9.4%*	*455,919*
20	*Equipment/Other Capital Assets*	*52,053*	*50.8%*			*43,916*	*42.9%*	*6,446*	*6.3%*	*102,416*
21	*Consulting/Prof Services*	*86,885*	*67.8%*			*41,283*	*32.2%*			*128,168*
22	*Repair & Maintenance Supply*					*56,744*	*100.0%*			*56,744*
23	*Utilities*					*109,523*	*100.0%*			*109,523*
24	*Rents/Leases*					*33,538*	*100.0%*			*33,538*
25	*Student Aid*			*312,106*	*100.0%*					*312,106*
26	**Operating Expense Subtotal**	476,001	36.3%	312,106	23.8%	474,263	36.2%	49,490	3.8%	1,311,861
27	Debt/Capital Project Transfers **					146,485	100.0%			146,485
28	**Total Non-Personnel**	**476,001**	32.6%	**312,106**	21.4%	**620,748**	42.6%	**49,490**	3.4%	**1,458,346**
29										
30	**TOTAL EXPENSE**	**1,765,299**	47.5%	**312,106**	8.4%	**1,312,264**	35.3%	**325,885**	8.8%	**3,715,554**
			55.9%							

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

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

ATTACHMENT B:

Expense Summary for Administrative Cost Benchmarking
Summary of Results - FY17-FY19

($$ in Thousands)

		A		B		C		D		E
1		Mission	% of Total (E)	Student Aid	% of Total (E)	Mission Support & Facilities	% of Total (E)	Leadership & Oversight	% of Total (E)	Total
2	**Personnel**									
3	FY19	1,289,298	57.1%		0.0%	691,516	30.6%	276,394	12.2%	2,257,208
4	FY18	1,243,324	57.0%		0.0%	671,327	30.8%	266,428	12.2%	2,181,079
5	FY17	1,197,250	56.8%		0.0%	658,665	31.3%	250,856	11.9%	2,106,772
6	**Non-Personnel**									
7	FY19	476,001	32.6%	312,106	21.4%	620,748	42.6%	49,490	3.4%	1,458,346
8	FY18	462,487	32.5%	302,425	21.2%	612,078	43.0%	47,074	3.3%	1,424,064
9	FY17	471,695	33.6%	288,205	20.5%	600,760	42.7%	44,709	3.2%	1,405,369
10	**Total**									
11	FY19	1,765,299	47.5%	312,106	8.4%	1,312,264	35.3%	325,885	8.8%	3,715,554
12	FY18	1,705,811	47.3%	302,425	8.4%	1,283,406	35.6%	313,502	8.7%	3,605,143
13	FY17	1,668,945	47.5%	288,205	8.2%	1,259,425	35.9%	295,566	8.4%	3,512,141

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

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

Administrative Cost Definition and Benchmarking

Brian D. Burnett, Senior Vice President for Finance and Operations
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Finance & Operations Committee
December 12, 2019

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

UNIVERSITY BUDGET
UNIVERSITY OF MINNESOTA

Purpose of this agenda item:

1. We will highlight “next steps” in strategies to address administrative costs

2. But first, because the cost-benchmarking analysis continues even while we build new methodologies and new visions for the future – we will share the results of the most recently completed fiscal year…

Original 2012 Goals for Cost Definition and Benchmarking Analysis

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

Leading up to 2012, changes in data led to questions about administrative growth - EXAMPLE:

National Center for Education Statistics

IPEDS Data Center

Totals for
Executive/Administrative
And Managerial Categories

Trend Report for: Full- and part-time medical and non-medical staff by faculty status and primary function/occupational activity, Total employees, All employees, Executive/administrative and managerial total (Primary function)

UnitID	Institution Name	Fall 2001	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009	Fall 2010
166027	Harvard University	1,930	1,986	2,150	2,161	2,198	2,289	2,431	2,628	2,547	2,335
162928	Johns Hopkins University		1,492	159	93	100	98	1,509	741	743	736
228778	The University of Texas at Austin	685	694	692	717	709	749	802	834	846	862
110635	University of California-Berkeley		534	562	602	580	683	717	771	274	718
134130	University of Florida		483	491	529	537	435	436	441	453	636
170976	University of Michigan-Ann Arbor		1,043	1,037	1,051	1,625	1,657	1,703	1,719	1,745	1,758
174066	University of Minnesota-Twin Cities		669	670	782	799	818	2,239	2,628	2,645	2,732
236948	University of Washington-Seattle		828	930	432	455	480	429	459	470	478
240444	University of Wisconsin-Madison		1,262	473	480	473	467	468	478	488	506

Cost Categories as Defined Through a Consultative Process

Direct Mission Delivery

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

Student Aid

Mission Support & Facilities

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

Leadership & Oversight

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

Reviewed all job codes & assigned expenses of each to one category.

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

Position expenses
+
Prorated share of supplies/services etc. in non-mission functions; equipment, capital and all consulting in non-mission functions; facilities costs -- utilities, repair & maintenance, rents & leases

Position expenses
+
Prorated share of supplies/services etc. in non-mission functions

FY19 - Expense Summary for Administrative Cost Benchmarking
University of Minnesota - Systemwide *

($$ in Thousands)

	a	b	c	d	e	d	e	f	g	h
1	**PERSONNEL**	**Mission**	Mission as % of Total	**Student Aid**	Student Aid as % of Total	**Mission Support & Facilities**	MS&F as % of Total	**Leadership & Oversight**	L&O as % of Total	**Total**
2	Direct Academic	1,014,922	97.4%					26,715	2.6%	1,041,637
3	Students **	274,376	86.2%			44,096	13.8%			318,472
4	Leadership							61,695	100.0%	61,695
5	Campus Operations ***					115,947	83.0%	23,813	17.0%	139,760
6	**Support:**									
7	*Audit/Finance/HR/Info Tech/Legal*					*208,122*	*80.1%*	*51,628*	*19.9%*	*259,750*
8	*Clerical Support*					*78,925*	*100.0%*	*0*	*0.0%*	*78,925*
9	*Skilled Generalists*					*29,187*	*33.2%*	*58,700*	*66.8%*	*87,887*
10	*Other Support*					*197,948*	*78.6%*	*53,843*	*21.4%*	*251,791*
11	*Temp/Casual*					*17,292*	*100.0%*			*17,292*
12	**Support Subtotal**	0	0.0%	0	0.0%	531,473	76.4%	164,170	23.6%	695,644
13	**Total Personnel**	**1,289,298**	57.1%	**0**	0.0%	**691,516**	30.6%	**276,394**	12.2%	**2,257,208**
15										
16	**NON-PERSONNEL**	**Mission**	Mission as % of Total	**Student Aid**	MS&F as % of Total	**Mission Support & Facilities**	MS&F as % of Total	**Leadership & Oversight**	L&O as % of Total	**Total**
17	**Operating Expense**									
18	*Direct Mission Subcontract/Participant*	*113,447*	*100.0%*							*113,447*
19	*Supply/Service/Misc*	*223,616*	*49.0%*			*189,259*	*41.5%*	*43,044*	*9.4%*	*455,919*
20	*Equipment/Other Capital Assets*	*52,053*	*50.8%*			*43,916*	*42.9%*	*6,446*	*6.3%*	*102,416*
21	*Consulting/Prof Services*	*86,885*	*67.8%*			*41,283*	*32.2%*			*128,168*
22	*Repair & Maintenance Supply*					*56,744*	*100.0%*			*56,744*
23	*Utilities*					*109,523*	*100.0%*			*109,523*
24	*Rents/Leases*					*33,538*	*100.0%*			*33,538*
25	*Student Aid*			*312,106*	*100.0%*					*312,106*
26	**Operating Expense Subtotal**	476,001	36.3%	312,106	23.8%	474,263	36.2%	49,490	3.8%	1,311,861
27	Debt/Capital Project Transfers **					146,485	100.0%			146,485
28	**Total Non-Personnel**	**476,001**	32.6%	**312,106**	21.4%	**620,748**	42.6%	**49,490**	3.4%	**1,458,346**
29										
30	**TOTAL EXPENSE**	**1,765,299**	47.5%	**312,106**	8.4%	**1,312,264**	35.3%	**325,885**	8.8%	**3,715,554**

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

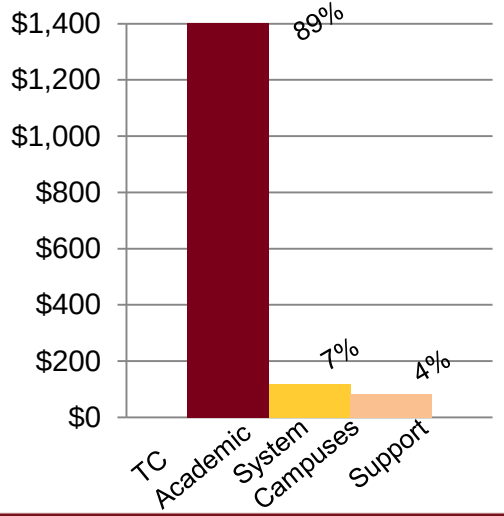
** Inlcudes interfund transfers to support facility-related projects and the University's contribution to debt activities from direct cash or gifts (not including HEAPR or capital appropriations).

Each Category of Costs Occurs Throughout the Organization

Direct Mission Delivery

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

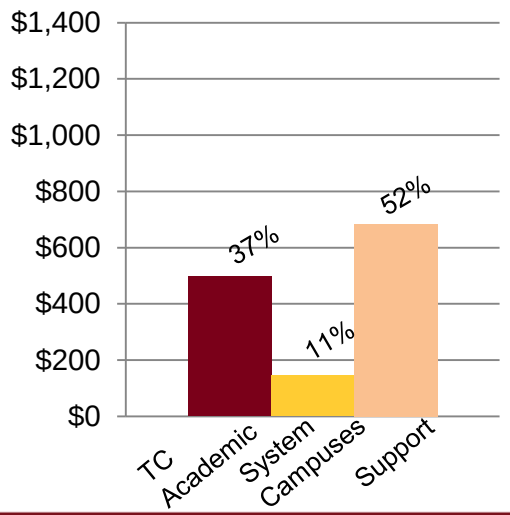
FY19 Costs – $1.8b total



Mission Support & Facilities

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

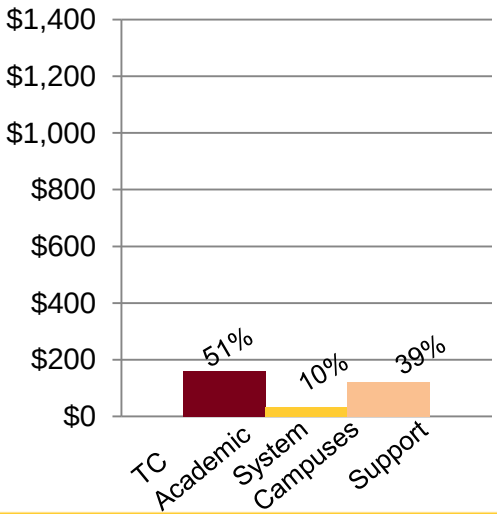
FY19 Costs – $1.3b total



Leadership & Oversight

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

FY19 Costs – $0.3b total

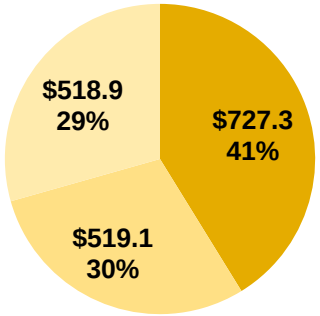


Each Category of Costs Occurs Across All Fund Groups

Direct Mission Delivery

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

Dollars in Millions



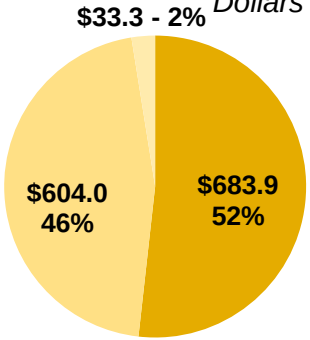
- O&M/St. Special + Tuition
- Other Nonsponsored
- Sponsored

$1.8b Total

Mission Support & Facilities

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

Dollars in Millions



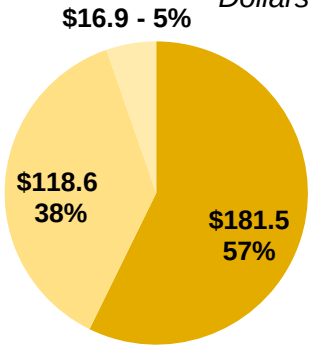
- State Approp. + Tuition
- Other Nonsponsored
- Sponsored

$1.3bTotal

Leadership & Oversight

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

Dollars in Millions



- State Approp. + Tuition
- Other Nonsponsored
- Sponsored

$0.3b Total

Direct Mission Delivery

FY19
47.5% of overall spend

Types of Positions Included in this Category:

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

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

Mission Support & Facilities

FY19
35.3% of overall spend

Types of Positions Included in this Category:

Support categories – **all non-supervisory**

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

Campus Operations – **all non-supervisory**

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

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

Leadership & Oversight

FY19
8.8% of overall spend

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

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

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

The Majority of University Spending is on Mission and Student Aid

($ in thousands)

FY19:	Mission + Student Aid	Mission Support & Facilities	Leadership & Oversight	Total	
Personnel	$1,289,298	$691,516	$276,394	$2,257,208	61%
Non-Personnel	$788,107	$620,748	$49,490	$1,458,346	39%
Total	$2,077,405	$1,312,264	$325,885	$3,715,554	
% of Total	55.9%	35.3%	8.8%		

Spending Shifts Very Little From Year to Year

		A	B	C	D		E
	Personnel	**Mission % of Total**	**Student Aid % of Total**	**Mission Support & Facilities % of Total**	**Leadership & Oversight % of Total**		**Total**
1	FY19	57.1%	0%	30.6%	12.2%		$2,257,208
2	FY18	57.0%	0%	30.8%	12.2%		$2,181,079
3	FY17	56.8%	0%	31.3%	11.9%		$2,106,772
	Nonpersonnel						
4	FY19	32.6%	21.4%	42.6%	3.4%		$1,458,346
5	FY18	32.5%	21.2%	43.0%	3.3%		$1,424,064
6	FY17	33.6%	20.5%	42.7%	3.2%		$1,405,369
	Total						
7	FY19	47.5%	8.4%	35.3%	8.8%		$3,715,554
8	FY18	47.3%	8.4%	35.6%	8.7%		$3,605,143
9	FY17	47.5%	8.2%	35.9%	8.4%		$3,512,141

The analysis continues to verify:

- Little movement/change seen at this level
- The majority of cost growth continues to be in Mission and Scholarships (59% of the growth since FY17)
- The majority of spending is in the TC academic units (63%)
- The majority of spending is for personnel (61%)
- Sponsored funding impacts Mission
- Expanding program = expanding support spending
- Volatility is in non-personnel spending

Future for this Analysis

- Monitoring at the all-University level
  - Allows for a deeper understanding of how the different types of costs are changing over time and where they occur within the institution
  - Used to frame directions to units for implementing reallocation plans

- Monitoring at the unit level
  - Available as a tool for investigating unit level activities, or identifying trends outside of a “normal” range – spur potential recommendations for change
  - Offers a view of spending through a different lens at the unit level – to better understand the components of their costs and how to manage them

* New – ability to track and report on headcount and FTE information by cost benchmarking categories

Example of Tracking Headcount by RRC and Cost Benchmarking Category

Large Academic Unit

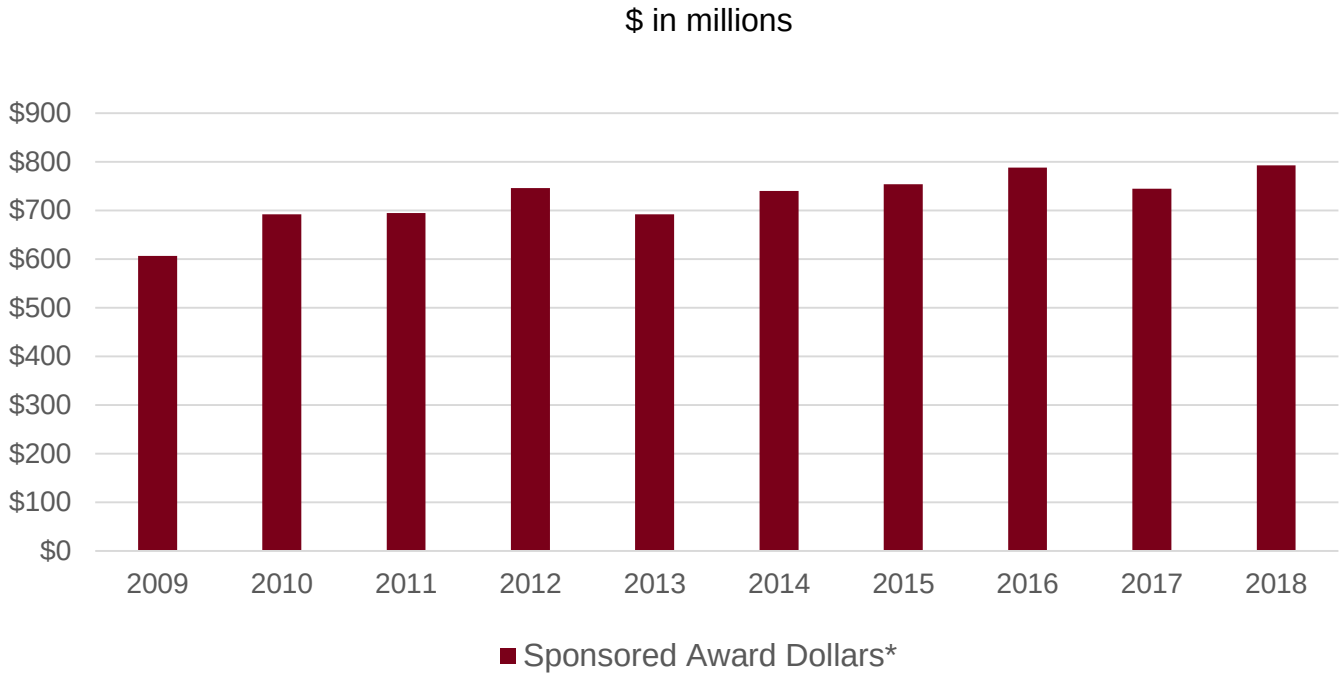
	Headcount *	Mission	Mission as % of Total	Mission Support & Facilities	MS&F as % of Total	Leadership & Oversight	L&O as % of Total	Total	Personnel Group as % of Total
2	Direct Academic	974	99.6%			4	0.4%	978	42.0%
3	Students	919	100.0%	**	0.0%			919	39.4%
4	Leadership					9	100.0%	9	0.4%
5	Campus Operations			5	50.0%	5	50.0%	10	0.4%
6	**Support:**								
7	*Audit/Finance/HR/Info Tech/Legal*			*83*	*86.5%*	*13*	*13.5%*	*96*	4.1%
8	*Clerical Support*			*81*	*100.0%*		*0.0%*	*81*	3.5%
9	*Skilled Generalists*			*18*	*27.7%*	*47*	*72.3%*	*65*	2.8%
10	*Other Support*			*153*	*89.0%*	*19*	*11.0%*	*172*	7.4%
11	*Temp/Casual*			**	*0.0%*			*0*	0.0%
12	**Support Subtotal**	0	0.0%	335	80.9%	79	19.1%	414	17.8%
13	**Total Personnel**	**1,893**	81.2%	**340**	14.6%	**97**	4.2%	**2,330**	**100.0%**

** Headcount from fall 2018; reflects primary position at point in time*

*** Headcount data is not available for undergraduate student positions or temp-casual employees*

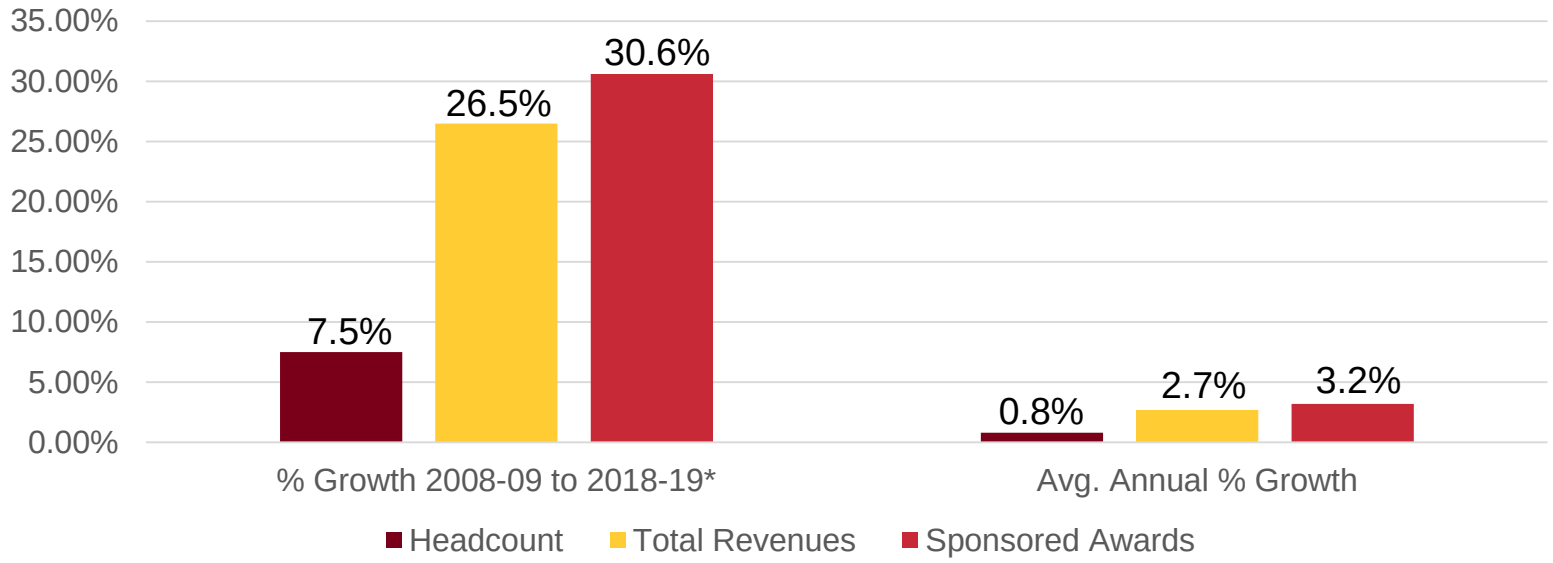
Compare columns and rows across academic units to look for outliers, understand differences, and take action as necessary.

Ten Year Change in Sponsored Awards



** Excludes ARRA (Federal Stimulus funds) 2010 – 2014 for comparability*

Headcounts have been growing at rates <u>well below</u> those for other key factors such as total revenues and sponsored awards:



** Each represents 9 years of growth: either 2008 to 2018 or 2009 to 2019 depending on most recent data. Sponsored awards excludes ARRA (Federal Stimulus funds) 2010-2014 for comparability*

Plans for an external review of administrative costs and activities

- As detailed in the Regents' goals for FY20, the administration has engaged an external firm to benchmark administrative costs to a similar set of peers.
- This review will likely examine a number of data sets to examine administrative costs in a number of areas.
- The firm plans to use an analysis of the overhead reimbursement rates that are standardized in negotiated Indirect Cost Recovery rates with the federal government on federal grants to examine administrative cost differences between the U and public peers.
- Preliminary results from this analysis are planned for presentation at the February 2020 Finance & Operations committee meeting.

UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 12, 2019**

AGENDA ITEM: Long Range Financial Planning

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

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

PRESENTERS: Brian D. Burnett, Senior Vice President
Julie Tonneson, Associate Vice President and Budget Director
Lincoln Kallsen, Assistant Vice President

PURPOSE & KEY POINTS

The purpose of this item is to highlight broad policy choices and options to guide long-range financial planning at the University. While providing an opportunity for strategic thinking beyond next year's budget, it furthers the conversation specific to the FY 2021 annual operating budget variables that began with a review of resource and expenditure definitions and trends in October. The longer-range view of these variables as part of this agenda item will allow for a discussion of priorities necessary to guide annual budget development. It also serves as an early baseline from which to plan a response to priorities surfacing through the systemwide strategic plan.

Following this discussion, the Board's annual timeline related to the FY21 operating budget includes an agenda item in February focusing on budget framework values specific to next year, and concludes with review and action on the President's Recommended Annual Operating Budget for FY21 in May and June of 2020. The complementary goals of each interaction prior to action are for the administration to share information and recommendations and for Board members to provide input and guidance reflecting their priorities and expectations for the budget.

This agenda item will also address the concept of two-year budget approval within a biennium; identifying potential advantages and disadvantages of such an approach.

Overview

Over the last ten years the University has developed and shaped a methodology for projecting operating revenues and expenditures based on multiple assumptions. It begins with identification of the primary revenue and expenditure categories and a baseline dollar level from which each can be projected forward. The forecasting models have been refined over time, including the establishment this cycle of trend line forecasting based on systemwide actual revenues and expenditures over the past six years (FY14 – FY19) in order to provide baseline trend forecasts for the next six years (FY21-FY26). Using FY14 – FY19 as base data for trend-lines has the advantage of removing the "noise" in the data that resulted from the great recession, which would have undue influence over any baseline trend model.

In past years a "gap analysis" framework, where revenue choices were set at current levels, while expenses were allowed to inflate on trend was used. This results in showing the "gap" in revenue from all sources needed to meet inflationary expenditures. This cycle the baseline forecast discussion will start by using a true six-year trend for both revenues and expenditures, and then suggest prudent adjustments to those trends for planning purposes.

Baseline and Trend

The following tables show the FY20 budget, the past six-year percentage growth trend, and the resultant multi-year forecast for each significant revenue and expenditure category in the forecast. These projections are based on unrestricted revenues and expenditure patterns, though there is discussion below on how more restricted funds, such as sponsored or gift/endowment funds and how they interact with different forecast scenarios.

Revenues ($s in millions)

Category	*FY20 Budget*	*Six Year Growth Trend*	*FY21*	*FY22*	*FY23*	*FY24*	*FY25*	*FY26*
State Appropriation	$694.1	2.1%	$695.1*	$710.5	$725.5	$740.8	$756.4	$772.4
Tuition	$973.3	2.7%	$998.8	$1,025.2	$1052.8	$1,081.6	$1,111.5	$1,142.7
Sales & Services	$382.0	2.9%	$393.2	$404.7	$416.6	$428.8	$441.4	$454.3
ICR	$158.6	1.5%	$160.9	$163.3	$165.7	$168.1	$170.6	$173.1
Incremental revenue change over previous year			**$40.7**	**$55.0**	**$56.8**	**$58.7**	**$60.6**	**$62.6**

Notes: Tuition revenue increases are a combination of rate and enrollment changes
**FY21 state appropriation is the figure in current law, and is not on the same trend line as other cells.*

Expenditures from unrestricted/framework funds ($s in millions)

Category	*FY20 Budget*	*Six Year Growth Trend*	*FY21*	*FY22*	*FY23*	*FY24*	*FY25*	*FY26*
Salaries	$972.5	2.5%	$996.9	$1,021.9	$1,047.5	$1,073.7	$1,100.7	$1,128.2
Fringe	$321.1	3.0%	$330.8	$340.8	$351.0	$361.6	$372.5	$383.6
Facilities	$329.6	1.9%	$335.5	$341.7	$348.0	$354.6	$361.5	$368.6
Supplies and Services	$270.0	1.8%	$274.9	$279.8	$284.9	$290.0	$295.2	$300.5
Professional Services	$66.3	-1.3%	$65.5	$64.6	$63.8	$63.0	$62.1	$61.3
Equipment	$53.0	-1.1%	$52.4	$51.9	$51.3	$50.7	$50.2	$49.6
Institutional Student Aid	$60.0	0%	$60.0	$60.0	$60.0	$60.0	$60.0	$60.0
Incremental expenditure change over previous year			**$43.4**	**$44.6**	**$45.9**	**$47.2**	**$48.5**	**$49.9**

Net incremental change	**($2.7)**	**$10.4**	**$11.0**	**$11.5**	**$12.1**	**$12.8**

Notes: Salary and fringe growth trend is a combination of rate changes and employee headcount changes. All expenditure estimates are expenditures against "unrestricted/framework funds".

It should be noted that despite positive balances at the end of most fiscal years, this baseline trend forecast assumes that *all* revenue and expense categories always remain on trend. In reality, each year one or more of these categories does not stay on trend. This is especially true of volatile categories such as sales and service revenue, utility expenditures, and equipment expenditures. Additionally, at times growth above trend occurs in localized areas that may help individual units, but not the University overall. These areas include unrestricted funding such as sales and services or ICR. Having a small net positive balance allows the University to address temporary, but perhaps multi-year, financial issues in an individual unit, while maintaining incentives for financially well performing units to continue their work. It is important to understand that budget planning each year must take into account these characteristics of the revenue and expense flows, which leads to projected budget challenges with recommended actions to address them.

Prudent Adjustments to Trend for Planning Purposes

While reviewing straight six-year trends, the University analyzed several revenue and expense categories for potential projection adjustments. Many of these are conservative and possibly subjective, but are informed by regional or national trends, or more recent data that seem to be bending the six-year trend lines. Those adjustments are:

- Adjustment to the growth of Twin Cities campus NRNR students. If the six-year trend line continued, Fall 2025 (FY26) enrollment on the Twin Cities campus would total nearly 7,000 NRNR students, potentially constraining the University's ability to serve Minnesota resident students. An arbitrary projection adjustment was made to move the growth rate of NRNR to 50 percent of current baseline.
- Adjustment to the growth of Twin Cities campus NRNR tuition rate. At trend, the NRNR tuition for Fall 2025 (FY26) would be $54,600. The alternate adjustment was to increase NRNR tuition at a 5 percent rate, which would result in a Fall 2025 NRNR tuition rate of $42,368, which would likely keep the University in line with its peers with regard to non-resident tuition rates.
- Modification of the Graduate tuition rate increase from 2.7 percent to 2.0 percent, given that the University's Graduate tuition rate is now becoming among the highest with peers.
- Modification of the overall sales and services trend from 2.9 percent to 2.0 percent, moving the increases back to target inflation rates.
- Modification of the growth in fringe rates from 2.0 percent to 3.6 percent, to match most recent regional averages. The University has been exceptional in constraining health care costs in particular over the time period analyzed, but most recent trends in the past couple of years show that the University is moving closer to regional and national averages in this area.
- Modification in growth rates for utilities, equipment, and professional services to recognize volatility in these categories and to set growth rates closer to inflationary levels for categories where the University has less discretion.

The results of these modifications can be seen on the following tables. While it is unlikely that all of these more conservative assumptions will all come true, the results would suggest that somewhere

between the University's pure trend model and these modifications results in a combination of variables that produce a balanced budget.

Revenues ($s in millions)

Category	*FY20 Budget*	*Six Year Growth Trend*	*FY21*	*FY22*	*FY23*	*FY24*	*FY25*	*FY26*
State Appropriation	$694.1	2.1%	$695.1*	$710.5	$725.5	$740.8	$756.4	$772.4
Tuition	$973.3	2.1%	$994.0	$1,015.3	$1,037.3	$1,059.9	$1,083.2	$ 1,107.2
Sales & Services	$382.0	2.0%	$389.6	$397.4	$405.4	$413.5	$421.8	$430.2
ICR	$158.6	1.5%	$160.9	$163.3	$165.7	$168.1	$170.6	$173.1
Incremental revenue change over previous year			**$32.4**	**$46.1**	**$47.3**	**$48.5**	**$ 49.7**	**$50.9**

Notes: Tuition revenue increases are a combination of rate and enrollment changes
**FY21 state appropriation is the figure in current law, and is not on the same trend line as other cells.*

Expenditures from unrestricted/framework funds ($s in millions)

Category	*FY20 Budget*	*Six Year Growth Trend*	*FY21*	*FY22*	*FY23*	*FY24*	*FY25*	*FY26*
Salaries	$972.5	2.5%	$996.9	$1,021.9	$1,047.5	$1,073.7	$1,100.7	$1,128.2
Fringe	$321.1	3.6%	$ 336.0	$351.5	$367.7	$384.6	$402.3	$420.8
Facilities	$329.6	2.7%	$338.6	$347.8	$357.4	$367.2	$377.4	$387.9
Supplies and Services	$270.0	1.8%	$274.9	$279.8	$284.9	$290.0	$295.2	$300.5
Professional Services	$66.3	0.0%	$66.3	$66.3	$66.3	$66.3	$66.3	$66.3
Equipment	$53.0	2.0%	$52.4	$51.9	$51.3	$50.7	$50.2	$49.6
Institutional Student Aid	$60.0	0%	$60.0	$60.0	$60.0	$60.0	$60.0	$60.0
Incremental expenditure change over previous year			**$54.1**	**$55.8**	**$ 57.5**	**$59.3**	**$61.2**	**$63.1**

Net incremental change	**$(21.7)**	**$(9.6)**	**$(10.2)**	**$(10.8)**	**$(11.5)**	**$(12.2)**

Notes: Salary and fringe growth trend is a combination of rate changes and employee headcount changes. All expenditure estimates are expenditures against "unrestricted/framework funds".

Options to Modify Trend and Resulting Outcomes

The University has many choices just within the annual variability of the trend forecasts, most importantly setting tuition rates, setting salary increase pools, and deciding on various levels of investment and reallocation/re-prioritization of resources. In most years, this occurs as part of the normal budget development process, where a significant number of strategic choices are made to

maintain or enhance quality and address required cost increase. However, forecasts must also be evaluated with regard to the ability to react to external shocks, as well as any desire to purposefully change the growth trajectory of the University.

External shocks to any financial projection can affect parts (local effects) or all (global effects) of the University. Examples of external shocks that often have local effects include:

- Unanticipated enrollment changes in a college or campus.
- Significant royalty income changes, which usually accrue mostly to the faculty member, department, and college where the intellectual property was created.
- A transformative gift in a strategic area, which may be very beneficial to the University but is nearly always restricted through donor intent.

Examples of external shocks that would have global effects include:

- State allocations below or significantly above trend. The baseline trend models assume an additional $15 million per year in state allocation. Should the state choose to freeze or lower the allocation to the University, or if the state was to choose to significantly increase investment in the University without restrictions, all parts of the University would be affected.
- Significant increases or decreases in federal sponsored support, especially National Institutes of Health (NIH) and National Science Foundation (NSF) funding which is most prevalent across the University.
- Increase in overall interest rate levels from today's historic lows, which would make borrowing and capital costs more expensive across the entire University.
- Acceleration of health care costs.

Likewise, the University can choose to make larger purposeful changes in growth trajectories, which again can have a local or global impact. Examples of localized (but still significant) changes could be:

- Change the target (up or down) of the number of freshman for a college or campus, with resulting increases or decreases in demand for services and education.
- Close or significantly expand a graduate program.
- Strategically invest or disinvest in areas of study that span multiple colleges and/or campuses.

Examples of global purposeful change might include:

- Investment in a strategic plan that permeates the entire system.
- Compensation strategy changes.
- Comprehensive changes to tuition rate strategy or tuition structure strategy, that could affect wide swaths of the student body across all campuses
- Eliminate or create major University units, which the University has done over the past 30 years.

Two-Year Budget Approval

The concept of Board action on two annual operating budgets once every two years (e.g. approval of the FY22 and FY23 budgets in June of 2021), rather than annually, has been raised for discussion. Some of the primary considerations to inform such a conversation are as follows:

Advantages of the basic concept:

Biennial Appropriations: The State of Minnesota appropriates operating dollars on a biennial cycle, so the University knows its state appropriation revenues for two years at a time. This certainty in funding for one of the largest unrestricted revenue sources (absent "off-session" adjustments) allows for planning that can more easily span two years.

Predictability for Students, Employees and Departments: Because the operating budget includes approval of tuition rates and fees, merit salary pool changes, programmatic investments and so forth, setting those variables for more than a year at a time would allow:

- Students and families to make financial plans knowing what their costs will be for two years.
- Employees to know the potential for pay rate changes, which in turn would benefit their personal financial planning goals.
- University units to operate with a greater degree of predictability for at least a portion of their financial parameters.

Board of Regents Agenda Planning: The annual operating budget is a major component of the Finance & Operations Committee agenda for many months of the year. If significant time and attention are devoted to that item only every other year, more of the intervening year would be freed up for other priority discussions and actions.

Challenges with the basic concept:

Swings in Other Revenues: The state appropriation is roughly 18 percent of total University revenues, and tuition is roughly 26 percent of University revenues. The remaining 59 percent of University revenues cannot be set in two-year increments and is subject to swings based on economic conditions, student behaviors (fees), and changes in University activities responsible for generating income. Attempting to project and set budgets for these revenues and the corresponding expenditures in two-year increments could lead to significant budget-to-actual variances, which in turn could result in the need to change spending plans, more uncertainty and confusion in departments, and less relevant financial reports.

Swings in Expenditures: Aside from the general merit compensation pool and specific, identified initiatives, spending across the University can be somewhat volatile year to year, and doesn't always lend itself to a predictable pattern. Examples of spending items that can be difficult to predict and sometimes experience significant annual changes include:

- health care costs;
- utilities;
- public safety priorities;
- services to students and employees with disabilities;
- vendor costs for items such as lab supplies and technology licensing/maintenance;
- equipment purchases/maintenance; and
- outside legal counsel.

Rarely do these costs decrease, so as they grow, many of these items must be addressed right away: delay only pushes the challenge out and results in over-sized burdens the following year when two years of growth must be dealt with at once.

Variance Process: The budget is never perfect: it never matches actual activity. However, determining and explaining year over year changes (vs. two years of ups and downs in a biennial approval model) is easier for everyone to calculate and understand. Moreover, if the changes are significant enough to warrant an official budget amendment to be approved by the Board (the principles and process of which would need to be defined and set in advance), the benefit of less Board time spent on the budget would be somewhat negated. Ultimately, would Board and staff time be better spent on setting the annual budget or on determining, explaining and acting on budget amendments?

Information from Peer Universities:

It is interesting to note that only fifteen states in the nation have annual legislative sessions but implement biennial budgets. Five states with Big Ten universities are in this group: Indiana, Minnesota, Nebraska, Ohio, and Wisconsin. The majority of states (31), including the rest of the Big Ten, have annual legislative sessions and implement annual operating budgets. Only four state legislatures meet every two years and implement biennial or two annual budgets at that time.

From recent conversations with Big Ten budget officials, it appears that two-year budget approvals by the relevant boards are rare. Just in the last two years, Michigan State has implemented a two-year budget approval process. Their early assessment is somewhat mixed: the variables approved by their board are high-level only, with significant detail on total revenue and spending plans left out of the budget, and they have experienced some concern within the University community that the second-year approvals were "hidden" or not communicated and thus a surprise to people when the second year rolled around. In addition, they are working through meaningful processes necessary to gain approval of significant variances from budget.

Indiana University has also tried to implement a partial two-year budget approval with their board for some of their sites. Again, only high-level variables, without details on the full budget, were included, and it is unclear if this process will continue. Every other Big Ten university engages in annual budget development and approval processes.

Options to Consider:

If the Board is interested in pursuing the benefits of a two-year budget approval process, corresponding to the biennial appropriation from the state, there are practical options to consider. Two possibilities include:

1) Approve a "year one budget" that would be identical to the current annual operating budget.

   When approving the year one budget the Board would also approve the high-level "budget framework" for the second year of the biennium. The full details of the budget would not be approved for the second year, only the preliminary planning framework that would include tuition rate plans and revenue estimates at a high level, the known state appropriation change, and planned reallocations. The planning framework would also include a high-level estimate of the impact of changes in other nonsponsored revenues on the revenue side and planned compensation increases, investment pools, and changes to infrastructure costs on the spending side. The budget process for the second year would then involve a review of that approved framework, with all recommended changes from the plan explained as part of the President's recommended full budget (including all details normally provided).

This option would make plans for the significant budget variables in year two known to the University community and the public and thus would provide more predictability for planning purposes. Because all changes from the plan would need to be explained and justified, it is likely that those changes would be relatively minor for the large variables (tuition rates and compensation increases). It would, however, allow for the President to propose modifications to the plan necessary to address circumstances that changed in the intervening year, thus making the second year budget more meaningful.

This option would require Board review of changes to the plan during the second year budget cycle, in addition to the standard review of how the President's recommended budget is balanced and addresses priorities for the upcoming year.

2) Approve a "year one budget" that would be identical to the current annual operating budget.

When approving the year one budget the Board would also approve two of the most significant variables for the second year: tuition rates and the general merit compensation pool change. Formally approving these two variables would achieve increased predictability for students and employees. Moreover tuition generating units would know what rates to incorporate into revenue estimates for two years at a time rather than one, and all University units would have a set plan for their single largest expense in the budget (compensation). The approval could be made contingent on receiving the full second year appropriation as enacted during the biennial budget session and no other significant negative changes in the funding environment: if the state reduces the appropriation in the intervening legislative session, for example, the approved tuition and compensation plans for year two could be revisited.

As the budget cycle moves into year two of the biennium, having tuition rates and the merit compensation pool change pre-set (combined with the known change in the state appropriation) will provide a jump-start on planning. Conversation could then focus on projections and plans for the "other revenues" in the budget and the discretionary spending priorities.

If either of these options were chosen, it would impact budget planning for the next biennium: fiscal years 2021-22 and 2022-23, beginning in the summer of 2020.

Long Range Financial Planning

Brian D. Burnett, Senior Vice President for Finance and Operations
Lincoln Kallsen, Assistant Vice President
Julie Tonneson, Associate Vice President and Budget Director

Finance & Operations Committee
December 12, 2019

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

UNIVERSITY BUDGET
UNIVERSITY OF MINNESOTA

Long Range Projections - Purpose

- Understanding of how this University has grown and would continue to grow – “trend”
- Identification of the variables that can be adjusted
- Context for discussion of the FY21 budget within a longer-range view of financial activities
- Vehicle for outlining choices in the development of Board budget priorities and goals and for planning how to best address the components of the strategic plan

Cost Variables – FY21

- Compensation – State and Tuition Funds:
  Fringe = $10m
  Each 1% on salary = $12.8m

- Facilities:
  Utilities = $2m
  New Building Operations = $700k
  Debt Service = $1.5m

- Technology:
  Licensing/Maintenance = $1m
  Cyber Security and Core Infrastructure

- Academic and Support Unit "Needs": $TBD
  - Personnel to Address Demand
  - Tuition/Other Revenue Decreases
  - Student Financial Aid
  - Contract Requirements
  - Compliance

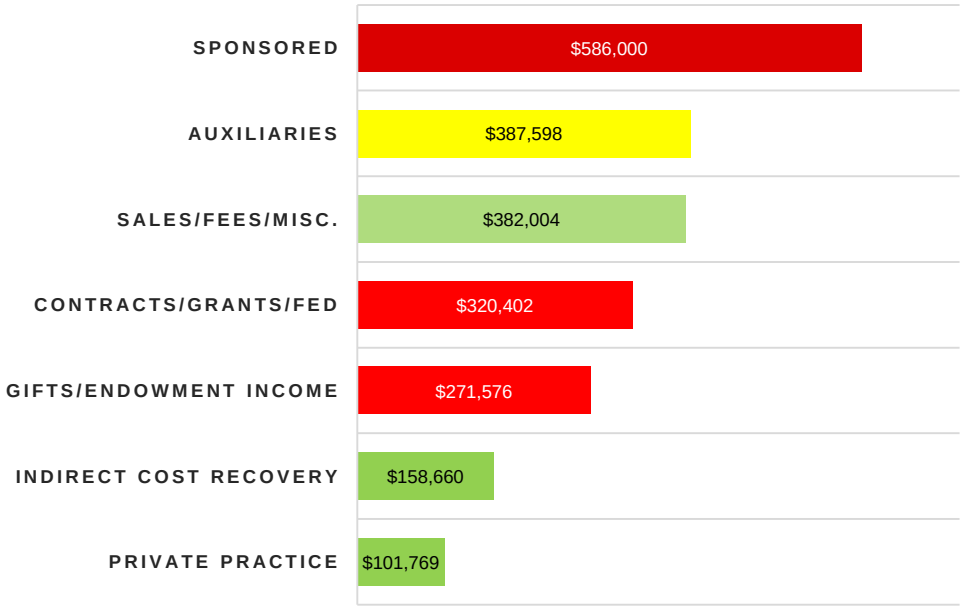
- Academic and Support Unit Ambitions/Opportunities: $TBD
  - Faculty and Program/Project Staff
  - Research/Instructional Infrastructure
  - Program Growth

Major Resource Variables in the University's Budget

1. State Appropriation
2. Tuition
3. Savings from Efficiencies and Expenditure Reductions (sometimes referred to as Reallocations)
4. Other Revenues

Other Funds: Growth Potential and Impact

Total $2.2 billion in FY20 *($ in thousands)*



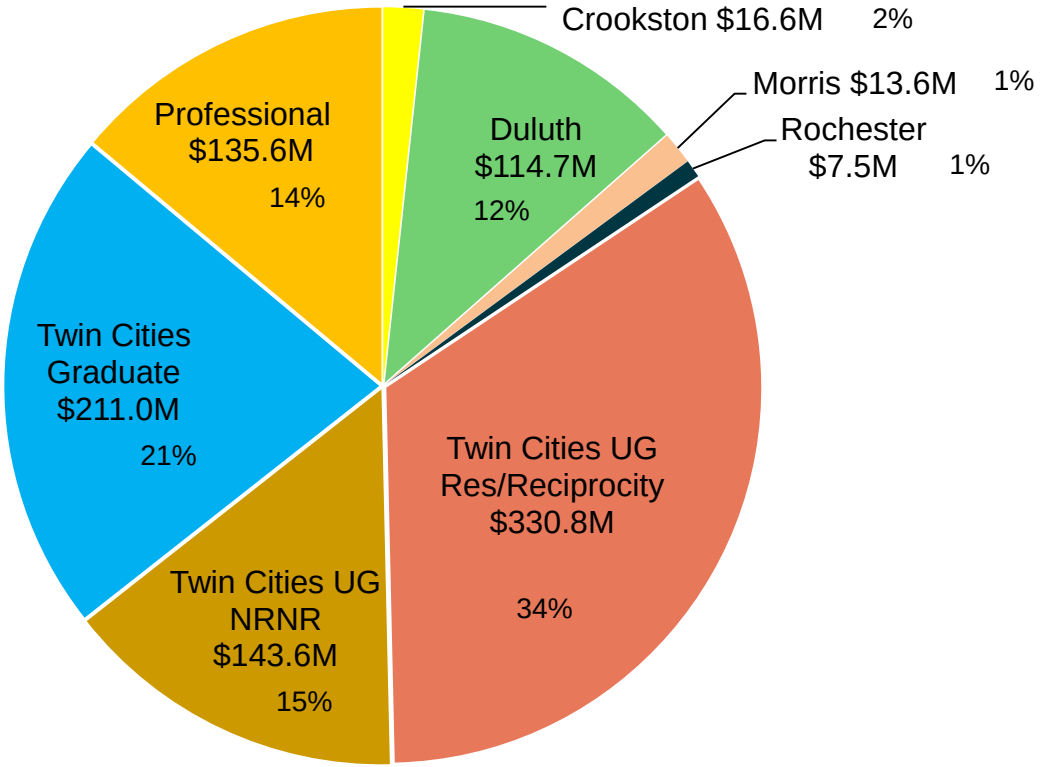
- 15% growth over last 6 years - potential for annual growth varies by source
- Expected to grow to support inflationary, personnel, and program enhancement cost increases of associated activities
- Budget process/model incents units to seek out and increase these revenues

Challenges

- Increased reliance forces evaluation of which can support general operating costs of the institution; unequal ability across the institution
- Research grants bring costs > revenue
- Today roughly 98% of gifts are restricted to unit and/or purpose and most are not recurring

Revenue and Expenditure Trends

Estimated FY20 Tuition Revenue - $973.4M



Revenue trends –Tuition

Revenues2.7	FY20 Budget	Annual Growth Trend	Projection Adjustment	Annual growth
Enrollment	Fall Enrollment			Enrollment
TC Undergraduate Resident	20,922	0.6%		125
TC Undergraduate Reciprocity	4,231	-1.0%		(40)
TC Undergraduate NRNR	6,214	1.8%	0.9%	60-120
Greater MN Undergraduate	12,634	-0.9%		(110)
Graduate & Professional	16,940	-0.8%		(135)
Tuition	Current Tuition Rates			Tuition Increase
TC Undergraduate Resident	$13,318	1.7%		+$230
TC Undergraduate Reciprocity	$13,318	1.7%		+$230
TC Undergraduate NRNR	$31,616	9.5%	5.0%	+1800 - $3800
Greater MN Undergraduate	$12,194	0.7%		+$80
Graduate & Professional	$17,580 - $38,021	1.4% - 2.7%	*1.4% - 2.0%*	+$370 - $700
Total Tuition Revenue (rate plus enrollment changes)	**$973.4M**			**$22.3M – $28.2M**

Revenue trends – State and other “green” (unrestricted) resources

Revenues	FY20 Budget	Annual Growth Trend	Projection Adjustment	Annual growth
State Appropriations	$694.1M	*2.1%*		$15M ($1.7M in FY21)
ICR	$158.6M	*1.5%*		$2.4M
Sales and Services	$382M	*2.9%*	*2.0%*	$8M - $12M
Private Practice	$101M			
Federal Grants and Contracts	*OUTSIDE OF PROJECTIONS*			
Gifts				
Auxiliary Enterprises				

Expense trends

Expenses	FY20 Budget/Actuals	Annual Growth Trend	Projection Adjustment	Annual growth
Salaries and Fringe				
Total Employee Headcount	27,191	*0.95%*		+260
Employees on unrestricted funds (estimated)	14,980	*0.95%*		+150
Salaries – per headcount	$64,919	*1.5%*		$1,025
Fringe – per headcount	$21,441	*2.0%*	*3.6%*	$450 - $850
Total Salaries (rate plus headcount changes)	**$972.5M**			**$26M**
Total Fringe (rate plus headcount changes)	**$321.2M**			**$10.4M - $16.6M**

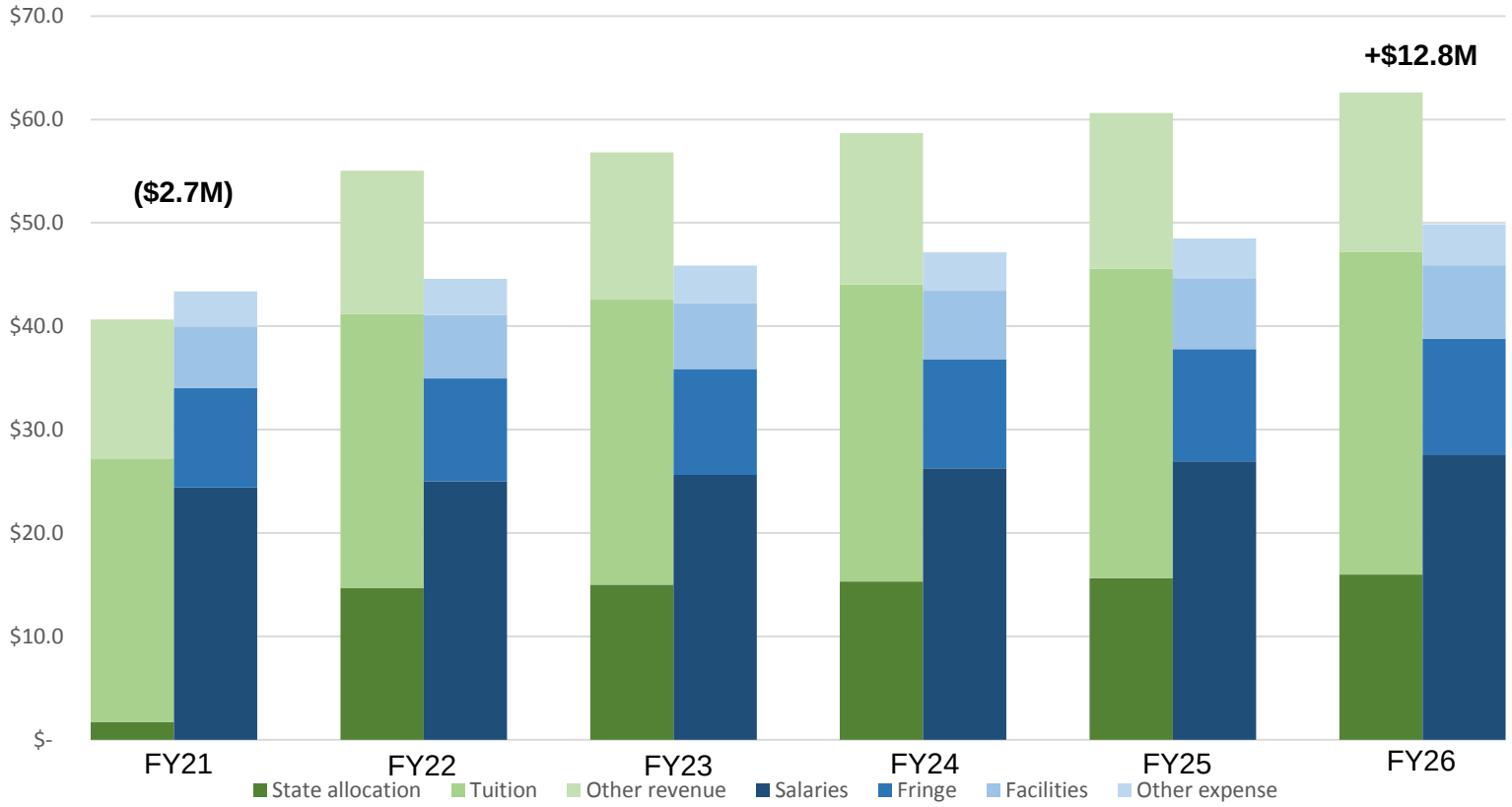
Expense trends

Expenses	FY20 Budget/Actuals	Annual Growth Trend	Projection Adjustment	Annual growth
Facilities				
Rents and Leases	$41.5M	*5.2%*		$2.5M
Repairs and Maintenance	$78.6M	*3.2%*		$2.7M
Utilities	$163.4M	*0.1%*	*2.0%*	$0.2M - $3.4M
Debt Service	$46.1M	*2.1%*		$1.0M
Additional Categories				
Supplies and Services	$270.0M	*1.8%*		$5.1M
Professional Services	$66.3M	*-1.3%*	*0%*	($0.8 M) - $0
Equipment	$53.0M	*-1.1%*	*2%*	($0.6M) - $1.1M
Institutional Student Aid	$60M	*0%*		$0

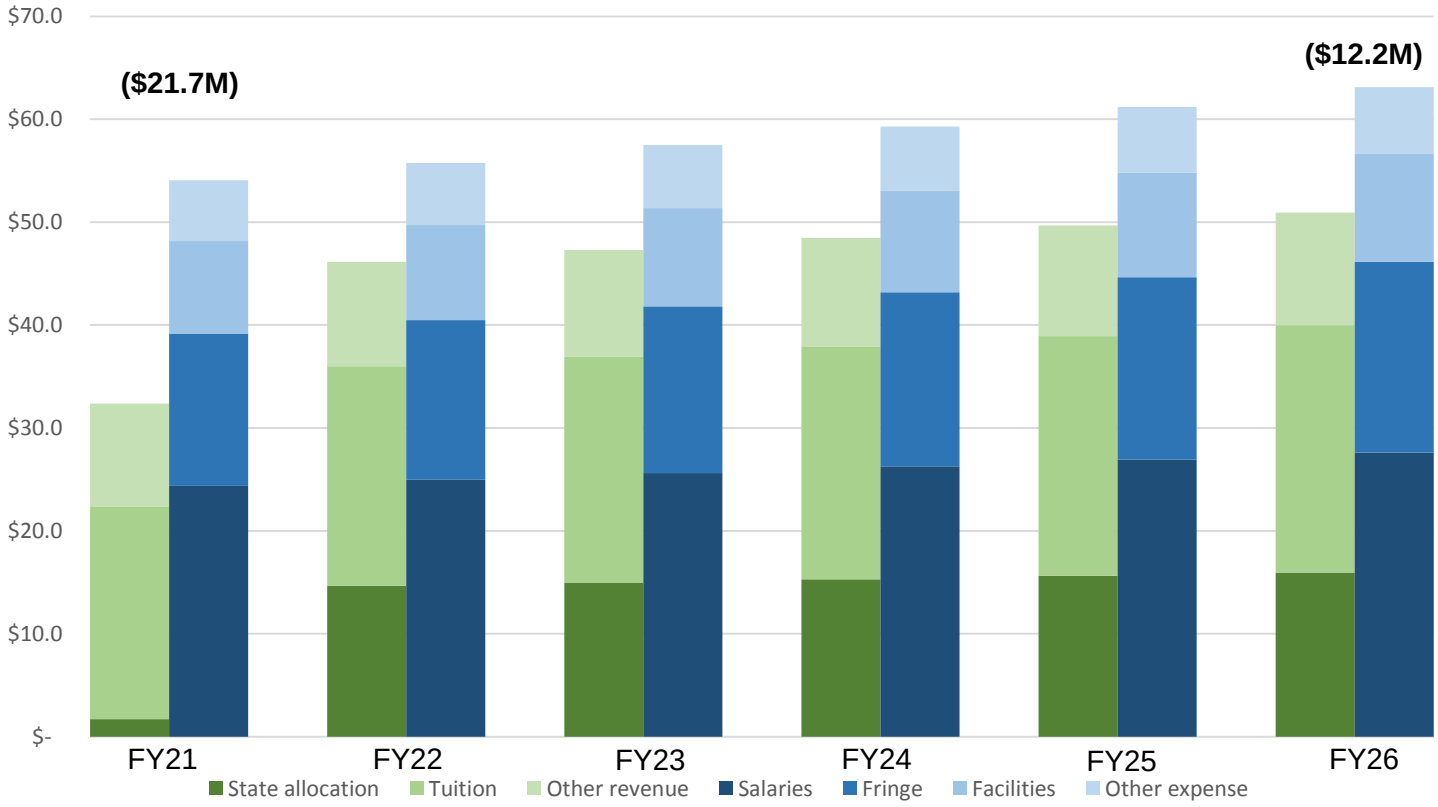
Expense trends

Expenses	FY20 Budget/Actuals	Annual Growth Trend	Projection Adjustment	Annual growth
Already in other trend lines				
Technology licensing				$1M - $2M
Library collections				$?M
“Compact” investments				$10M - $20M
Reallocation/ Repurposing/ Reinvestment				$15M - $20M

Trend forecast model – incremental revenue and costs



Modified trend forecast model – incremental revenue and costs



Three Paths for Operating Budget Development

1. Strategically manage within general trend
2. React to external shocks (good and bad)
3. Purposefully change growth trajectory

Strategically Manage Within Trend

Revenues

- Strive to maintain state support increases
- Ensure stable or modestly growing enrollment in all colleges and campuses
- Allow modest tuition increases or off-set with strategic cost decreases
- Allow for continued entrepreneurship and recognize cost increases in sales and services
- Continue local prioritization → reinvestment, or find new revenue to offset

Expenses

- Evaluate salary increase pools and benefit options -- for both market realities and the University's ability to afford
- Limit new buildings and sq. footage, and concentrate on refurbishing and renewal
- Agree on modest new investments within the overall financial framework

→ Cut expenses some % each year to reinvest in higher priorities

React to External Shocks

Global

- ↓ Recession
- ↕ State allocation changes beyond trend
- ↕ NIH/NSF significant changes
- ↑ Interest rates
- ↑ Health care costs

Natural disasters, significant lawsuits, security concerns

Local

- ↓ Unanticipated enrollment changes
- ↕ Significant royalty income changes
- ↑ Transformative gift in a strategic area

Purposefully change growth trajectory

Global

- Significant investment in the strategic plan
- Redesign compensation strategy
- Significant tuition rate and structure changes
- Eliminate or Create:
  - Major units of the University
  - Fields of study
  - Departments/Centers/Programs

Local

- Change the target numbers in a freshman class
- Close or significantly expand a graduate program
- Strategically invest or disinvest in areas of study
- Engage in a new revenue generating activity

Within the context of the long-range projections and options, what does the Board think about the variables?

Costs:

Compensation strategy?

Program maintenance or growth?

Research expansion with associated infrastructure costs?

Top priorities for student services?

Scope reduction in targeted areas?

Resources:

Tuition strategy?

Enrollment maintenance or growth?

Strategies for thinking about the internal reallocation of resources to higher priorities?

Potential for growth of “other funds” to address operations?

Two-Year Budgeting?

Two-Year Budgeting: Board Approval of Two Annual Budgets Every Other Year

Advantages:

- Possible with biennial state appropriations
- Improved predictability for students/employees/University Units
- Increases flexibility in Board of Regents agendas
- Discussion of tuition rates every other year

Challenges:

- Fluctuations in “other non-sponsored” revenues
- Fluctuations in large unforeseen required expenditure categories
- Processes for budget to actual variances

Annual & Biennial Budgeting States

ANNUAL SESSION ANNUAL BUDGET (31 state)		ANNUAL SESSION BIENNIAL BUDGET (15 state)	BIENNIAL SESSION BIENNIAL BUDGET (4 state)
Arizona*	**Michigan**	Connecticut	Montana**
Alabama	Mississippi	Hawaii	Nevada**
Alsaka	Missouri	**Indiana**	North Dakota
Arkansas	**New jersey**	Kentucky	Texas**
California	New Mexico	Maine	
Colorado	New York	**Minnesota**	
Delaware	Oklahoma	**Nebraska**	
Florida	Pennsylvania	New Hampshire	
Georgia	Rhode Island	North Carolina	
Idaho	South Carolina	**Ohio**	
Illinois	South Dakota	Oregon	
Iowa	Tennessee	Virginia	
Kansas*	Utah	Washington	
Louisana	Vermont	**Wisconsin**	
Maryland	West Virginia	Wyoming	
Massachusetts			

*smaller agencies receive biennial budgets

** 2 annual budgets

Options to Consider – Next Biennium Example

Current Model/Process	Change 1: Set Framework	Change 2: Set Tuition/Comp
Spring 2021 Action on FY22 Budget Spring 2022 Action on FY23 Budget	Spring 2021 Action on FY22 Budget and Set Framework for FY23 Spring 2022 Action on FY23 Budget With Variances From Approved Framework Explained	Spring 2021 Action on FY22 Budget and Set Tuition and Comp for FY23 Spring 2022 Action on FY23 Budget Excluding Previously Approved Tuition and Comp

UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 12, 2019**

AGENDA ITEM: Resolution Related to Refinancing of Debt for the Biomedical Discovery District (Twin Cities campus)

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

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

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

The purpose of this item is to review the resolution authorizing the issuance and sale of debt to refund all, or a portion of, the Special Purpose Revenue Bonds that were used to fund a portion of the construction of three buildings in the Biomedical Discovery District on the Twin Cities campus. The resolution further authorizes the payment of the costs of issuance of the sale of new debt. The debt will be issued in one or more series in an aggregate principal amount not to exceed the amount necessary to defease the bonds then outstanding.

Passed in 2008, Minnesota Statutes Sections 137.61 through 137.65 provided for a biomedical science research funding program to further the investment in biomedical science research facilities in Minnesota and facilitate research collaboration between the University and other private and public institutions in the state. The State of Minnesota currently provides appropriations to the Board of up to $15,550,000 to pay for up to 75 percent of certain project costs, provided that the principal amount of bonds issued by the University of Minnesota to pay the state's share of the costs must not exceed $219,000,000. The last of the three buildings was completed in 2015. The University issued state-supported debt Series 2010A, 2011B, and 2013C for a total par principal of $199,280,000. As of today, the combined callable principal outstanding is $159,770,000.

Current economic conditions, including those that may exist up to the optional redemption date of the outstanding bonds, may present an opportunity to realize significant savings to the state and/or the University through the refunding of some or all of the outstanding bonds.

The results of any refunding will be reported to the Finance & Operations Committee at the meeting following the completion of the transaction.

BACKGROUND INFORMATION

Refunding of bonds is the issuance of a new bond for the purpose of retiring an already outstanding bond issue. Outstanding debt may be refunded to achieve interest rate savings, restructure

principal and/or interest payments, or eliminate burdensome covenants with bondholders. The refunding is considered an advance refunding when done prior to the optional redemption date (call date).

The three series of bonds identified in the resolution were issued with an optional 10-year par call, allowing for refinancing of the bonds after ten years. The tax law changes enacted in December 2017 eliminated the tax-exempt advance refunding of tax-exempt bonds but taxable advance refundings of tax-exempt debt are permitted.

A legal defeasance occurs when the proceeds of new bonds that are sufficient to pay all principal and interest on the outstanding bonds up to and including the call date are deposited in escrow at a bank. The escrow is irrevocably pledged to the retirement of such debt and thus the escrow and the refunded debt do not appear on the University's balance sheet.

Minnesota Statutes 137.61 through 137.65 must be amended to allow for refunding of the special purpose revenue bonds. Board of Regents Policy: *Debt Transactions* requires Board approval of any refunding of debt.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to Refinancing of Debt for the Biomedical Discovery District (Twin Cities campus)

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Refinancing of State Supported Debt

WHEREAS, pursuant to Sections 137.61 through 137.65 of the Minnesota Statutes (the "Applicable Statutes"), the University has outstanding the following series of Special Purpose Revenue Bonds (State Supported Biomedical Science Research Facilities Funding Program), the total outstanding principal amount of which is $159,770,000 and each of which by its terms has the stated optional redemption date (collectively the "Outstanding Bonds"):

Series Name	Optional Redemption Date	Principal Outstanding
Special Purpose Revenue Bonds, Series 2010A	8/1/2020	$86,630,000
Special Purpose Revenue Bonds, Series 2011B	8/1/2021	$42,605,000
Special Purpose Revenue Bonds, Series 2013C	8/1/2023	$30,535,000

; and

WHEREAS, current economic conditions, including those presently existing and those that may exist up to the optional redemption date of the Outstanding Bonds may present an opportunity to realize significant savings to the State and/or the University through the refunding of some or all of the Outstanding Bonds; and

WHEREAS, it is the University's intent to work with the State Legislature during the 2020 Legislative Session to amend the Applicable Statutes to provide that the Board of Regents (the "Board") may refund each of the Series of Outstanding Bonds if refunding is determined by the Board to be in the best interest of the State and/or the University; and

WHEREAS, it has been proposed that if it is determined by the President and the Treasurer, after consultation with the University's debt advisor, that a refunding of one or more series of the Outstanding Bonds is in the best interests of the State and/or the University (such series, the "Identified Series"), the University proceed with a plan of financing to refund the Identified Series by the issuance and sale of indebtedness in the form of one or more series of bonds (the "Debt"), the

proceeds of which will be used to refund the Identified Series and to pay the costs of issuance of the Debt; and

WHEREAS, the Debt would be issued 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, an Indenture of Trust or Order pursuant to which Debt will be issued will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal and interest on such Debt;

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

1. To provide funds to refund the Identified Series of Outstanding Bonds, the Board hereby authorizes the sale and issuance of Debt in a total principal amount not to exceed the amount necessary to defease the Identified Series immediately prior to refunding and to pay costs of issuance thereof. The Debt may be issued in one or more series, each to mature not later than the current maturity date of the Identified Series being refunded, provided that if series are combined, the resulting series may bear the latest maturity date of the component series, subject to applicable tax law. The Treasurer is authorized to determine whether or not the Debt shall be issued as special purpose revenue bonds of the University, and whether or not the Debt shall be tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The Debt may be sold in either a negotiated sale or a competitive process, as determined by the Treasurer. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements with financial advisors, banks, investment banking firms, or other financial institutions, including the terms and conditions upon which their services will be rendered and the terms and conditions upon which the Debt will be sold and issued. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

3. In connection with the issuance of any series of Debt, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture(s) of Trust or Order(s) or any supplement or amendment thereto under which the Debt is to be issued in the form and containing such covenants, agreements, representations and warranties as are approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the documents evidencing the Debt in accordance with such Indenture(s) of Trust or Order(s) or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the documents evidencing the Debt may be by facsimile.

4. Each of the President and Treasurer is authorized to execute and deliver one or more purchase agreements with the initial purchaser or purchasers of any series of Debt in the form and containing such covenants, agreements, representations and warranties of the University as are approved by the Treasurer and General Counsel.

5. The Treasurer is authorized to approve the Preliminary Official Statement(s), final Official Statement(s), Offering Memorandum or Memoranda, Offering Circular(s), or other offering material or any supplements or amendments thereto to be prepared and distributed to any purchaser or potential purchaser of a series of Debt, and the President is authorized to execute and deliver the

final Official Statement(s) or any supplements or amendments thereto. In the case of the sale of any series of Debt in a competitive process, the Treasurer is authorized to approve the Notice of Sale and any amendment thereto.

6. 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 revision of the Applicable Statutes and the issuance and sale of the Debt. Each of the President and Treasurer is hereby authorized to take any and all appropriate action on behalf of the Board to make or update, as may be appropriate, any certification required under the Applicable Statutes.

7. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Debt 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 the Debt 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.

8. The execution of any document by the University officers 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, final Official Statement, purchase agreement or any other document to be executed by the President or Treasurer in connection with the Debt may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.

9. The above authorization and resolution are contingent upon State Legislative approval of revisions to the Applicable Statutes sufficient to authorize the refunding and the acceptability of revised Applicable Statutes to the University, as evidenced by the execution of any of the documents described herein. Upon satisfaction of the foregoing condition, the above authorization and resolution shall remain in effect until August 1, 2023.

Regents of the University of Minnesota
(as of November 18, 2019)
Assumes Full Refunding

Series	Dated	Final Maturity	Interest Rates Outstanding	Next Call Date	Principal Refunded	Callable Maturities	Average Annual Savings	NPV Savings	% NPV Savings	Negative Arbitrage	
Special Purpose Revenue Bonds, Series 2010A	09/30/10	08/01/35	3.50% - 5.00%	8/1/2020	$82,915,000	$82,915,000	$1,405,721	$18,533,932	22.35%	-	TE Curren
Special Purpose Revenue Bonds, Series 2011B	10/13/11	08/01/36	4.00% - 5.00%	8/1/2021	$39,250,000	$39,250,000	$455,139	$5,874,852	14.34%	567,962	TX Advanc
Special Purpose Revenue Bonds, Series 2013C	11/06/13	08/01/38	3.25% - 5.00%	8/1/2023	$26,105,000	$26,105,000	$138,604	$1,946,752	6.60%	1,180,381	TX Advanc
							$1,999,464	$26,355,535			

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 12, 2019**

AGENDA ITEM: Annual Financial Report

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

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

PRESENTERS: Michael Volna, Associate Vice President and Assistant CFO
Suzanne Paulsen, University Controller

PURPOSE & KEY POINTS

The purpose of this item is to discuss the annual financial report. The report presents the financial position and results of operations for the University for FY 2019, with comparative data for FY 2018. The presentation summarizes key financial activities:

1. Highlights of assets, liabilities, and net position.
2. A discussion of revenues and expenses for FY 2019 with comparative results for FY 2018.
3. An overview of the statement of cash flows.
4. A summary of component unit information.
5. Overview of FY 2019 audit and management's review of the external auditor.

BACKGROUND INFORMATION

This report is prepared annually and presented to the Board of Regents in conformance with Board of Regents Policy: *Board Operations and Agenda Guidelines*.

UNIVERSITY OF MINNESOTA

Driven to Discover℠

2019 Annual Financial Report

Consolidated Financial Statements
as of and for the Years Ended June 30, 2019 and 2018,
Independent Auditors' Report, and Management's Discussion and Analysis

Deloitte & Touche LLP

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INDEPENDENT AUDITORS' REPORT

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of net position of the University of Minnesota (the "University") as of June 30, 2019 and 2018, the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise the University's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended and the financial statements of the discretely presented component units as of and for the years ended June 30, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of employer's contributions for other postemployment benefits, the schedule of changes in total other postemployment benefits liability, the schedules of the employer's share of net pension liability, and the schedules of employer's contributions for pensions, as listed in the table of contents, which are the responsibility of the University's management, be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Deloitte & Touche LLP

October 31, 2019

Deloitte & Touche LLP

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50 South Sixth Street
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated statement of net position of the University of Minnesota (the "University") as of June 30, 2019, the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the University's basic consolidated financial statements, and have issued our report thereon dated October 31, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the University's consolidated financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

October 31, 2019

Management's Discussion and Analysis
(Unaudited)

This discussion and analysis of the University of Minnesota's (the University) consolidated financial statements provides an overview of the consolidated financial position and activities of the University for the years ended June 30, 2019, 2018, and 2017. The discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and the accompanying notes.

Introduction

The University is both the state's land-grant university, with a strong tradition of education and public service, and a major research institution, with faculty of national and international reputation.

The University, founded in 1851, has five campuses (Twin Cities, Duluth, Morris, Crookston, and Rochester), research and outreach centers, and extension service offices throughout the state.

The University is one of only five universities in the nation with an engineering school, a medical school, a law school, a veterinary medicine school and an agricultural school all on one campus.

The University is among the top nine public research institutions nationally. The University is the state's major research institution with research expenditures of approximately $720.6 million, $768.1 million, and $763.4 million in fiscal years 2019, 2018, and 2017, respectively, for research under various programs funded by governmental and private sources. Various governmental and private sources also funded research activities with expenditures included in both Instruction and Public Service.

The University's enrollment for all five campuses is approximately 67,000 students, with the Twin Cities campus having the largest student enrollment of approximately 51,000 students.

The Duluth campus is a comprehensive, highly-ranked regional research and liberal arts university that offers instruction through the doctoral degree and has a global reputation for research in natural and freshwater resources. The Duluth campus consistently ranks among the top Midwestern regional universities with student enrollment of approximately 11,000 students.

The Crookston campus is known for its focus on experiential learning and is one of the nation's pioneers in online and distance education with a student enrollment of approximately 2,800 students.

The Morris campus is ranked as one of the top public liberal arts colleges in the nation and is a leader in environmental sustainability and diversity. The Morris campus focuses on undergraduate programs with a student enrollment of approximately 1,600 students.

The Rochester campus is focused on meeting the educational needs of students in the southeastern Minnesota area at the upper division undergraduate and post-baccalaureate levels and conducts research in the areas of health sciences and biotechnology. The Rochester campus has a student enrollment of approximately 500 students.

Mission

The University's mission carried out on multiple campuses and throughout the state, is threefold: research and discovery, teaching and learning, and outreach and public service.

- Research and Discovery—To generate and preserve knowledge, understanding, and creativity by conducting high quality research, scholarship, and artistic activities that benefit students, scholars, and communities across the state, the nation, and the world.

- Teaching and Learning—To share that knowledge, understanding, and creativity by providing a broad range of educational programs in a strong and diverse community of learners and teachers, and to prepare graduate, professional, and undergraduate students, as well as non-degree-seeking students interested in continuing education and lifelong learning, for active roles in a multiracial and multicultural world.

- Outreach and Public Service—To extend, apply, and exchange knowledge between the University and society by applying scholarly expertise to community problems, by helping organizations and individuals respond to their changing environments, and by making the knowledge and resources created and preserved at the University accessible to the citizens of the state, the nation, and the world.

Operations

The University conducts its mission activities at its campuses and other facilities throughout the state. Each year, the University:

- provides instruction for approximately 67,000 students;

- graduates approximately 16,000 students, 39 percent with graduate or first professional degrees on the Twin Cities campus;

- provides over 300 student exchange programs, ranking third nationally with learning abroad programs;

- conducts research sponsored by the National Institutes of Health, the National Science Foundation, other federal, state, and governmental agencies, and numerous private companies and foundations;

- reaches out to more than one million Minnesotans through various outreach and public service activities.

During fiscal year 2017, the University engaged Tripp Umbach, a consulting firm, to quantify the economic impacts generated by the University within the State of Minnesota. Tripp Umbach's report summarized the University's impacts within the State as follows:

- The University generates $8.6 billion in combined economic impact annually for the State of Minnesota;

- The University is the fifth largest employer in Minnesota and supports 77,700 jobs throughout the State;

- For every dollar invested by the State into the University, $13.83 is generated in the State's economy;

- University faculty, staff and students generate more than $131.4 million annually in community impact through donations and volunteer time.

Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB). The consolidated financial statements required under these reporting standards include the Consolidated Statements of Net Position; the Consolidated Statements of Revenues, Expenses, and Changes in Net Position; and the Consolidated Statements of Cash Flows. All are reported on a consolidated basis for the University as a whole. Also required are the financial results of the University's legally separate component units.

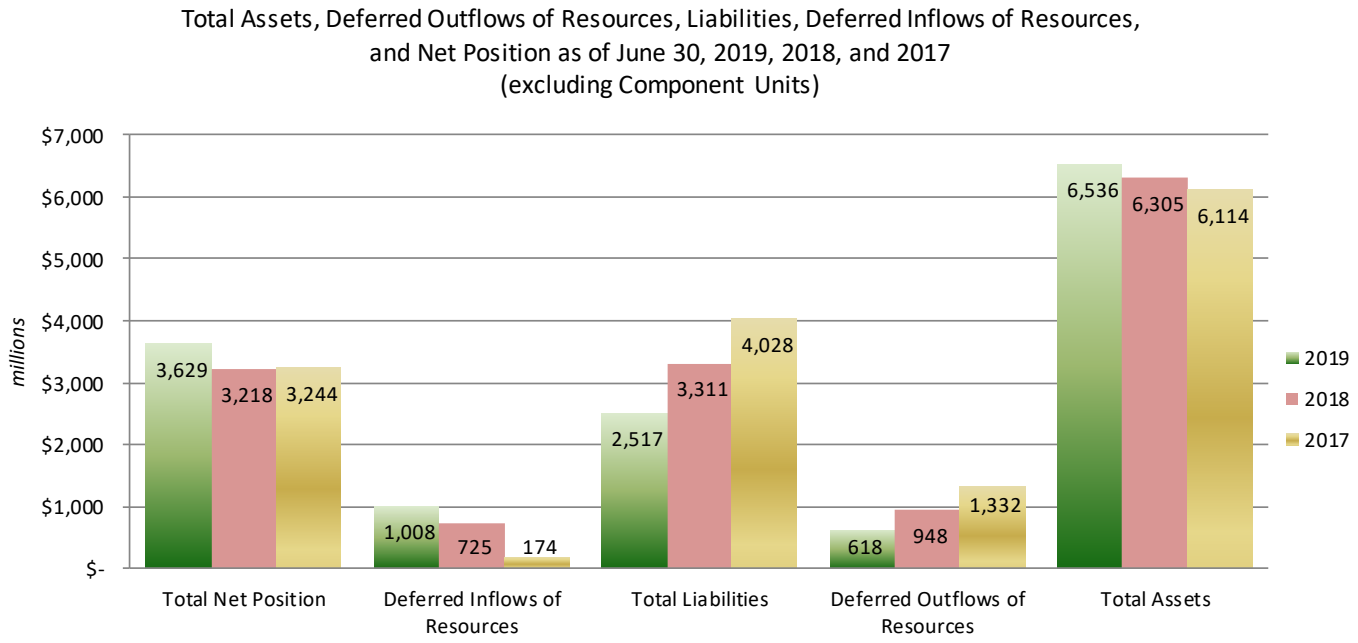
In fiscal year 2018, the University implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 establishes new accounting and financial reporting requirements where University employees are provided with Other Postemployment Benefits (OPEB) and replaces the requirements of GASB Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires the full OPEB liability be recognized immediately whereas GASB 45 allowed for gradual amortization. The University reported an OPEB liability of $40.3 million, $34.9 million and $32.5 million in fiscal years 2019, 2018, and 2017, respectively.

Financial Highlights

The University's financial position remains strong with assets of $6.5 billion, an increase of $0.2 billion from fiscal year 2018. Liabilities decreased to $2.5 billion compared to $3.3 billion for fiscal year 2018. The University's net position, the difference between total assets, deferred outflows of resources (items previously reported as assets), total liabilities, and deferred inflows of resources (items previously reported as liabilities), increased to $3.6 billion as of June 30, 2019 compared to $3.2 billion as of June 30, 2018.

On March 29, 2019, the University of Minnesota's wholly owned company, 2515 University Avenue SE, LLC purchased the University Village property from Wedum University Village, LLC for $43.0 million. The purchase was funded through two notes issued by the University to 2515 University Avenue SE, LLC in the amount of $43.5 million: Temporary Investment Pool (TIP) Real Estate Term Note in the amount of $34.8 million and Consolidated Endowment Fund (CEF) Subordinated Term Note in the amount of $8.7 million. The note amounts of $43.5 million consist of $43.0 million for land, building and equipment and $0.5 million retained by the University for expenses incurred by the University for the benefit of 2515 University Avenue SE, LLC. Refer to Note 1 for additional information.

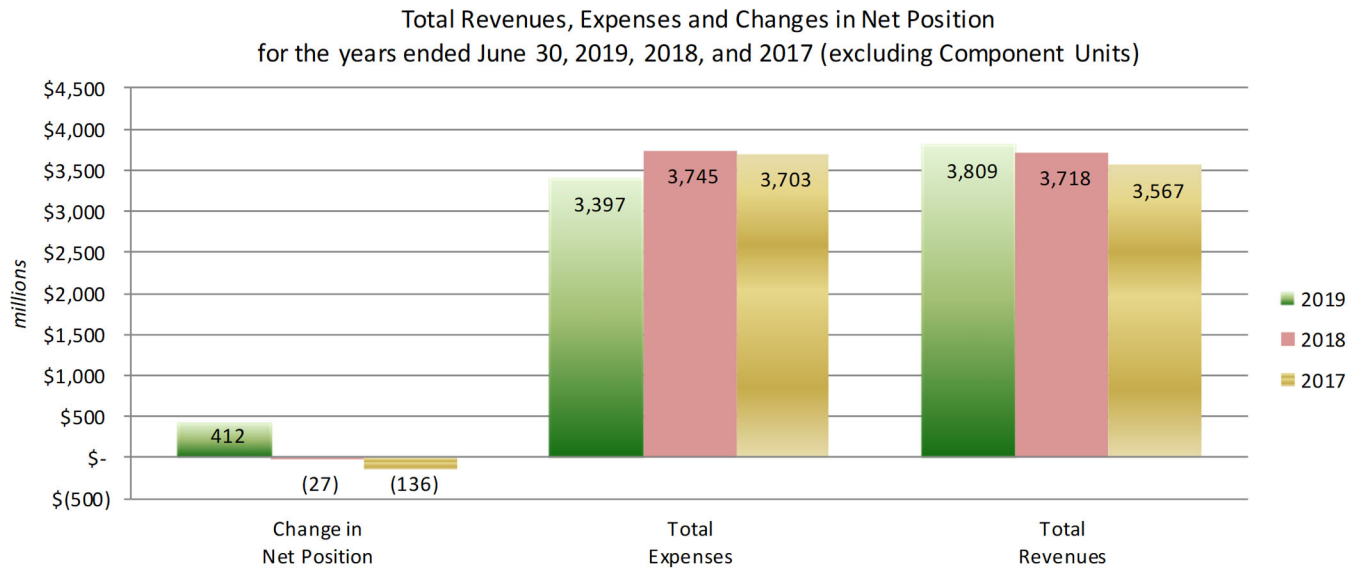
The following chart summarizes total assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2019, 2018 and 2017, respectively:



The change in net position represents the financial results during the fiscal year and is the difference between total revenue and total expense. The University's net position increased $411.8 million in fiscal year 2019 compared to a decrease of $26.8 million in fiscal year 2018. The significant factors that contributed to the increase in total net position for fiscal year 2019 include the recording of the net pension liability and increases in investment related activity, partially offset by increases in long-term debt.

The net pension liability for fiscal year 2019 was significantly impacted by both changes in actuarial assumptions and plan changes. The change to the actuarial assumptions increased the single discount rate to 7.50 percent in fiscal year 2019, from 5.42 percent in fiscal year 2018. Additionally, changes to the plan provisions included increased member contributions. These changes resulted in a decrease in the net pension liability recorded by the University, thereby increasing the University's net position.

The following chart summarizes total revenues, expenses and the changes in net position for the years ended June 30, 2019, 2018 and 2017, respectively:



The University experienced an increase in total revenue of $91.1 million or 2.5 percent due to increases in almost all operating revenue categories and investment income, partially offset by decreases in both State and Federal appropriations. Total expenses decreased $347.4 million or 9.3 percent compared to an increase in fiscal year 2018 of $41.9 million or 1.1 percent.

The University continues to focus on instruction, research and public service while continuing to emphasize controlling operating expenses. The operating expense fluctuations as a result of GASB 68 and 71, do not impact the overall operations of the University.

Consolidated Statements of Net Position

The Consolidated Statements of Net Position present the consolidated financial position of the University at the end of the fiscal year, under a classified balance sheet format that reflects current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources, and reports net position under four separate classifications.

A comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2019, 2018 and 2017 is summarized in the table below:

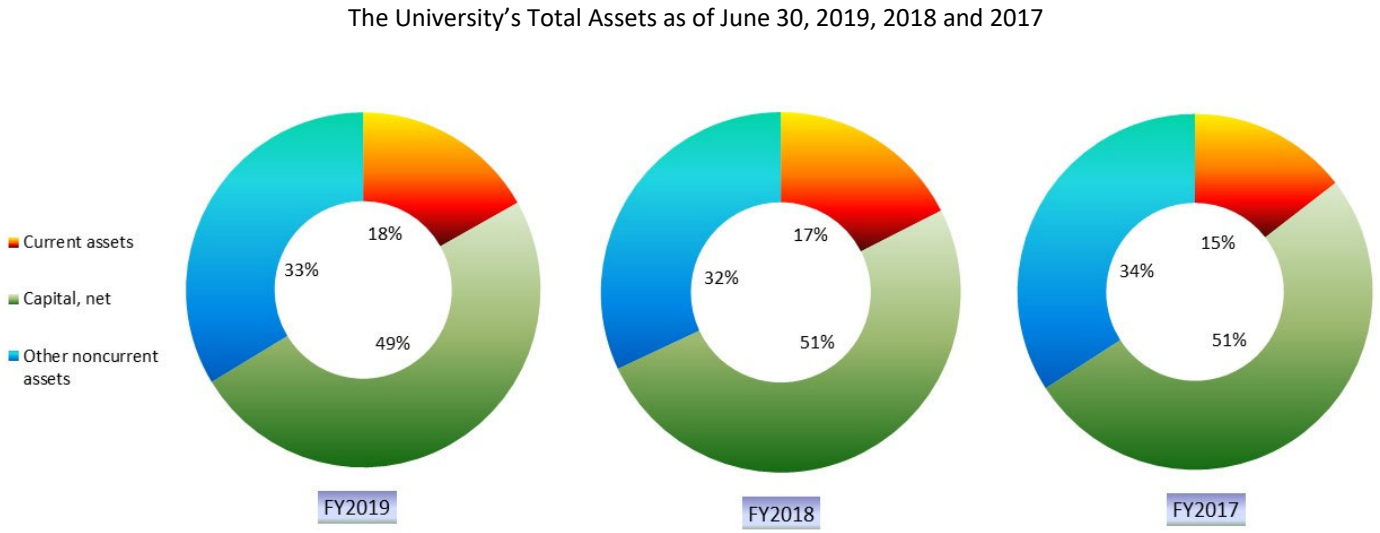
Condensed Statements of Net Position (in thousands)			
	2019	**2018**	**2017**
Assets			
Current assets	$ 1,099,839	$ 1,103,480	$ 887,438
Noncurrent assets, excluding capital assets	2,201,476	2,015,711	2,085,246
Capital assets, net	3,234,494	3,185,317	3,141,059
Total assets	6,535,809	6,304,508	6,113,743
Deferred outflows of resources	618,869	948,273	1,332,540
Liabilities			
Current liabilities, excluding long-term debt	556,282	518,349	511,257
Noncurrent liabilities, excluding long-term debt	347,440	1,250,444	2,051,461
Long-term debt	1,613,482	1,541,789	1,464,976
Total liabilities	2,517,204	3,310,582	4,027,694
Deferred inflows of resources	1,008,147	724,632	174,265
Net position			
Unrestricted	602,509	345,558	394,159
Restricted—expendable	1,038,042	901,976	817,397
Restricted—nonexpendable	314,264	309,407	313,885
Net investment in capital assets	1,674,512	1,660,626	1,718,883
Total net position	$ 3,629,327	$ 3,217,567	$ 3,244,324

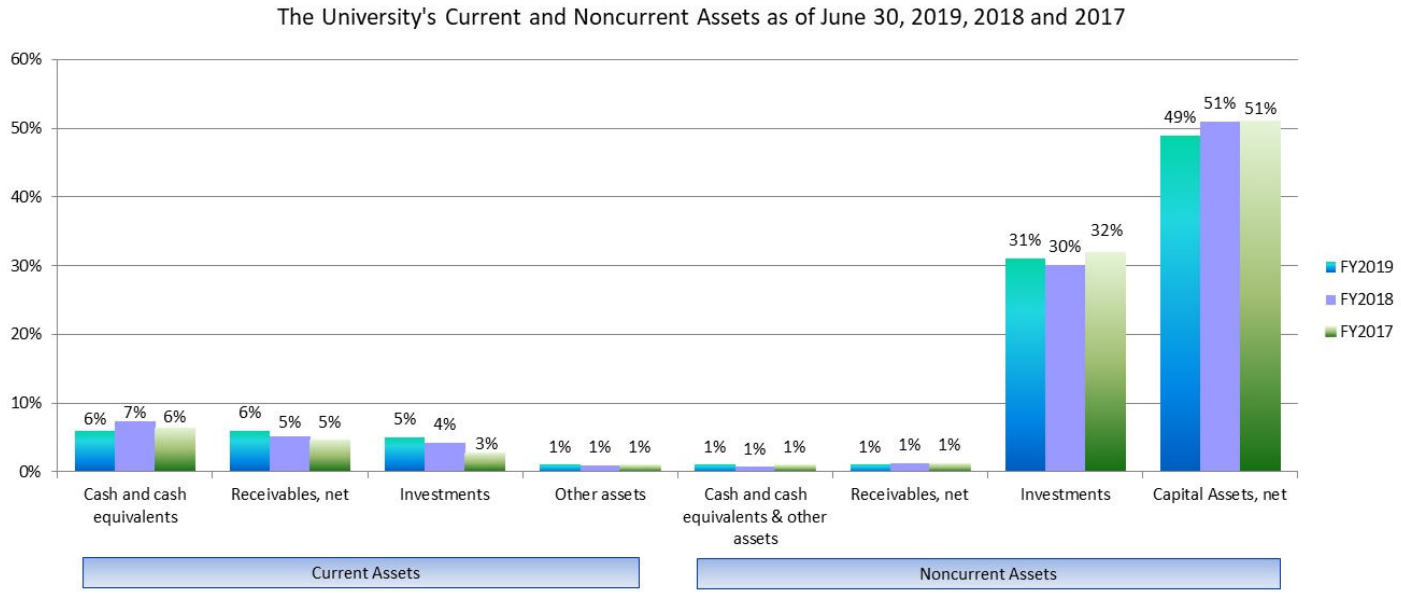
Assets

Current assets are used to support current operations and consist primarily of cash and cash equivalents, net receivables, net and short-term investments.

Noncurrent assets consist primarily of investments, capital assets net of accumulated depreciation, and student loan receivables.

The following charts illustrate the composition of total assets:





The University's Current and Noncurrent Assets as of June 30, 2019, 2018 and 2017 *(in thousands)*							
				Increase (Decrease)			
				From 2018 to 2019		From 2017 to 2018	
	2019	2018	2017	Amount	Percent	Amount	Percent
Current assets							
Cash and cash equivalents	$ 405,247	$ 463,460	$ 387,772	$ (58,213)	(12.6%)	$ 75,688	19.5%
Receivables, net	369,025	319,820	280,307	49,205	15.4%	39,513	14.1%
Investments	271,618	263,676	163,201	7,942	3.0%	100,475	61.6%
Other assets	53,949	56,524	56,158	(2,575)	(4.6%)	366	0.7%
Total current assets	1,099,839	1,103,480	887,438	(3,641)	(0.3%)	216,042	24.3%
Noncurrent assets							
Capital Assets, net	3,234,494	3,185,317	3,141,059	49,177	1.5%	44,258	1.4%
Other noncurrent assets							
Cash and cash equivalents & other assets	77,688	43,193	82,135	34,495	79.9%	(38,942)	(47.4%)
Receivables, net	70,606	74,621	74,522	(4,015)	(5.4%)	99	0.1%
Investments	2,053,182	1,897,897	1,928,589	155,285	8.2%	(30,692)	(1.6%)
Total other noncurrent assets	2,201,476	2,015,711	2,085,246	185,765	9.2%	(69,535)	(3.3%)
Total assets	$ 6,535,809	$ 6,304,508	$ 6,113,743	$ 231,301	3.7%	$ 190,765	3.1%

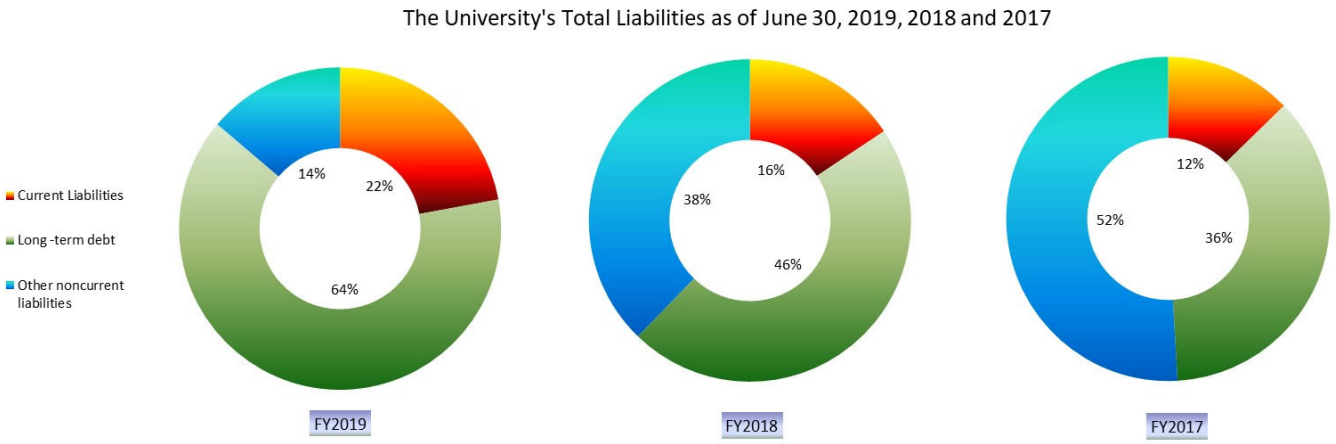
As of June 30, 2019, total assets increased $231.3 million primarily due to increases in investments, receivables, and capital assets, net partially offset by decreases in cash and cash equivalents. Investments increased $163.2 million primarily due to favorable market conditions, partially offset by a decrease to the Temporary Investment Pool (TIP) due to funding capital expenditures. TIP is readily accessible cash and cash equivalents and investments that can be liquidated for cash needs of the University. Cash and cash equivalents and other assets decreased $26.3 million due to normal University operations. Noncurrent cash and cash equivalents consist of unspent bond proceeds of $62.6 million and $25.4 million in fiscal years 2019 and 2018, respectively. Capital assets, net of accumulated depreciation, increased $49.2 million due to the purchase of University Village property in addition to increased spending on construction projects, specifically the Pioneer Hall renovation, the Health Sciences Education Center, and the Plant Growth Research Facility. Refer to Note 4 for additional information related to capital assets.

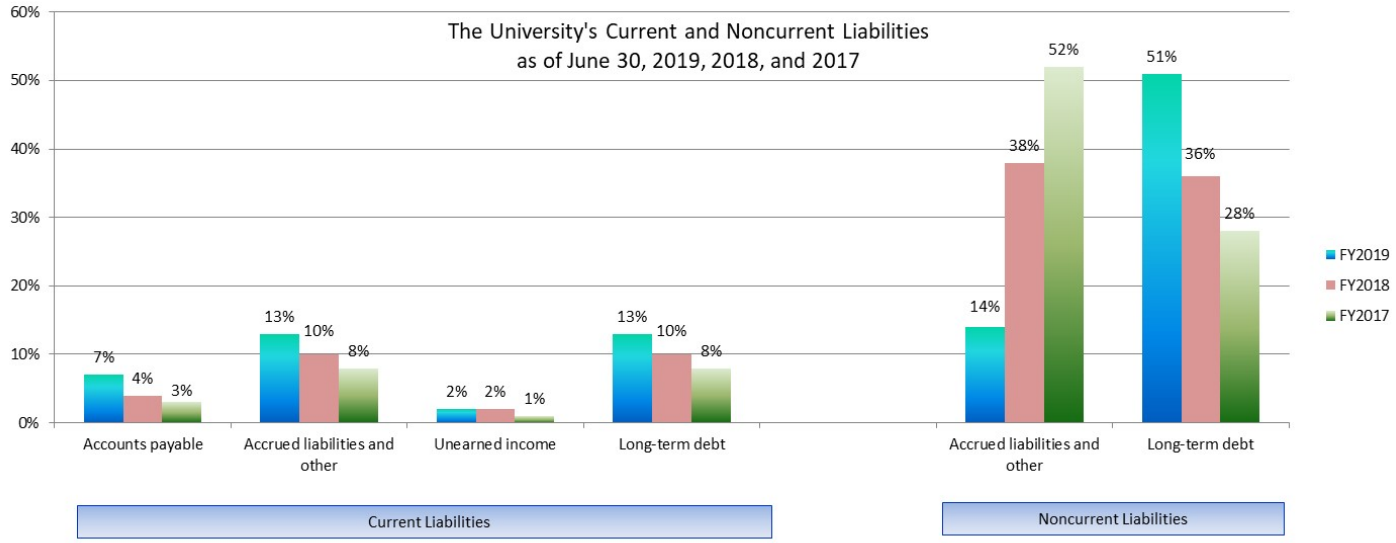
Liabilities

Current liabilities are obligations that are expected to become due and payable during the next fiscal year. Current liabilities consist primarily of accounts payable and accrued liabilities including salaries and compensation-related expenditures, and unearned income. Current unearned income is comprised of revenue related to summer session tuition and fees deferred to the following fiscal year, and funds received in advance of expenditures on sponsored accounts.

Noncurrent liabilities consist primarily of accrued liabilities, notes payable, leases and bonds payable (long-term debt).

The following charts illustrate the composition of total liabilities:





The University's Current and Noncurrent Liabilities as of June 30, 2019, 2018 and 2017 *(in thousands)*							
				Increase (Decrease)			
				From 2018 to 2019		From 2017 to 2018	
	2019	2018	2017	Amount	Percent	Amount	Percent
Current liabilities							
Accounts payable	$ 163,956	$ 137,764	$ 139,589	$ 26,192	19.0%	$ (1,825)	(1.3%)
Accrued liabilities and other	327,918	315,696	309,116	12,222	3.9%	6,580	2.1%
Unearned income	64,408	64,889	62,552	(481)	(0.7%)	2,337	3.7%
Long-term debt	320,119	346,794	333,509	(26,675)	(7.7%)	13,285	4.0%
Total current liabilities	876,401	865,143	844,766	11,258	1.3%	20,377	2.4%
Noncurrent liabilities							
Accrued liabilities and other	347,396	1,250,400	2,051,375	(903,004)	(72.2%)	(800,975)	(39.0%)
Unearned income *	44	44	86		0.0%	(42)	(48.8%)
Long-term debt	1,293,363	1,194,995	1,131,467	98,368	8.2%	63,528	5.6%
Total noncurrent liabilities	1,640,803	2,445,439	3,182,928	(804,636)	(32.9%)	(737,489)	(23.2%)
Total Liabilities	$ 2,517,204	$ 3,310,582	$ 4,027,694	$ (793,378)	(24.0%)	$ (717,112)	(17.8%)

** Total is less than 1 percent - not included in the graph.*

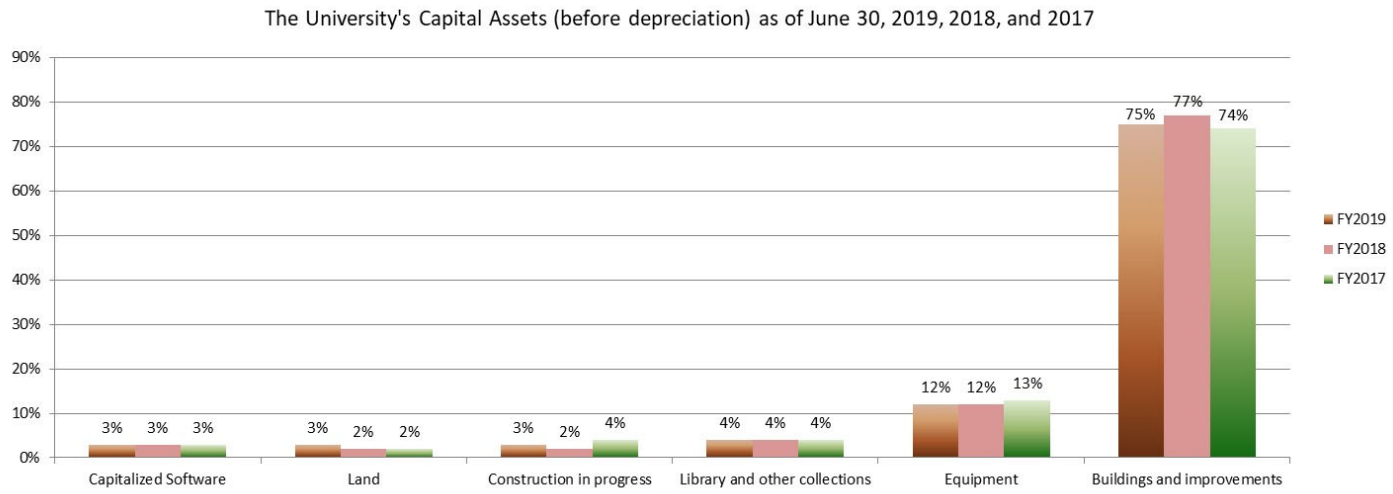
As of June 30, 2019, total liabilities decreased $793.4 million primarily due to a decrease in accrued liabilities of $890.9 million as a result of recording adjustments to the net pension liability, partially offset by increases in long-term debt. The decrease related to the net pension liability adjustment is a result of a change in the actuarial assumptions, The University's long-term debt represents 64 percent of total liabilities or $1,613.5 million as of June 30, 2019 compared to 47 percent or $1,541.8 million as of June 30, 2018.

With the implementation of GASB 75 in fiscal year 2018, the University recorded the University's full liability related to Other Postemployment Benefits (OPEB). The University reported an OPEB liability of $40.3 million, $34.9 million and $32.5 million in fiscal years 2019, 2018 and 2017, respectively. As of June 30, 2019, the cumulative OPEB liability of $40.3 million was recorded as a current liability of $4.2 million and a noncurrent liability of $36.1 million.

Long-term debt increased $71.7 million or 4.7 percent. The University issued General Obligation (GO) Bonds Series 2019A, GO Refunding Bonds Series 2019B, GO Taxable Refunding Bonds Series 2019C, and Commercial Paper Notes Series H and I, in the amount of $104.2 million, $51.2 million, $20.0 million, $57.6 million and $16.0 million, respectively in fiscal year 2019. Additions from the issuance were offset by normal amortization of the bonds, premiums and discounts. Refer to Note 5 for additional information related to long-term debt.

Capital and Debt Activities

The following charts illustrate the composition of capital assets before depreciation:



The University's Capital Asset Categories (before depreciation) for the years ended June 30, 2019, 2018 and 2017
(in thousands)

				Increase (Decrease)			
				From 2018 to 2019		From 2017 to 2018	
	2019	2018	2017	Amount	Percent	Amount	Percent
Capital assets (gross)							
Buildings and improvements	$ 5,152,661	$ 5,043,935	$ 4,693,313	$ 108,726	2.2%	$ 350,622	7.5%
Equipment	805,476	789,077	794,146	16,399	2.1%	(5,069)	(0.6%)
Library and other collections	262,636	254,804	248,229	7,832	3.1%	6,575	2.6%
Construction in progress	174,429	105,616	258,089	68,813	65.2%	(152,473)	(59.1%)
Land	187,316	162,735	154,416	24,581	15.1%	8,319	5.4%
Software and other intangibles	191,484	186,543	178,910	4,941	2.6%	7,633	4.3%
Total capital assets (gross)	$ 6,774,002	$ 6,542,710	$ 6,327,103	$ 231,292	3.5%	$ 215,607	3.4%

Capital additions totaled $269.3 million, $272.5 million, and $331.1 million in fiscal years 2019, 2018 and 2017, respectively. Fiscal year 2019 spending included the completion of the Duluth Chemical Sciences and Advanced Material Building in addition to spending on existing projects, such as the Health Sciences Education Center, the Pioneer Hall renovation and the Plant Growth Research facility. Project spending continuing in fiscal year 2020 is projected to be $47.3 million, $16.2 million, and $1.6 million for the Health Sciences Education Center, Pioneer Hall renovation, and the Plant Growth Research facility, respectively. See Note 4 for more detailed information about capital assets.

Fiscal year 2019 debt activity included the issuance of General Obligation Bonds, Series 2019A, General Obligation Refunding Bonds, Series 2019B, General Obligation Taxable Refunding Bonds, Series 2019C and Commercial Paper Notes, Series H and Series I.

During fiscal year 2018, the Board of Regents authorized a revolving commercial paper facility through which the University may issue tax-exempt and taxable commercial paper notes for short or long-term financing of capital projects. The aggregate principal amount outstanding under the facility shall not exceed $400 million.

Capital leases of $22.4 million, $2.7 million and $3.1 million were issued in fiscal year 2019, 2018 and 2017, respectively. Refer to Note 5 for additional information.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are items previously reported as assets that result in the outflow of net position in the current reporting period for activities applicable to a future reporting period. Likewise, deferred inflows of resources are items previously reported as liabilities that result in the inflow of net position in the current reporting period for activities applicable to a future reporting period. As of June 30, 2019, the deferred outflows of resources decreased $329.4 million and deferred inflows of resources increased $283.5 million, primarily due to the balances and related activity of the University's Net Pension Liability related to the State retirement plans.

Net Position

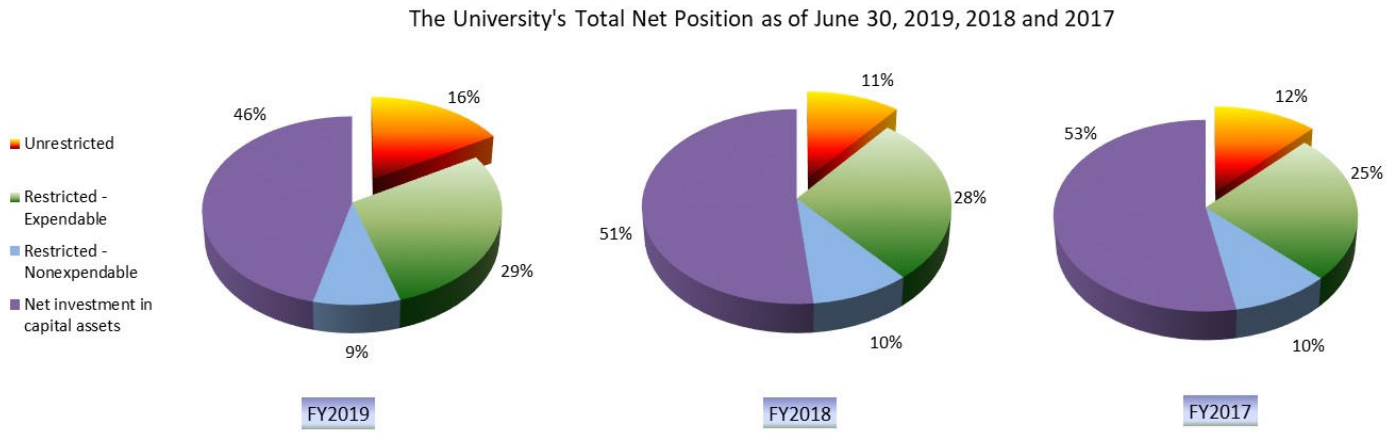
Net position represents the residual value of the University's assets and deferred outflows of resources, after deducting liabilities and deferred inflows of resources and consists of the following three classifications:

- Unrestricted net position—Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital or endowment purposes. These assets are available for any lawful purpose of the University and include resources that may be designated for specific purposes as determined by management or the Board of Regents.

- Restricted net position, which is divided into two categories—expendable and nonexpendable—Expendable assets are available for expenditure by the University, but only in accordance with restrictions placed on their use by donors and other external entities. Nonexpendable assets are also externally restricted, but are required to be retained in perpetuity, including the University's true endowments and institutional contributions to refundable loan programs.

- Net investment in capital assets—Includes property, plant, and equipment, net of accumulated depreciation, reduced by the outstanding balances of debt attributable to these capital assets.

The following charts illustrate the composition of the University's total net position:



The University's Total Net Position as of June 30, 2019, 2018 and 2017 *(in thousands)*							
				Increase (Decrease)			
				From 2018 to 2019		From 2017 to 2018	
	2019	2018	2017	Amount	Percent	Amount	Percent
Unrestricted	$ 602,509	$ 345,558	$ 394,159	$ 256,951	74.4%	$ (48,601)	(12.3%)
Restricted:							
Expendable	1,038,042	901,976	817,397	136,066	15.1%	84,579	10.3%
Nonexpendable	314,264	309,407	313,885	4,857	1.6%	(4,478)	(1.4%)
Net investment in capital assets	1,674,512	1,660,626	1,718,883	13,886	0.8%	(58,257)	(3.4%)
Total net position	$ 3,629,327	$ 3,217,567	$ 3,244,324	$ 411,760	12.8%	$ (26,757)	(0.8%)

The University's unrestricted net position increased $257.0 million in fiscal year 2019 primarily due to a decrease in accrued liabilities, partially offset by an increase in deferred inflows of resources, specifically related to the net pension liability. The University's restricted expendable net position increased $136.1 million in fiscal year 2019 due primarily to changes in market values related to endowments and the recording of adjustments to the University's net pension liability. The University's net investment in capital assets increased $13.9 million primarily due to capital assets and unspent bond proceeds, partially offset by an increase in long-term debt.

The University records a net pension liability in accordance with GASB 68 and 71 and represents accounting and reporting standards only. The state of Minnesota has no law that requires the University to assume the liability, as a participant of the pension plans, in the event the retirement plans were discontinued. The required recording of the deferred outflows of resources, deferred inflows of resources and net pension liability are recorded on the University's consolidated financial statements, but have no impact to the funding provisions, nature and amount of benefits, or actual cash flows of the University. For additional information refer to Note 6 and GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

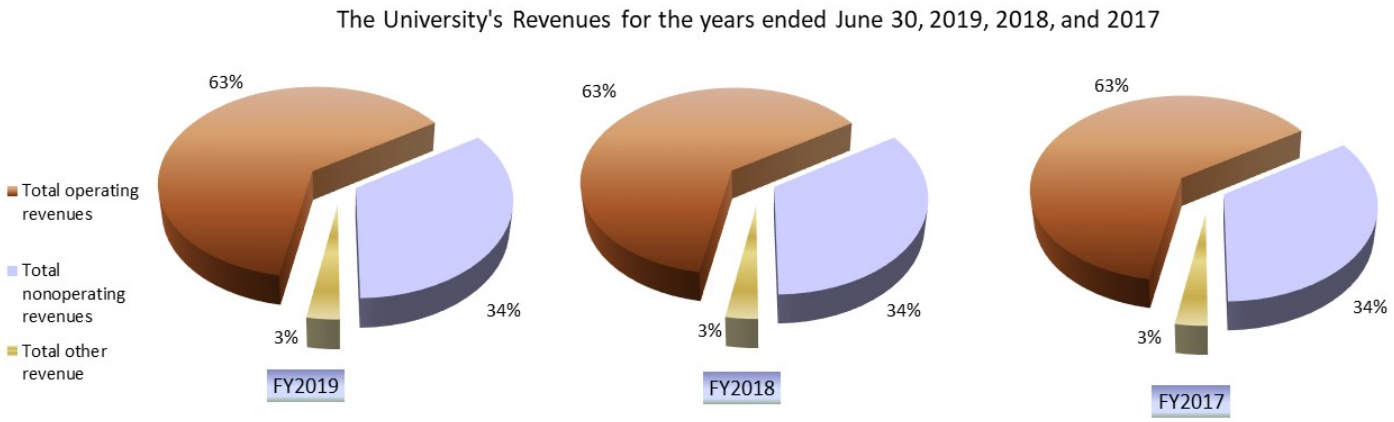
To illustrate the impact of GASB 68 and 71, the following chart summarizes the University's total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position with and without the impact of GASB 68 and 71. The following chart is for illustration purposes only.

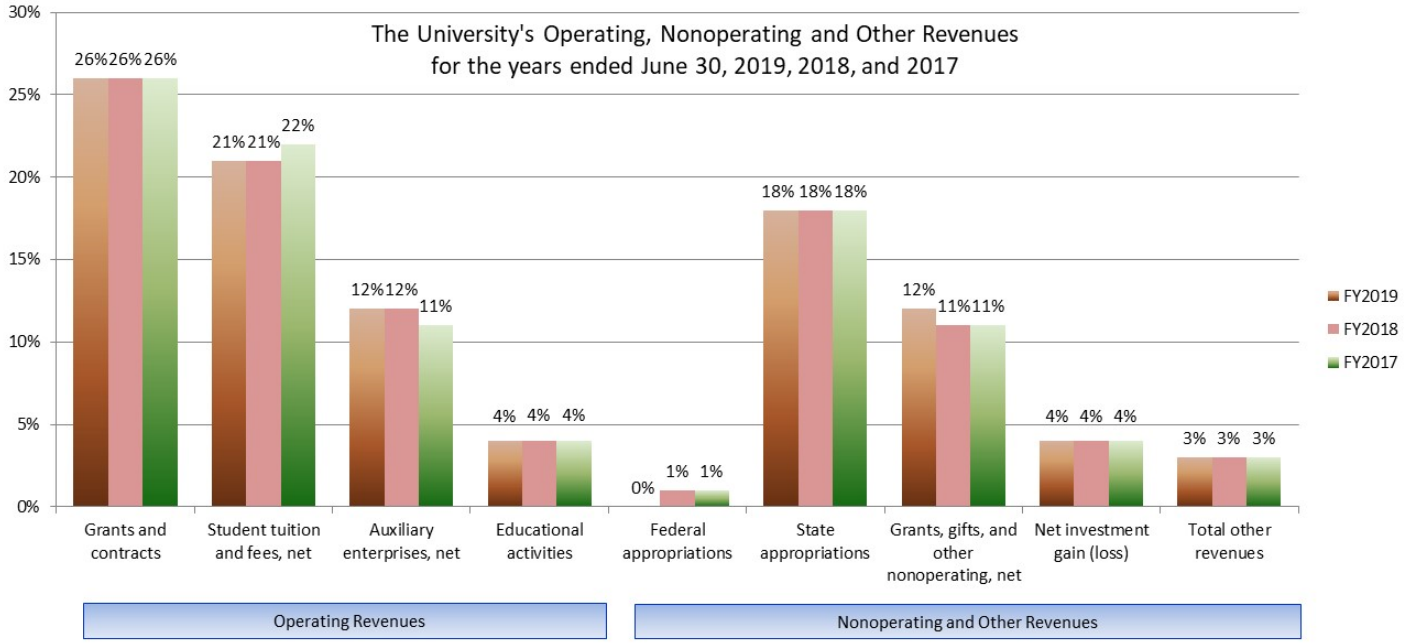
Condensed Statements of Net Position with GASB 68 and 71 (in thousands)			
	2019	**2018**	**2017**
Total assets	6,535,809	6,304,508	6,113,743
Deferred outflows of resources	618,869	948,273	1,332,540
Total liabilities	2,517,204	3,310,582	4,027,694
Deferred inflows of resources	1,008,147	724,632	174,265
Net position			
Unrestricted	602,509	345,558	394,159
Restricted—expendable	1,038,042	901,976	817,397
Restricted—nonexpendable	314,264	309,407	313,885
Net investment in capital assets	1,674,512	1,660,626	1,718,883
Total net position	$ 3,629,327	$ 3,217,567	$ 3,244,324

Condensed Statements of Net Position without GASB 68 and 71 (in thousands)			
	2019	**2018**	**2017**
Total assets	6,535,809	6,304,508	6,113,743
Deferred outflows of resources	5,950	5,237	3,744
Total liabilities	2,307,811	2,196,917	2,118,824
Deferred inflows of resources	6,608	6,253	1,992
Net position			
Unrestricted	1,068,788	1,032,588	976,704
Restricted—expendable	1,169,776	1,103,954	987,199
Restricted—nonexpendable	314,264	309,407	313,885
Net investment in capital assets	1,674,512	1,660,626	1,718,883
Total net position	$ 4,227,340	$ 4,106,575	$ 3,996,671

Consolidated Statements of Revenues, Expenses and Changes in Net Position

The Consolidated Statements of Revenues, Expenses, and Changes in Net Position present the University's operating, nonoperating, capital and endowment related financial activity during the year. This statement differentiates between operating and nonoperating revenues and expenses, and it displays the net income or loss from operations. Operating revenues are those generated by the University's principal ongoing operations such as tuition, sponsored research grants and contracts, and sales and services provided by the University's educational and self-supporting auxiliary units. State appropriations are reported as nonoperating revenues, as are gifts and other revenues, for which the University does not give equal value in exchange for the resources received. Operating revenues have remained consistent at 63 percent of total revenues for fiscal years 2019, 2018 and 2017, respectively.





The University's Operating, Nonoperating and Other Revenues for the years ended June 30, 2019, 2018 and 2017 *(in thousands)*							
				Increase (Decrease)			
				From 2018 to 2019		From 2017 to 2018	
	2019	2018	2017	Amount	Percent	Amount	Percent
Operating revenues							
Grants and contracts	$ 976,160	$ 939,085	$ 901,319	$ 37,075	3.9%	$ 37,766	4.2%
Student tuition and fees, net	823,690	797,329	774,827	26,361	3.3%	22,502	2.9%
Auxiliary enterprises, net	457,742	438,118	403,088	19,624	4.5%	35,030	8.7%
Educational activities	151,320	153,335	148,981	(2,015)	(1.3%)	4,354	2.9%
Other operating revenue *	213	108	114	105	97.2%	(6)	(5.3%)
Total operating revenues	2,409,125	2,327,975	2,228,329	81,150	3.5%	99,646	4.5%
Nonoperating revenues							
Federal appropriations	17,883	21,690	17,481	(3,807)	(17.6%)	4,209	24.1%
State appropriations	674,288	684,261	650,749	(9,973)	(1.5%)	33,512	5.1%
Grants, gifts, and other nonoperating, net	453,044	406,936	401,424	46,108	11.3%	5,512	1.4%
Net investment gain	146,282	166,226	147,380	(19,944)	(12.0%)	18,846	12.8%
Total nonoperating revenues	1,291,497	1,279,113	1,217,034	12,384	1.0%	62,079	5.1%
Total other revenues	108,345	110,744	121,284	(2,399)	(2.2%)	(10,540)	(8.7%)
Total revenues (noncapital)	$ 3,808,967	$ 3,717,832	$ 3,566,647	$ 91,135	2.5%	$ 151,185	4.2%

** Total is less than 1 percent - not included in the graph.*

Total revenues increased in fiscal year 2019 by $91.1 million primarily due to increases in operating revenue, partially offset by decreases in both State and Federal appropriations and investment income. Operating revenues increased $81.2 million or 3.5 percent mainly due to increases in grants and contracts which supports the University's mission related to Research and Discovery. Student tuition and fees, net increased 3.3 percent as a result of the fiscal year 2019 President's initiatives related to tuition increases. Increases were partially offset by the President's initiatives which include offsetting the resident undergraduate tuition increase for students with the greatest financial need by increased award levels for students eligible for federal Pell and Minnesota state grants, and holding graduate and professional tuition increases flat for certain disciplines to address concerns related to student debt.

Revenues from sales and services of educational activities decreased $2.0 million due to timing of normal business activity.

State appropriations decreased $10.0 million compared to an increase of $33.5 million in fiscal year 2018, decreasing to $674.3 million from $684.3 million in fiscal year 2018. In addition to a decrease in operations and maintenance funding effective fiscal year 2017, the State revised the process for the University to receive the appropriation from the Minnesota environment and natural resources trust fund. The new process remits revenue to the University after expenses have been incurred and invoiced.

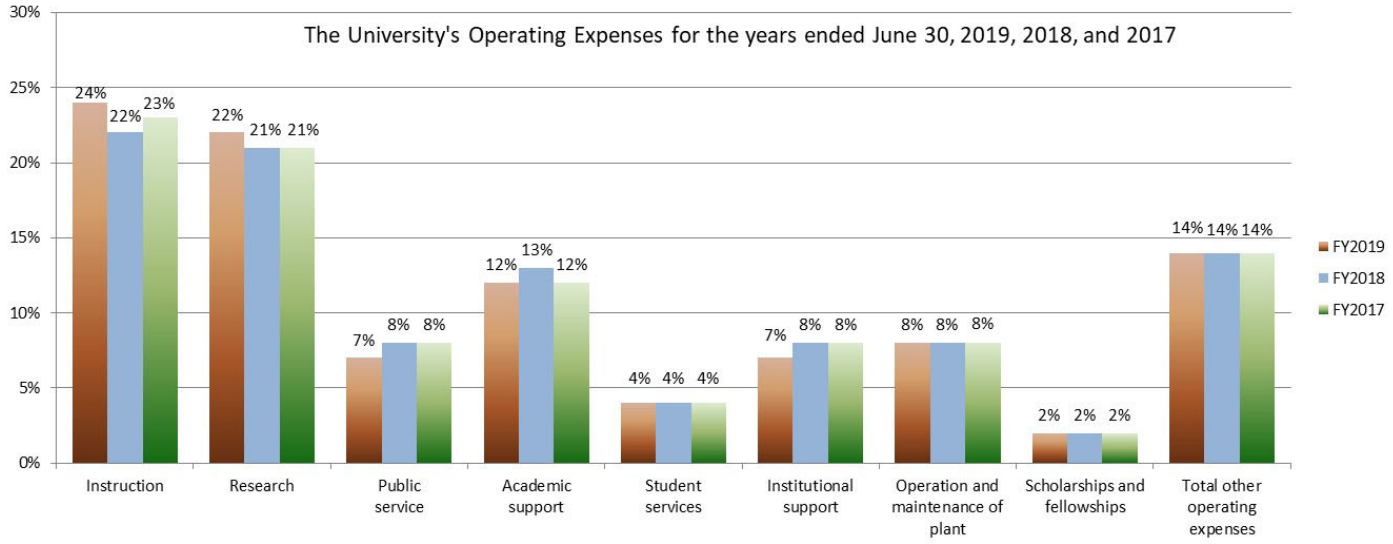
Tuition, educational and auxiliary activities and State appropriations, in addition to other sources of unrestricted revenue, funded a number of University priorities including competitive compensation plans for faculty and staff; various academic initiatives such as MNDrive; enhancement of services to students including technology improvements; upgrades to the financial aid process and freshman seminars; and increases in facilities costs. MNDrive, Minnesota's Discovery, Research, and InnoVation Economy is a landmark partnership between the University and the State of Minnesota that aligns areas of University research strength with the State's key and emerging industries to address grand challenges. In 2013, the Minnesota Legislature authorized an $18 million recurring annual investment in four research areas: Robotics, Global Food,

Environment, and Brain Conditions. In 2017, the State appropriated another $4.0 million per year for a fifth research area: Cancer Clinical Trials.

Other significant sources of nonoperating revenue to the University included gifts in support of operating expenses of $214.5 million, $195.6 million, and $191.0 million, and grants and gifts for capital purposes of $24.2 million, $35.7 million, and $42.2 million in fiscal years 2019, 2018, and 2017, respectively.

For the year ended June 30, 2019, other revenues, which consist of capital appropriations, and capital endowments gifts and grants decreased $2.4 million or 2.2 percent and $10.5 million or 8.7 percent in fiscal years 2019 and 2018, respectively. Capital appropriation revenue is received as project expenses are incurred. As projects near completion, the revenue received decreases. During fiscal year 2019, several projects such as the Chemical Sciences and Advanced Materials building on the Duluth campus were completed.

Total Operating Expenses



The University's Operating Expenses by Functional Category for the years ended June 30, 2019, 2018 and 2017 *(in thousands)*							
				Increase (Decrease)			
				From 2018 to 2019		From 2017 to 2018	
	2019	2018	2017	Amount	Percent	Amount	Percent
Education and general							
Instruction	$801,626	$827,200	$827,780	($25,574)	(3.1%)	($580)	(0.1%)
Research	720,614	768,137	763,410	(47,523)	(6.2%)	4,727	0.6%
Public service	243,734	285,251	304,268	(41,517)	(14.6%)	(19,017)	(6.3%)
Academic support	401,418	465,319	461,543	(63,901)	(13.7%)	3,776	0.8%
Student services	122,009	142,865	144,826	(20,856)	(14.6%)	(1,961)	(1.4%)
Institutional support	238,655	314,769	297,379	(76,114)	(24.2%)	17,390	5.8%
Operation and maintenance of plant	268,839	310,674	288,588	(41,835)	(13.5%)	22,086	7.7%
Scholarships and fellowships	64,524	64,589	62,060	(65)	(0.1%)	2,529	4.1%
Depreciation	214,336	221,797	208,645	(7,461)	(3.4%)	13,152	6.3%
Total education and general	3,075,755	3,400,601	3,358,499	(324,846)	(9.6%)	42,102	1.3%
Other operating expenses							
Auxiliary enterprises	269,780	297,711	292,784	(27,931)	(9.4%)	4,927	1.7%
Other operating expenses, net	1,070	120	294	950	791.7%	(174)	(59.2%)
Total other operating expenses	270,850	297,831	293,078	(26,981)	(9.1%)	4,753	1.6%
Total operating expenses	$3,346,605	$3,698,432	$3,651,577	(351,827)	(9.5%)	46,855	1.3%

Total operating expenses decreased $351.8 million or 9.5 percent in fiscal year 2019 compared to an increase of $46.9 million or 1.3 percent in fiscal year 2018. Across almost all functional categories, salaries and compensation-related expenditures continued to represent the most significant expense to the University at $2.1 billion or 62.3 percent, $2.4 billion or 65.5 percent and $2.5 billion or 67.5 percent of operating expenses in fiscal years 2019, 2018 and 2017, respectively. Compensation related expenditures decreased $338.5 million or 14.0 percent and $43.5 million or 1.8 percent in fiscal years 2019 and 2018 compared to an increase of $387.4 million or 18.6 percent in fiscal year 2017. Decreases in compensation related expenditures in fiscal year 2019 and 2018 are primarily due to the University's recording of GASB 68 and 71 pension expenses which resulted in decreases in fringe related expenses of $291.0 million associated with the decrease in the net pension liability.

Decreases in all functional categories are primarily due to compensation related expenses due to the University's recording of GASB 68 and 71. Institutional Support decreased $76.1 million during fiscal year 2019, primarily due to GASB 68 and 71 pension expenses and decreases in equipment purchases for the Next Generation Network project, which started in fiscal year 2017. Operation and maintenance of plant expenses decreased $41.8 million during fiscal year 2019, primarily due the impact of GASB 68 and 71.

Consolidated Statements of Cash Flows

The University's Cash Flows for the years ended June 30, 2019, 2018 and 2017 *(in thousands)*							
				Increase (Decrease)			
				From 2018 to 2019		From 2017 to 2018	
	2019	2018	2017	Amount	Percent	Amount	Percent
Cash (used in) provided by							
Operating activities	$ (1,005,521)	$ (1,019,820)	$ (990,907)	$ 14,299	1.4%	$ (28,913)	(2.9%)
Noncapital financing activities	1,149,795	1,102,699	1,086,731	47,096	4.3%	15,968	1.5%
Capital and related financing activities	(150,232)	(142,775)	(264,733)	(7,457)	(5.2%)	121,958	46.1%
Investing activities	(15,093)	112,059	147,807	(127,152)	113.5%	(35,748)	24.2%
Net (decrease) increase in cash	(21,051)	52,163	(21,102)	(73,214)	(140.4%)	73,265	(347.2%)
Cash, beginning of year	488,868	436,705	457,807	52,163	11.9%	(21,102)	(4.6%)
Cash, end of year	$ 467,817	$ 488,868	$ 436,705	$ (21,051)	(4.3%)	$ 52,163	11.9%

The Consolidated Statements of Cash Flows presents information about changes in the University's cash position using the direct method of reporting sources and uses of cash. The direct method reports all major cash inflows and outflows at gross amounts, differentiating these activities into cash flows arising from operating activities; noncapital financing such as nonexchange grants and contributions; capital financing, including bond proceeds from debt issued to purchase or construct buildings and other capital assets; and investing activities.

As illustrated in the above table, the University's cash and cash equivalents decreased $21.1 million compared to fiscal year 2018 due to an increase in cash used for investing activities, partially offset by an increase in cash provided for noncapital financing activities and operating activities.

Operating Activities

The cash used by operating activities decreased $14.3 million compared to fiscal year 2018 primarily due to the timing of normal business activities.

Noncapital Financing Activities

The cash provided by noncapital financing activities increased $47.1 million compared to an increase of $16.0 million in fiscal year 2018. The most significant sources of cash provided included State appropriations totaling $674.5 million and $684.3 million, grants totaling $223.2 million and $200.9 million, and gifts totaling $214.4 million and $186.6 million in 2019 and 2018, respectively.

Capital and Related Financing Activities

The cash used by capital and related financing activities increased $7.5 million primarily due to a decrease in cash flow related principal payments on debt, partially offset by cash flow from new debt issuances. During fiscal year 2019, the University issued $175.5 million and $73.6 million in new bond issuances and commercial paper, respectively, compared to $423.3 million and $32.0 million in new bond issuances and commercial paper in fiscal year 2018. Cash inflows for capital acquisitions from capital appropriations, capital grants and gifts and bonds issued during the year funded a portion of the University's equipment needs and ongoing renovation and construction initiatives.

Investing Activities

The University's endowment funds are invested to preserve the inflation-adjusted value of the endowment and to maximize total return within acceptable risk parameters. These objectives are benchmarked over three-to five-year periods.

Long-term endowment and other investments included increases from net unrealized gains on the endowment and other investments of $12.1 million, $96.4 million, and $82.6 million in fiscal years 2019, 2018 and 2017, respectively. Annual distributions of the endowment to departments, partially offset by reinvested endowment earnings, decreased investments by $62.2 million, $59.7 million and $56.4 million in fiscal years 2019, 2018 and 2017, respectively.

To provide a relatively stable level of support for endowed programs, a specified percentage rate based on a five-year, moving-average market value of the endowment is distributed each year. These distributions provide funds for a variety of purposes, including instructional needs, research activities, scholarships, and academic support. An endowment spending policy requires balancing current needs with the long-term focus of the institution. The endowment funds distribution rate was 4.5 percent in fiscal years 2019, 2018 and 2017.

Factors Affecting Future Financial Condition

The University is the flagship research institution in the state of Minnesota. It has received historically strong support from the state, its academic quality attracts record numbers of applications, it has a diversified mix of revenue streams which augment tuition and state support, and it enjoys a strong credit rating which enables a low cost of borrowing. Maintaining these competitive advantages, and managing operating costs, is more important than ever to the overall results of operations. The following provides some insights into the factors which could impact the University.

State support for operations and maintenance – Continued state support is an important component of future fiscal health for the University. For the FY 20-21 biennium, base funding for the University has been set in law at $1,345 million, a $43.5 million (3.3%) increase over the prior biennial base. The Legislature funded portions of the University's requested $87 million, but did not fully fund the University's request for core mission support. The University will need to cover operating cost increases through other revenue increases and through operating cost containment.

State support for facilities and capital projects – The University's strategic plans for capital projects are focused on 5 key areas:

- Renovating or removing buildings that are considered to be "critical" as deemed by the Facilities Condition Assessment criteria
- Advancing the Health Sciences
- Modernizing St. Paul campus research laboratories
- Expanding facilities capacity in science, technology, engineering, and math programs
- Repositioning the University's libraries for the 21st Century

The University's top capital request priorities for the 2019 Legislative session consisted of funding for Higher Education Asset Preservation and Renewal ($200 million), renovation of the Child Development Center building ($28 million), and funding for renovation of the A.B Anderson Hall on the Duluth campus ($4.3 million). Unfortunately the Legislature did not pass a bonding bill during the 2019 regular session or the subsequent special session. Going forward, there will be a growing need for funding that maintains and renews existing University facilities, to avoid a worsening backlog of unfunded maintenance. The University will

increasingly focus its state capital requests on Higher Education Asset Preservation and Replacement (HEAPR) as a source of funding to maintain and renew existing facilities.

Federal funding – The University ranks number 9 among public research universities in federal funding for research and development, thanks to the productivity and ingenuity of its faculty. The tightening of the federal budget, the failure of the United States Congress to adopt annual budgets which provide stability and predictability, and the policy directions of the current presidential administration have created a high level of uncertainty about federal funding for many universities. A significant decrease in federal funding would have negative consequences to the University's research enterprise. Fortunately, due to the quality of the institution's faculty, the University has seen success in competitive awards of federal research dollars, with awards from NIH (the largest provider of federal funding) up $31.3 million (17.1%) through three quarters of FY 2019. Additionally, the University has been successful in pursuing sponsored funding from other sources to mitigate the risk of federal funding cutbacks.

Technology commercialization – The University of Minnesota has been in the forefront in commercializing University inventions. The University ranked 6th among public university commercialization offices in a 2017 Milken Institute study. Successes include 900 active patents, 1,800 active technology licenses, and over 150 startups launched from University of Minnesota technology, including 19 during FY 2019.

Technology commercialization provides a source of revenue to supplement traditional revenue streams. Growth in commercializing technology developed at the University will be important to maintaining the University's research enterprise and generating new revenue streams.

Undergraduate applications and enrollment – The University has built a national reputation and a pipeline of non-resident / non-reciprocity undergraduate students. For FY 2019, fall semester undergraduate freshman applications and acceptances were 58,176 and 32,734, respectively, which was essentially flat from the prior year. As a part of the FY 2019 approved budget, undergraduate tuition was increased 2% for resident Minnesota students, and 15% for non-resident students who are not covered by an interstate reciprocity agreement. The University's ability to consistently find the point of equilibrium between price and demand will be important to maintain the tuition revenue stream.

Expenses and cost containment – The University's primary operating costs are the salaries and benefits paid to a highly trained, world-class academic workforce. The University has been benchmarking the costs of delivering its core mission, and completed a six year cost-containment program designed to reduce $90 million in costs not directly related to its core mission. The savings have been reallocated to higher-priority direct mission activities. Cost containment is critical to making sure a University of Minnesota education is affordable. Upon the completion of the 6-year program cost reallocation program, the University will need to continue its cost-containment efforts while finding new ways to reduce operating costs without impacting teaching, research, and outreach mission.

The University's partnership with Fairview Health Services – The University has had a long-term academic affiliation agreement with Fairview Health Services, the health care organization that purchased the University's on-campus hospital in 1996. A strong partnership is vital to supporting and strengthening the research, outreach, and medical education mission of the University of Minnesota Medical School.

A new agreement between Fairview and the University went into effect on January 1, 2019. The agreement creates a new "joint clinical enterprise" that better aligns Fairview and the University's goals for research and clinical care. Major elements of the agreement include organizational changes, new branding, and improved financial support to the University's academic medicine enterprise. The new agreement provides for an

increase in fixed financial support to the Medical School, from $8.75 million in 2018 to $40 million in 2019, with additional annual increases of $5 million for FY 2020 and FY 2021. This is a significant improvement in financial support for the University, and demonstrates the strengthened relationship between the University and Fairview.

University of Minnesota
Consolidated Statements of Net Position (Excluding Component Units)
June 30, 2019 and 2018 (in thousands)

			2019	2018
Assets				
Current assets				
	Cash and cash equivalents		$ 405,247	$ 463,460
	Short-term investments		271,618	263,676
	Receivables, net		359,679	309,741
	Inventories		19,319	19,389
	Student loans receivable, net		9,346	10,079
	Prepaid expenses		34,280	36,575
	Other assets		350	560
		Total current assets	1,099,839	1,103,480
Noncurrent assets				
	Restricted cash and cash equivalents		62,570	25,408
	Investments		2,053,182	1,897,897
	Receivables, net		11,269	11,039
	Student loan receivables, net		59,337	63,582
	Prepaid expenses		12,160	15,005
	Other assets		2,958	2,780
	Capital assets, net		3,234,494	3,185,317
		Total noncurrent assets	5,435,970	5,201,028
Total assets			6,535,809	6,304,508
Deferred Outflows of Resources			618,869	948,273
Liabilities				
Current liabilities				
	Accounts payable		163,956	137,764
	Accrued liabilities and other		327,918	315,696
	Unearned income		64,408	64,889
	Long-term debt		320,119	346,794
		Total current liabilities	876,401	865,143
Noncurrent liabilities				
	Accrued liabilities and other		347,396	1,250,400
	Unearned income		44	44
	Long-term debt		1,293,363	1,194,995
		Total noncurrent liabilities	1,640,803	2,445,439
Total liabilities			2,517,204	3,310,582
Deferred Inflows of Resources			1,008,147	724,632
Net Position				
	Unrestricted		602,509	345,558
	Restricted	Expendable	1,038,042	901,976
		Nonexpendable	314,264	309,407
	Net investment in capital assets		1,674,512	1,660,626
Total net position			$ 3,629,327	$ 3,217,567

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Component Units – Statements of Financial Position
June 30, 2019 and 2018 (in thousands)

	University of Minnesota Foundation		University of Minnesota Physicians	
	2019	2018	2019	2018
Assets				
Cash and cash equivalents	$ 26,722	$ 35,071	$ 97,904	$ 82,464
Investments, substantially at fair market value	2,905,798	2,654,606	24,023	21,750
Pledges receivable, net	191,366	204,696		
Accounts and other receivables	20,282	42,459	99,528	111,075
Interest in charitable lead trusts, unitrusts, pooled income, and trusts	86,836	86,446		
Gift annuities	35,452	30,876		
Property and equipment, net	82,214	85,284	6,722	5,760
Prepaids and other assets			16,536	2,831
Total assets	3,348,670	3,139,438	244,713	223,880
Liabilities				
Accounts payable and accrued liabilities	20,229	24,294	141,854	122,938
Gift annuities payable	17,744	16,313		
Unitrusts, pooled income, and annuity trusts payable	10,616	11,016		
Investments held for custody of others	294,385	261,608		
Long-term debt	46,977	47,828	2,174	2,531
Total liabilities	389,951	361,059	144,028	125,469
Net Assets				
Without donor restrictions	133,958	132,822	100,685	98,411
With donor restrictions	2,824,761	2,645,557		
Total net assets	2,958,719	2,778,379	100,685	98,411
Total liabilities and net assets	$ 3,348,670	$ 3,139,438	$ 244,713	$ 223,880

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Consolidated Statements of Revenues, Expenses and Changes in Net Position
(Excluding Component Units)
Years ended June 30, 2019 and 2018 (in thousands)

			2019	2018
Revenues				
Operating revenues	Student tuition and fees, net of scholarship allowances of $302,655 in 2019; $294,095 in 2018		$ 823,690	$ 797,329
	Federal grants and contracts		479,820	453,498
	State and other government grants		87,042	85,741
	Nongovernmental grants and contracts		409,298	399,846
	Student loan interest income		2,053	1,998
	Sales and services of educational activities, net of scholarship allowances of $26 in 2019; $45 in 2018		149,267	151,337
	Auxiliary enterprises, net of scholarship allowances of $12,444 in 2019; $12,106 in 2018		457,742	438,118
	Other operating revenues		213	108
Total operating revenues			2,409,125	2,327,975
Expenses				
Operating expenses	Education and general	Instruction	801,626	827,200
		Research	720,614	768,137
		Public service	243,734	285,251
		Academic support	401,418	465,319
		Student services	122,009	142,865
		Institutional support	238,655	314,769
		Operation & maintenance of plant	268,839	310,674
		Scholarships & fellowships	64,524	64,589
		Depreciation	214,336	221,797
	Auxiliary enterprises		269,780	297,711
	Other operating expenses, net		1,070	120
Total operating expenses			3,346,605	3,698,432
Operating Loss			(937,480)	(1,370,457)
Nonoperating Revenues (Expenses)				
Federal appropriations			17,883	21,690
State appropriations			674,288	684,261
Grants			230,057	204,018
Gifts			214,458	195,612
Investment income, net			146,282	166,226
Interest on capital-asset related debt			(50,602)	(46,157)
Other nonoperating revenues, net			8,529	7,306
Net nonoperating revenues			1,240,895	1,232,956
Income (Loss) Before Other Revenues			303,415	(137,501)
Capital appropriations			80,446	74,587
Capital grants & gifts			24,219	35,711
Additions to permanent endowments			3,680	446
Total other revenues			108,345	110,744
Increase (Decrease) In Net Position			411,760	(26,757)
Net position at beginning of year			3,217,567	3,244,324
Net position at end of year			$ 3,629,327	$ 3,217,567

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Component Units – Statements of Activities
Years ended June 30, 2019 and 2018 (in thousands)

	University of Minnesota Foundation			
	Without donor restrictions	With donor restrictions	Total 2019	Total 2018
Revenues				
Contributions	$ 685	$ 223,456	$ 224,141	$ 253,443
Investment income, net	331	19,967	20,298	12,953
Net realized and unrealized gains on investments	809	187,043	187,852	168,580
Change in value of trusts	(10)	2,169	2,159	2,473
Support services revenue	7,165		7,165	7,165
UMF - Real Estate Advisors rental revenue	7,034		7,034	6,572
University Gateway Corporation revenue	4,702		4,702	4,787
Other revenue	2		2	1,854
Net assets released from restriction	253,431	(253,431)		
Total revenues	274,149	179,204	453,353	457,827
Expenses				
Program services				
Distributions for University purposes	210,433		210,433	188,482
Support services				
Management and general	11,086		11,086	10,376
Promotion and development	36,791		36,791	37,858
UMF - Real Estate Advisors	6,964		6,964	6,476
University Gateway Corporation	7,739		7,739	5,801
Total expenses	273,013		273,013	248,993
Increase in net assets	1,136	179,204	180,340	208,834
Net assets at beginning of year	132,822	2,645,557	2,778,379	2,569,545
Net assets at end of year	$ 133,958	$ 2,824,761	$ 2,958,719	$ 2,778,379

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Component Units – Statements of Activities
Years ended June 30, 2019 and 2018 (in thousands)

	University of Minnesota Physicians	
	Total (unrestricted)	
	2019	2018
Revenues		
Net patient service revenue	$ 126,341	$ 184,259
Investment income, net	1,368	625
Net realized and unrealized losses on investments	53	(82)
Equity in income of equity method investees	(15,034)	(16,150)
Other revenue	516,419	402,402
Total revenues	629,147	571,054
Expenses		
Program services		
Health care services	569,231	532,378
Support services		
Management and general	57,642	55,107
Total expenses	626,873	587,485
Increase (decrease) in net assets	2,274	(16,431)
Net assets at beginning of year	98,411	114,842
Net assets at end of year	$ 100,685	$ 98,411

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2019 and 2018 (in thousands)

	2019	2018
Cash Flows From Operating Activities		
Grants and contracts (federal, state, nongovernmental, other)	$ 956,874	$ 912,244
Student tuition and fees	820,392	797,185
Auxiliary enterprises	455,859	439,505
Sales and services of educational activities	148,934	148,961
Collection of loans to students	12,891	12,262
Other operating revenues	459	109
Payments to employees for services	(1,770,015)	(1,724,571)
Payments to suppliers for goods and services	(979,822)	(978,280)
Payments for fringe benefits	(591,483)	(565,039)
Payments for scholarships and fellowships	(53,027)	(50,257)
Loans issued to students	(6,583)	(11,939)
Net cash used by operating activities	(1,005,521)	(1,019,820)
Cash Flows From Noncapital Financing Activities		
State appropriations	674,476	684,261
Grants for other than capital purposes	223,146	200,903
Gifts for other than capital purposes	214,402	186,607
Federal appropriations	21,287	19,171
Other nonoperating revenues, net	12,656	10,449
Private gifts for endowment purposes	3,664	446
Direct lending receipts	368,758	375,479
Direct lending disbursements	(368,473)	(375,306)
Agency transactions	(121)	689
Net cash provided by noncapital financing activities	1,149,795	1,102,699
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	220,301	178,538
Capital appropriations	79,409	72,377
Capital grants and gifts	20,791	34,072
Proceeds from sale of capital assets	1,630	1,482
Principal received on notes receivable	551	785
Interest received on notes receivable	455	477
Purchases of capital assets	(250,174)	(279,992)
Principal paid on capital debt	(163,485)	(94,617)
Interest paid on capital debt	(59,710)	(55,813)
Issuance of notes receivable		(84)
Net cash used by capital and related financing activities	(150,232)	(142,775)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	20,185,458	17,942,965
Purchase of investments	(20,308,942)	(17,896,905)
Investment income, net	108,391	65,999
Net cash (used) provided by investing activities	(15,093)	112,059
Net (Decrease) Increase in Cash and Cash Equivalents	(21,051)	52,163
Cash and Cash Equivalents at Beginning of Year	488,868	436,705
Cash and Cash Equivalents at End of Year	$ 467,817	$ 488,868

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2019 and 2018 (in thousands)

	2019	2018
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities		
Operating loss	$ (937,480)	$ (1,370,457)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	214,336	221,797
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables, net	(17,022)	(30,871)
Inventories	69	681
Prepaid and other items	5,721	14,355
Deferred outflows of resources	272,668	287,610
Accounts payable	8,430	4,942
Accrued liabilities	(173,357)	98,902
Unearned income	(4,255)	2,596
Deferred inflows of resources	(374,631)	(249,375)
Net cash used by operating activities	$ (1,005,521)	$ (1,019,820)
Noncash Investing, Capital, and Financing Activities		
Realized gains on investments for stock distributions	$ 24,654	
Capital assets acquired with capital lease	22,420	$ 2,717
Capital assets on account	21,773	29,546
Unrealized gains on investments	9,782	109,358
Amortization of bond discount/premium	7,024	6,025
Net unsettled investment trades	5,173	15,606
Contribution of capital assets	3,192	3,023
Net gain on retirement of debt	519	3,799
Cash and Cash Equivalents at End of Year		
Cash and cash equivalents	$ 405,247	$ 463,460
Restricted cash and cash equivalents	62,570	25,408
Total cash and cash equivalents at end of year	$ 467,817	$ 488,868

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Organization

The University of Minnesota (the University) is both a state land-grant university, with a strong tradition of education and public service, and a major research institution serving the State of Minnesota through five campuses: Crookston, Duluth, Morris, Rochester, and Twin Cities.

The University is considered a constitutional corporation and an agency of the State of Minnesota. As a result of this unique status, authority to govern the University is reserved to the Board of Regents rather than state law. The University complies with state law when specifically included by statute or when compliance does not conflict with the University's ability to accomplish its mission and purpose as established by the constitution of the State of Minnesota.

Tax Status—The Internal Revenue Service (IRS) has ruled that the University is an integral part of the State of Minnesota. Therefore, the University is generally exempt from federal income taxes, although certain activities are subject to federal unrelated business income tax.

Reporting Entity

The financial reporting entity for the University of Minnesota includes the financial results of the five campuses and, as required under Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61), its legally separate component units. The component units are included in the University's reporting entity because of the significance of their operational or financial relationships with the University or its other component units.

Blended Component Units—The University has component units that provide services entirely for the University's own benefit. As a result, GASB 61 requires blended presentation—combining the component units and University financial information together, displayed as one entity.

RUMINCO, Ltd.

RUMINCO, Ltd. is a wholly owned single parent captive insurance company. Although it is legally separate from the University, RUMINCO, Ltd. is reported as if it were part of the University because its sole purpose is to handle medical malpractice, general liability, directors' and officers' liability, and automobile liability on behalf of the University.

2515 University Ave SE, LLC

2515 University Ave SE, LLC (University Village) is a wholly owned company of the University. Although it is legally separate from the University, University Village is reported as if it were part of the University. University Village provides spacious, affordable living on the Twin Cities campus.

Discretely Presented Component Units—The University's consolidated financial statements include the financial data of two tax-exempt component units. They are reported in separate columns on separate pages.

GASB 61 requires discrete presentation of component units when either the resources held by these entities can only be used by, or for the benefit of, the University or its component units; or the component units are closely related to, or financially integrated with the University.

The University's discretely presented component units are nonprofit organizations, organized under IRS Code Section 501(c)(3). These units report under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, and do not meet the criteria of a blended component unit. The component units' financial data has been aggregated into like categories for presentation purposes and is shown in these statements in thousands.

University of Minnesota Foundation

The University of Minnesota Foundation (UMF) is a legally separate, tax-exempt organization dedicated to raising and managing private gifts to benefit the University of Minnesota. The Board of Trustees of the UMF consists of between 30 and 45 members and includes the President of the University of Minnesota. One-fourth of the members of the Board of Trustees are appointed by the University. Although UMF is an independent organization, the majority of resources that it holds and invests, including income from its investments, are restricted by donors to the activities of the University. The factor that contributes to UMF being classified as a discretely presented component unit relates to the significant resources UMF holds on behalf of the University. The University has access to these resources.

During fiscal years 2019 and 2018, the UMF distributed $248,480 and $226,239, respectively, to the University. Complete financial statements for the University of Minnesota Foundation can be obtained from the UMF office, McNamara Alumni Center, 200 Oak Street S.E., Suite 500, Minneapolis, MN 55455.

University of Minnesota Physicians

University of Minnesota Physicians (UMP) is a legally separate, tax-exempt clinical practice organization for the faculty of the University of Minnesota Medical School. The Board of UMP consists of at least 25 and not more than 29 voting directors, ex-officio voting directors, and ex-officio non-voting directors. Included in the composition of UMP's board of directors is the dean of the University of Minnesota Medical School, faculty, and department heads of the University Medical School totaling 19 members. Based on the University appointing a voting majority of board members, the University has the ability to impose its will on UMP, as management and direction of the business and affairs of UMP is vested in the board. As a result, this contributes to UMP being classified as a discretely presented component unit.

During fiscal years 2019 and 2018, UMP distributed $105,828 and $97,819, respectively, to the University. Complete financial statements for University of Minnesota Physicians can be obtained from the Chief Financial Officer, 720 Washington Ave S.E., Suite 200, Minneapolis, MN 55414.

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility.

2407 University Investment, LLC

The University is a participant in a joint venture, 2407 University Investment, LLC with United Properties Investment, LLC. The joint venture owns and operates a hotel and acts as a lessor of a restaurant on property adjacent to the Twin Cities campus. The joint venture also provides the University the opportunity to plan with United Properties Investment, LLC future redevelopment of the parcel of land. It is governed by a five member board of governors, for which the University shall have the right to appoint two of the governors. In addition, the University has a 49 percent membership with an equity interest of $1,458 and $1,489 as of June 30, 2019 and 2018, respectively. During fiscal year ended June 30, 2014, the University provided an interest-bearing loan to the joint venture in the amount of $8,750, which is expected to be repaid over a period of 20 years. During fiscal years 2019 and 2018, the University received $415 and $416, respectively, in interest income. As of June 30, 2019 and 2018, $8,617 and $8,750, respectively, in principal remains outstanding. Complete financial statements can be obtained from 2407 University Investment, LLC, c/o United Properties Investment, LLC, 3600 American Blvd, Ste. 750, Minneapolis, MN 55431.

Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles prescribed by GASB. These statements are prepared on a consolidated, entity-wide basis. All significant inter-fund balances have been eliminated upon consolidation.

Basis of Accounting

The University is considered to be a special purpose government engaged primarily in business type activities (BTA). As a BTA, the University prepares its financial statements using the accrual basis of accounting and the economic-resources-measurement focus. Under the accrual basis of accounting, revenues and expenses are recognized when earned or incurred, respectively.

Significant Accounting Policies

Cash and Cash Equivalents—For purposes of the statement of cash flows, the University defines cash and cash equivalents as highly liquid, short-term (90 days or less) investments that bear little or no market risk. The intent of the Consolidated Endowment Fund (CEF), the Group Income Pool (GIP), and the Separately Invested Funds (SIF) is long-term appreciation. Any cash balances held at the date of the statements are due to the timing of reinvesting the proceeds within the funds.

Investments—Investments are reported at fair value, which represents the price that would be received to sell the investment in an orderly transaction between market participants. The University's investments are valued using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace in accordance with GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. Observable inputs reflect market data obtained from sources independent of the University and unobservable inputs reflect the University's own assumptions about how market participants would value the investment based on the best information available. The University uses various industry standard valuation techniques that are appropriate under the circumstances and for which sufficient information is available to determine fair value—maximizing the use of observable inputs, while minimizing the use of unobservable inputs. Purchases and sales of investments are recorded on a trade date basis. Investment income includes: interest income; realized and unrealized gains and losses; and investment related expenses.

The University uses derivative instruments for a variety of purposes. Financial futures are used to maintain investment portfolio asset allocations in accordance with institutional policy and to enhance the investment returns of certain asset classes. Forward foreign exchange contracts are used to protect against foreign currency exposure; gas commodity forward contracts are used to synthetically fix the price of other physical gas purchases used for University consumption; and interest rate swaps are used to manage the cost of debt. Financial futures and forward foreign exchange contracts are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. The University is required to post collateral, typically U.S. Treasury bills, for derivative contracts held. Collateral required by these contracts is monitored daily and required deposits or withdrawals are made as necessary. In general, the University follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Minnesota, for donor-restricted endowments. Under UPMIFA, the Board of Regents determines the prudent amount of realized and unrealized endowment appreciation to be allocated to fund current operations. Investment of the realized or unrealized appreciation in excess of the annual spending limits is discussed in Note 2.

Inventories—Inventories held for resale are carried at the lower of cost (first-in, first-out) or market value. Other inventories are carried primarily at cost, which approximates market value.

Receivables and Student Loan Receivables, Net—Receivables and student loan receivables are shown net of estimated allowance for uncollectible accounts.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent unspent bond proceeds, which are externally restricted for the construction or purchase of buildings or other capital assets. Although these funds meet the University's definition of cash and cash equivalents, they are recorded as long-term assets, as these funds are required to be used for long-term capital projects.

Capital Assets—Land, buildings, and other property are recorded at cost, if purchased or constructed or at market value on the date of gift, if received by gift or bequest. Depreciation is determined using the straight-line method, based on the estimated useful lives of the assets. Interest that qualified for interest capitalization is $1,268 and $4,033 for fiscal years 2019 and 2018, respectively.

The University entered into a direct financing lease in fiscal year 2016, related to the Clinic and Surgery Center with Fairview Health and University of Minnesota Physicians (UMP). The term of the lease is 30 years. The University has elected to report this under capital assets, as the University retained title to the building. The current portion of the lease is recorded as a current receivable. See Note 3 and Note 4 for additional information.

The following schedule summarizes the useful lives and capitalization thresholds:

Asset category	Useful life (in years)	Capitalization threshold
Capitalized software (intangible asset)	Shorter of legal life or 5 years	$500,000
Licenses (intangible asset)	License term	500,000
Non income-producing intellectual property (intangible asset)	Legal life	500,000
All other intangible assets	5	500,000
Buildings and improvements	10-40	50,000
Infrastructure	10-40	50,000
Leasehold improvements	Lease term	50,000
Equipment	3-20	5,000
Direct financing lease - building	Indefinite	
Land	Indefinite	
Museums and collections	Indefinite	
Library and reference books	10	
Permanent right-of-way easements (intangible asset)	Indefinite	

Deferred Outflows of Resources—Deferred outflows of resources represent current fiscal year contributions made to the University's participation in certain State of Minnesota cost-sharing, multiple employer defined benefit plans, as well as changes in actuarial assumptions and methods and differences between expected and actual experience related to the measurement of the respective plan's net pension liability (NPL) and changes in the University's proportionate share in the NPL. Additional information regarding pensions is discussed in Note 6. In addition, a portion of the balance is attributed to the University's UPlan other postemployment benefits (OPEB) for changes in actuarial assumptions and methods and differences between expected and actual experience related to the measurement of the OPEB liability. Additional information regarding other postemployment benefits is discussed in Note 10. The last portion of the balance represents a loss related to the defeasance of long-term debt. Additional information regarding long-term debt is discussed in Note 5.

Unearned Income—Unearned income represents amounts received from tuition, auxiliary services, and grants and contracts prior to fiscal year-end but not yet earned.

Noncurrent Liabilities—Noncurrent liabilities represent the principal portion of bonds, notes, and capital lease obligations as well as estimated amounts of accrued compensated absences, other postemployment benefits, and other liabilities that will not be paid within the next fiscal year.

Deferred Inflows of Resources—Deferred inflows of resources represent the changes in the actuarial assumptions and methods used to calculate the NPL related to the University's participation in the State of Minnesota's cost-sharing, multiple employer defined benefit plans, as well as changes in the University's proportionate share in the NPL. Additional information regarding pensions is discussed in Note 6. In addition, a portion of the balance is attributed to the University's UPlan other postemployment benefits (OPEB) for changes in actuarial assumptions and methods and differences between expected and actual experience related to the measurement of the OPEB liability. Additional information regarding other postemployment benefits is discussed in Note 10. The last portion of the balance represents a gain related to the defeasance of long-term debt. Additional information regarding long-term debt is discussed in Note 5.

Net Position—Net position is reported in the following three components:

- **Unrestricted**: Net position that has no external restriction imposed. Unrestricted net position may be designated for specific purposes by the Board of Regents or subject to contractual limitations, but generally are designated to fund the academic, research, and public service mission of the University.

- **Restricted**:

  Expendable—Net position that is restricted for specific purposes by grantors, donors, or law. Restrictions on these assets are released when the University complies with the stipulations required by the grantor, donor, or legislative act.

  Nonexpendable—Net position that is required to be retained permanently by the University. These assets represent the principal portion (historical value) of gifts to the University's true and life endowment funds, and institutional contributions to refundable loan programs.

- **Net investment in capital assets**: Net investment in capital assets represents capital assets net of accumulated depreciation and outstanding debt used to purchase, construct, or improve such assets. If debt has been incurred but not yet expended for capital assets, these unspent proceeds are classified as restricted-expendable net position.

If both restricted and unrestricted resources are to be used for the same purpose, the resources are used in accordance with applicable instructions of the grantor, donor, or law.

Revenue Recognition—The University recognizes exchange revenue when the University receives something and gives something with essentially equal value, and recognizes nonexchange revenue when the University receives something of value without directly giving something of equal value in exchange. Revenue is recognized in accordance with GASB Statement No. 34 (GASB 34), *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*.

Revenue and Expense Classifications—The University has classified revenues and expenses as operating or nonoperating based upon the following criteria:

- **Operating revenues**: Revenues that result from exchange activities that contribute to the University's mission of Research and Discovery; Teaching and Learning; and Outreach and Public Service. Exchange activities are transactions where the amount received approximates the fair market value of the goods or services given up. The University considers student tuition and fees (net of scholarship allowances), most grants and contracts, interest on student loans, and sales and services of auxiliary and educational activities (net of scholarship allowances) to be exchange transactions.

- **Nonoperating revenues**: Revenues that represent nonexchange activities. The primary sources of these revenues are federal and state appropriations, gifts, capital grants, federal and state financial aid grants (such as Pell and Supplemental Educational Opportunity Grants), and other nonexchange grants and contracts. Although the University relies upon these revenue sources to fund the cost of operations, the grantor or donor is not the direct recipient of the goods or services delivered under the grant or gift terms. Insurance recovery proceeds and legal settlements are classified as

nonoperating revenues as part of other nonoperating revenues, net. Insurance recovery proceeds were $965 and $2,241 for fiscal years 2019 and 2018, respectively.

- **Operating expenses**: Expenses that are paid to acquire or produce goods and services in return for operating revenues. The University has classified operating expenses based upon their functional classification. Operating expenses by natural classification are presented in Note 11.

  During fiscal years 2019 and 2018, nonsponsored departmental research $240,918 and $239,214 respectively, was recorded in both research expense and depreciation expense.

- **Nonoperating expenses**: Expenses incurred in the performance of activities that are not directly related to generating University operating revenues, such as interest on capital asset-related debt.

Use of Estimates—To prepare the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas that require the use of management's estimates relate to investment valuations, accounts payable, allowances for uncollectible accounts, self-insurance reserves, scholarship discounts and allowances, arbitrage rebates, and vacation pay and pension accruals.

New Accounting Pronouncements

GASB has issued new accounting standards that may be applicable to the University effective in future fiscal years.

GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) when the University is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria apply to identify fiduciary component units and postemployment benefit arrangements. An activity meeting the criteria will require the University to present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 also provides guidance on recognition of a liability to the beneficiaries in a fiduciary fund when the University is obligated to disburse fiduciary resources. The provisions of GASB 84 are effective for fiscal year 2020.

GASB Statement No. 87 (GASB 87), *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of GASB 87 are effective for fiscal year 2021.

GASB Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires interest cost the University incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, this interest cost incurred will no longer be included in the historical cost of a capital asset. The provisions of GASB 89 are effective for fiscal year 2021.

GASB Statement No. 90 (GASB 90), *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the University's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held for fiduciary purposes or in an endowment. The provisions of GASB 90 are effective for fiscal year 2020.

GASB Statement No. 91 (GASB 91), *Conduit Debt Obligations,* provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. These objectives are achieved by clarifying the definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of GASB 91 are effective for fiscal year 2022.

Management is in the process of evaluating whether these GASB statements will be applicable to the University and the impact these statements may have on the University's financial statements.

2. Cash and Investments

Summary

The University maintains centralized management of substantially all of its cash and investments which are held in several investment pools. Each pool has a specific set of guidelines designed to meet its respective investment objectives within risk parameters established for that pool. Securities held in these portfolios are exposed to various types of risk such as credit, interest rates, foreign currency and other capital market risks. Material changes in the value of securities subsequent to June 30, 2019 could affect the market values reported in the consolidated financial statements.

The following table summarizes cash and investments as of June 30, 2019:

	Temporary Investment Pool	Consolidated Endowment Fund	Group Income Pool	Separately Invested Funds and Other	Invested Assets Related to Indebtedness	RUMINCO, Ltd. Insurance Subsidiary	Total
Cash and cash equivalents	$ 383,976	$ 20,670	$ 505			$ 96	$ 405,247
Short-term investments	253,695	17,034	889				271,618
Total current assets	637,671	37,704	1,394			96	676,865
Restricted cash and cash equivalents					$ 62,570		62,570
Long-term investments							
Fixed income	484,697	306,357	64,035			16,773	871,862
Public equity		357,069				34,676	391,745
Private capital		523,989		$ 8,402			532,391
Inflation hedges		141,254					141,254
Other		115,827		13		90	115,930
Total noncurrent investments	484,697	1,444,496	64,035	8,415		51,539	2,053,182
Total cash and investments	$ 1,122,368	$ 1,482,200	$ 65,429	$ 8,415	$ 62,570	$ 51,635	$ 2,792,617

The following table summarizes cash and investments as of June 30, 2018:

	Temporary Investment Pool	Consolidated Endowment Fund	Group Income Pool	Separately Invested Funds and Other	Invested Assets Related to Indebtedness	RUMINCO, Ltd. Insurance Subsidiary	Total
Cash and cash equivalents	$ 442,520	$ 20,119	$ 772			$ 49	$ 463,460
Short-term investments	235,889	27,719	68				263,676
Total current assets	678,409	47,838	840			49	727,136
Restricted cash and cash equivalents					$ 25,408		25,408
Long-term investments							
Fixed income	374,453	260,952	70,090			15,426	720,921
Public equity		399,913				32,747	432,660
Private capital		453,307		$ 5,034			458,341
Inflation hedges		147,115					147,115
Other		138,624		23		213	138,860
Total noncurrent investments	374,453	1,399,911	70,090	5,057		48,386	1,897,897
Total cash and investments	$ 1,052,862	$ 1,447,749	$ 70,930	$ 5,057	$ 25,408	$ 48,435	$ 2,650,441

Fair Value Measurements

GASB 72 establishes the framework for measuring investments at fair value and associated hierarchy that categorizes the valuation inputs. In accordance with GASB 72, the University has categorized its investments based on the priority of the inputs into a three-level fair value hierarchy.

Fair Value Hierarchy—The three levels of the fair value hierarchy are described below:

- **Level 1**: Inputs for quoted prices (unadjusted) for identical investments in active markets that the University can access at June 30.

- **Level 2**: Inputs—other than quoted prices included within Level 1—that are observable for an investment.

- **Level 3**: Inputs that are unobservable for an investment.

The hierarchy gives the highest priority to Level 1 inputs and lowest priority to Level 3 inputs. If a price for an identical investment is not observable, the University measures fair value using a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Per GASB 72, in instances where the University does not have a readily determinable fair value, the University is permitted to establish fair value by using the net asset value (NAV) per share (or its equivalent) if it is calculated in a manner that is consistent with FASB measurement principles for investment companies.

The following table summarizes investments according to the fair value hierarchy and NAV as of June 30, 2019:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Fixed income				
US agency		$ 317,495		$ 317,495
US Treasury		274,137		274,137
Mortgage-backed securities		79,569		79,569
Return generating fixed income	$ 61,294	23,741		85,035
Risk mitigating fixed income	76,811			76,811
Listed equity				
Global developed equity	108,656			108,656
Diversifiers	30,342	17,042		47,384
Private capital			$ 8,402	8,402
Other	3,219	2,693		5,912
Total	280,322	714,677	8,402	1,003,401
Investments measured at net asset value (NAV)				1,321,399
Total investments				$ 2,324,800

The following table summarizes investments according to the fair value hierarchy and NAV as of June 30, 2018:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Fixed income				
US agency		$ 223,308		$ 223,308
US Treasury		230,535		230,535
Mortgage-backed securities		100,284		100,284
Return generating fixed income	$ 52,805	22,689		75,494
Risk mitigating fixed income	92,584			92,584
Listed equity				
Global developed equity	111,678			111,678
Diversifiers	39,517	27,695		67,212
Private capital			$ 5,034	5,034
Other	92	2,489		2,581
Total	296,676	607,000	5,034	908,710
Investments measured at net asset value (NAV)				1,252,863
Total investments				$ 2,161,573

GASB 72 also requires additional disclosure information related to investments valued using NAV.

The following table summarizes NAV investments as of June 30, 2019:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private capital	$ 520,771	$ 219,034	None	None
Fixed income	209,034	90,223	None, monthly, or annually	None; 15 or 60 days
Global equity	208,645		Monthly	1 day, 2 days, or 30 days
Hedge fund	115,828		None, semi-monthly, monthly, quarterly, semi-annually, or annually	None; 20, 30, 45, 60, 65, 75, or 90 days
Real estate	67,617	27,151	None or quarterly	None or 30 days
Natural resources	57,300	15,238	None	None
Other	142,204	18,542	None, daily, weekly, or quarterly	None; 2 days, 5 days or 45 days
Total	$ 1,321,399	$ 370,188		

The following table summarizes NAV investments as of June 30, 2018:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private capital	$ 453,215	$ 253,028	None	None
Fixed income	161,443	92,720	None, monthly, or annually	None; 15 or 60 days
Global equity	232,931		None or monthly	None; 1 day, 2 days, or 30 days
Hedge fund	138,622		Bi-monthly or semi-annually	75 or 90 days
Real estate	68,997	30,491	None or quarterly	None or 30 days
Natural resources	66,869	29,166	None	None
Other	130,786	13,693	None, daily, weekly, or quarterly	None; 2 days, 5 days or 45 days
Total	$ 1,252,863	$ 419,098		

Private Capital—This category includes investments in private capital funds, generally through limited partnerships that invest in private companies and venture capital. These investments cannot be redeemed at the University's discretion. It is estimated that the underlying assets of the fund would be liquidated over time.

Fixed Income—This category includes investments in private funds that invest in debt securities. Distributions from each fund are received when the underlying investments in the funds generate distributable cash flows or when the underlying investments are liquidated.

Global Equity—This category includes investments in funds that invest in listed equity securities of companies. Distributions from each fund are received when the underlying investments in the funds generate distributable cash flows or when the underlying investments are sold. The managers of the funds have the flexibility to change their exposure based on their view of particular securities, and the overall market.

Hedge Funds—This category includes investments in hedge funds that invest in equity and debt. Debt securities include corporate debt, mortgage debt, and derivative securities. The managers of the funds have the flexibility to change their exposure based on their view of particular securities, and the overall market. Some of these investments have lock-up and / or gate provisions that restrict the University's ability to redeem these investments.

Real Estate—This category includes investments in real asset funds that invest in real estate.

Natural Resources—This category includes investments in funds that invest in energy firms and forestry product firms. Distributions from each fund are received when the underlying investments in the funds

generate distributable cash flows or when the underlying investments are liquidated. It is estimated that the underlying assets of the fund would be liquidated over time.

Other Investments—This category includes investments in other pooled fund interests.

Authorizations

The Board of Regents (Board) establishes the investment policies and objectives for all University funds. RUMINCO, Ltd., a wholly-owned captive insurance company, has an independent Board of Directors that establishes the investment policies and objectives for its reserves. Guidelines to manage the investment pools are described below:

Temporary Investment Pool (TIP)—Short-Term Reserves—The TIP funds are intended to meet the current obligations of the University. The investment objectives for the TIP are to maximize current income and investment returns, maintain sufficient liquidity for University operations, and provide backup liquidity for certain University short-term or variable-rate debt obligations. The pool may invest in money market funds, corporate obligations, and U.S. government and agency securities, within specified credit quality and term constraints.

The Board's Investment of Reserves policy allows for up to 30 percent of the pool to be invested in the Consolidated Endowment Fund (CEF) or other illiquid fixed income securities. As of June 30, 2019 and 2018, the market value of the TIP assets invested in the CEF was $144,106 and $136,406, respectively. These assets are reported in the total cash and investments of the CEF. In addition, the Investment of Reserves policy guidelines include the following: average duration of four years or less for the entire pool and maximum duration of seven years for any individual holding; average credit quality of A1/A+ or better; no use of leverage; and credit ratings of investment grade defined as Baa3/BBB- or better by Moody's or Standard & Poor's. Retention of a lower rated security requires approval by the President or delegate with notification to the Board.

For June 30, 2019 and 2018, the Standard & Poor's credit rating for instruments held in TIP was AA-.

Consolidated Endowment Fund (CEF)—The CEF represents the pooling of funds from both public and private sources for which donor intent, law, or institutional decree determines the principal amount that must be invested in perpetuity or other specified time frames. The funds are invested to achieve an inflation-adjusted rate of return, after expenses are deducted, that exceeds the current payout rate of 4.5 percent of the average of the endowment's trailing month-end market values for the prior 60 months. The Board reserves the authority to approve asset allocation ranges for this pool. For fiscal years ended June 30, 2019 and 2018, $60,508 and $57,865, respectively, was made available for departmental spending.

Minnesota State Chapter 309, Section 745, governs the expenditure or accumulation of endowment funds. An institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent.

The University makes distributions from the CEF for activities targeted by the individual endowments. When the CEF investment return is less than the payout rate, accumulated capital gains are used to supplement the distribution payout to meet the spending policy. If investment income exceeds the amount needed for distribution the excess remains as a capital gain in the respective endowment.

The CEF is a diversified portfolio that utilizes external investment managers. The CEF assets are held in separately managed accounts, commingled pools, and limited partnerships (LP). Each of these fund structures has different risk and return characteristics and different liquidity characteristics. LP investments are privately negotiated transactions with very restricted liquidity. LPs are required to conduct an external audit annually in accordance with the FASB or the International Accounting Standards Board.

Group Income Pool (GIP)—Long-Term Reserves—The GIP represents assets invested for the benefit of various University units for long-term capital purposes. The investment objective of the GIP is to maximize the total investment return while preserving capital balances until such time as the principal is required to fund the intended use. The GIP is invested in fixed-income funds through external investment managers. Additionally, up to 50 percent of the pool can be invested in the CEF. As of June 30, 2019 and 2018, the fair value of the GIP assets invested in the CEF was $15,772 and $15,255, respectively. These assets are reported in the total cash and investments of the CEF.

Separately Invested Funds (SIF) and Other—The SIF primarily represents investments in private equity companies that were acquired through University-developed technology, as well as investments in start-up companies through the University's Discovery Capital Investment Program.

Invested Assets Related to Indebtedness—Invested Assets Related to Indebtedness are internally managed and held in custodial accounts. These assets are invested in high quality, short-term fixed income securities until needed for capital projects for which the debt was issued.

Regents of the University of Minnesota Insurance Company, Ltd. (RUMINCO)—RUMINCO is a wholly-owned captive insurance company (Note 9) whose principal activities are the insurance of certain risks to the University. Coverage includes: commercial general and professional liability, non-profit organization liability, business auto liability and excess automobile liability. RUMINCO insurance agreements limit the exposure to loss on a per-occurrence and annual aggregate basis.

The investment objectives for the liability reserves, which cover specific known and expected claims, are capital preservation and near-term liquidity. The investment objectives for the capital surplus in excess of the liability reserves are to maximize the total return within acceptable risk parameters and to achieve at least 400 basis points of return above the inflation rate over multiple year periods.

Components of the Net Investment Income—Components of the net investment income (loss), net include interest, dividends, realized and unrealized gains or losses and all changes in fair market value on investments. Investment income is current year investment income that could include net increase or decrease in fair market values of investments from prior years.

Investment Risks

Credit and Interest Rate Risk—Credit risk is the risk that company specific events may cause a bond issuer to default, which results in a failure to repay principal or interest owed to the University in a timely manner. The Board's Investment of Reserves policy affecting the assets of the TIP limits investments in fixed income instruments to those with credit ratings of investment grade as a means of managing its exposure to market value losses arising from credit deterioration or defaults.

Interest rate risk is the risk that changes in interest rates will adversely affect the market value of the University's fixed income investments. The Board's Investment of Reserves policy affecting assets in the TIP

limits investment duration as a means of managing its exposure to market value losses arising from increasing interest rates.

The following table summarizes the TIP, CEF, GIP, and RUMINCO credit and interest rate exposures as of June 30, 2019:

Fixed income securities	Value	Maturity	AA or better	BBB to A	BB or lower	Not rated
Cash & equivalents	$ 231,439		100			
Mortgage-backed securities	79,569	16.9	100			
US agency	317,495	2.1	100			
US Treasury	274,136	1.0	100			
Mutual funds	274,753	5.8	58	22	20	
Total marketable fixed income securities	1,177,392	3.3				
Private fixed income securities	177,458					
Total fixed income securities	$ 1,354,850					

The following table summarizes the TIP, CEF, GIP, and RUMINCO credit and interest rate exposures as of June 30, 2018:

Fixed income securities	Value	Maturity	AA or better	BBB to A	BB or lower	Not rated
Cash & equivalents	$ 316,716		100			
Mortgage-backed securities	100,284	18.1	100			
US agency	223,308	0.8	100			
US Treasury	230,535	2.2	100			
Mutual funds	268,364	5.8	66	14	20	
Total marketable fixed income securities	1,139,207	3.5				
Private fixed income securities	77,301					
Total fixed income securities	$ 1,216,508					

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the exposure of the University's investment in a single issuer. The Board's Endowment Fund policy prohibits investing directly in individual issuers in the CEF and places limits on exposures to individual managers and funds. The Board's Investment of Reserves policy places limits on concentrations to a single corporate issuer in the TIP of no more than 5 percent. As of June 30, 2019, and 2018, all securities held in the pools were in compliance with policy guidelines.

Foreign Currency Risk—The University invests in foreign currency denominated assets. Fluctuations in exchange rates may adversely affect the fair market value of such investments when expressed in US dollar equivalents.

The following table summarizes the University's exposure to foreign currency risk, stated in U.S. dollar equivalents, as of June 30, 2019 and 2018:

Investment type	Foreign currency	Market value 2019	Market value 2018
Equity/Debt/RE	Euro	$ 52,739	$ 65,383
Equity	Japanese Yen	26,726	29,029
Equity	British Pound Sterling	26,705	17,542
Equity/Debt	Hong Kong Dollar	6,176	2,910
Equity	Australian Dollar	6,097	4,531
Equity	Canadian Dollar	3,992	4,422
Equity/Debt	Swedish Krona	3,922	2,769
Equity	Israeli Shekel	2,176	980
Equity	Singapore Dollar	1,894	1,945
Equity	South Korean Won	1,470	836
Equity	Swiss Franc	1,371	1,783
Equity	New Taiwan Dollar	1,080	1,287
Equity	Norwegian Krone	926	2,082
Equity	New Zealand Dollar	757	670
Equity	Malaysian Ringgit	380	581
Equity	Danish Krone	369	357
Equity	South African Rand	276	448
Equity/Debt	Mexican Peso	215	623
Equity/Debt	Brazilian Real	187	372
Equity	Thailand Baht	130	356
Equity/Debt	Turkish Lira	117	118
Equity	Qatari Rial	115	191
Equity	Indonesian Rupiah	80	95
Equity	Polish Zloty	6	11
Equity/Debt	Philippine Peso		19
Equity	Czech Koruna		1
Total		$ 137,906	$ 139,341

Financial Institution Credit Risk

Deposits—Depository credit risk is the risk that in the event of a bank failure, the University's deposits may not be recovered. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits that are held in the same ownership category, and the FDIC insured amount is $250 thousand. As of June 30, 2019, the University's bank balances of $176,429 were uninsured and uncollateralized and as of June 30, 2018 the University's bank balances of $316,095 were uninsured and uncollateralized.

Investments—Custodial credit risk is the risk that, in the event of failure of the counterparty, the University may not be able to recover the value of its investments held in custodial accounts. As of June 30, 2019 and 2018, the market value of investments held in the custodial accounts was $738,392 and $610,342 in TIP; $134,483 and $155,379 in CEF; and $23,741 and $22,689 in GIP, respectively.

3. Other Asset and Liability Information

Receivables, net, and student loans receivable, net as of June 30, 2019, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	$ 5,767		$ 5,767
Sponsored grants and contracts	102,691		102,691
Notes receivable	1,278	$ 11,266	12,544
Student receivables	28,306		28,306
Trade receivables	183,153		183,153
Accrued interest	2,926		2,926
Other	49,216	3	49,219
Allowance for uncollectible accounts	(13,658)		(13,658)
Total receivables, net	$ 359,679	$ 11,269	$ 370,948
Student loans receivable	12,752	59,936	72,688
Allowance for uncollectible accounts	(3,406)	(599)	(4,005)
Student loans receivable, net	$ 9,346	$ 59,337	$ 68,683

Accrued liabilities as of June 30, 2019, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	$ 20,184		$ 20,184
Compensation and benefits	212,469	$ 266,658	479,127
Self-insurance reserves	48,321	11,236	59,557
Accrued interest	15,735		15,735
Refundable advances		56,190	56,190
Other	31,209	13,312	44,521
Total accrued liabilities	$ 327,918	$ 347,396	$ 675,314

Activity for certain liabilities consisted of the following as of June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances	$ 1,373,715	$ 230,577	$ (1,125,165)	$ 479,127	$ 212,469
Self-insurance reserves (see Note 9)	55,336	308,041	(303,820)	59,557	48,321
Refundable advances	54,744	1,446		56,190	
Other	43,080	44,521	(43,080)	44,521	31,209

Receivables, net, and student loans receivable, net as of June 30, 2018, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	$ 9,171		$ 9,171
Sponsored grants and contracts	89,639		89,639
Notes receivable	879	$ 11,037	11,916
Student receivables	25,453		25,453
Trade receivables	165,921		165,921
Accrued interest	2,654		2,654
Other	29,057	2	29,059
Allowance for uncollectible accounts	(13,033)		(13,033)
Total receivables, net	$ 309,741	$ 11,039	$ 320,780
Student loans receivable	13,194	64,224	77,418
Allowance for uncollectible accounts	(3,115)	(642)	(3,757)
Student loans receivable, net	$ 10,079	$ 63,582	$ 73,661

Accrued liabilities as of June 30, 2018, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	$ 22,256	$ 738	$ 22,994
Compensation and benefits	209,290	1,164,425	1,373,715
Self-insurance reserves	43,282	12,054	55,336
Accrued interest	16,227		16,227
Refundable advances		54,744	54,744
Other	24,641	18,439	43,080
Total accrued liabilities	$ 315,696	$ 1,250,400	$ 1,566,096

Activity for certain liabilities consisted of the following as of June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances	$ 2,173,285	$ 205,750	$ (1,005,320)	$ 1,373,715	$ 209,290
Self-insurance reserves (see Note 9)	52,001	291,369	(288,034)	55,336	43,282
Refundable advances	54,262	482		54,744	
Other	42,253	43,080	(42,253)	43,080	24,641

4. Capital Assets

Capital assets, net as of June 30, 2019, consisted of the following:

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets					
Buildings and improvements	$ 4,411,200	$ 40,052	$ 64,362		$ 4,515,614
Leasehold improvements	16,315		466		16,781
Equipment	789,077	49,890	1,200	$ (34,691)	805,476
Infrastructure	458,250		6,804	(60)	464,994
Library and reference books	166,666	4,436			171,102
Capitalized software (intangible asset)	179,637	4,939			184,576
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	6,028,048	99,317	72,832	(34,751)	6,165,446
Non-depreciable / amortizable capital assets					
Land	162,735	24,904		(323)	187,316
Direct financing lease - building	158,170			(2,898)	155,272
Museums and collections	88,138	3,407	5	(16)	91,534
Construction in progress	105,616	141,650	(72,837)		174,429
Permanent right-of-way easements (intangible asset)	3	2			5
Total non-depreciable / amortizable capital assets	514,662	169,963	(72,832)	(3,237)	608,556
Accumulated depreciation / amortization					
Buildings and improvements	(2,155,015)	(129,173)			(2,284,188)
Leasehold improvements	(13,205)	(729)			(13,934)
Equipment	(591,877)	(52,975)		32,165	(612,687)
Infrastructure	(307,747)	(14,349)		56	(322,040)
Library and reference books	(132,711)	(4,923)			(137,634)
Capitalized software (intangible asset)	(150,338)	(11,892)			(162,230)
All other intangible assets	(6,500)	(295)			(6,795)
Total accumulated depreciation / amortization	(3,357,393)	(214,336)		32,221	(3,539,508)
Capital assets, net	$ 3,185,317	$ 54,944		$ (5,767)	$ 3,234,494

Summary					
Depreciable / amortizable capital assets	$ 6,028,048	$ 99,317	$ 72,832	$ (34,751)	$ 6,165,446
Non-depreciable / amortizable capital assets	514,662	169,963	(72,832)	(3,237)	608,556
Total capital assets	6,542,710	269,280		(37,988)	6,774,002
Less accumulated depreciation / amortization	(3,357,393)	(214,336)		32,221	(3,539,508)
Capital assets, net	$ 3,185,317	$ 54,944		$ (5,767)	$ 3,234,494

Capital assets, net as of June 30, 2018, consisted of the following:

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets					
Buildings and improvements	$ 4,056,558	$ 11,996	$ 342,941	$ (295)	$ 4,411,200
Leasehold improvements	15,795	226	294		16,315
Equipment	794,146	47,702	1,045	(53,816)	789,077
Infrastructure	459,970		(1,720)		458,250
Library and reference books	163,166	3,500			166,666
Capitalized software (intangible asset)	172,004	7,633			179,637
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	5,668,542	71,057	342,560	(54,111)	6,028,048
Non-depreciable / amortizable capital assets					
Land	154,416	8,124	195		162,735
Direct financing lease - building	160,990			(2,820)	158,170
Museums and collections	85,063	2,775	300		88,138
Construction in progress	258,090	190,581	(343,055)		105,616
Permanent right-of-way easements (intangible asset)	3				3
Total non-depreciable / amortizable capital assets	658,562	201,480	(342,560)	(2,820)	514,662
Accumulated depreciation / amortization					
Buildings and improvements	(2,027,477)	(127,812)	(17)	291	(2,155,015)
Leasehold improvements	(9,852)	(3,353)			(13,205)
Equipment	(584,121)	(57,914)		50,158	(591,877)
Infrastructure	(293,678)	(14,086)	17		(307,747)
Library and reference books	(126,958)	(5,753)			(132,711)
Capitalized software (intangible asset)	(137,887)	(12,451)			(150,338)
All other intangible assets	(6,072)	(428)			(6,500)
Total accumulated depreciation / amortization	(3,186,045)	(221,797)		50,449	(3,357,393)
Capital assets, net	$ 3,141,059	$ 50,740		$ (6,482)	$ 3,185,317
Summary					
Depreciable / amortizable capital assets	$ 5,668,542	$ 71,057	$ 342,560	$ (54,111)	$ 6,028,048
Non-depreciable / amortizable capital assets	658,562	201,480	(342,560)	(2,820)	514,662
Total capital assets	6,327,104	272,537		(56,931)	6,542,710
Less accumulated depreciation / amortization	(3,186,045)	(221,797)		50,449	(3,357,393)
Capital assets, net	$ 3,141,059	$ 50,740		$ (6,482)	$ 3,185,317

5. Long-Term Debt

Long-term debt as of June 30, 2019, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY 2019 beginning balance	Additions	Reductions	FY 2019 ending balance	Current portion
General obligation bonds									
Series 2019A (tax-exempt)	$ 104,215	2019	5.00%	2044		$ 104,215		$ 104,215	$ 2,855
Series 2019B (tax-exempt)	51,240	2019	5.00%	2030		51,240		51,240	1,525
Series 2019C (taxable)	20,000	2019	2.466%-3.974%	2044		20,000		20,000	470
Series 2017A (tax-exempt)	117,095	2018	2.00%-5.00%	2043	$ 117,095		$ 2,585	114,510	2,690
Series 2017B (tax-exempt)	292,955	2018	2.00%-5.00%	2037	255,770		33,300	222,470	21,515
Series 2017C (taxable)	13,240	2018	1.375%-2.915%	2029	12,045		985	11,060	1,000
Series 2016A (tax-exempt)	122,475	2016	3.00%-5.00%	2041	117,050		2,900	114,150	3,045
Series 2015B (taxable)	10,110	2016	0.799%-4.039%	2032	9,055		535	8,520	545
Series 2014B (tax-exempt)	145,760	2015	2.00%-5.00%	2044	140,080		2,980	137,100	3,040
Series 2013D (taxable)	12,760	2014	0.60%-4.848%	2039	11,465		365	11,100	370
Series 2013B (taxable)	13,780	2013	2.60%-3.75%	2038	11,860		430	11,430	445
Series 2013A (tax-exempt)	73,570	2013	2.00%-5.00%	2038	63,915		2,130	61,785	2,195
Series 2011C (taxable)	19,335	2012	0.90%-4.56%	2037	16,310		585	15,725	605
Series 2010B (taxable)	41,720	2011	0.74%-5.02%	2036	32,800		1,410	31,390	1,445
Series 2010D (taxable)	27,200	2010	3.86%-5.768%	2030	23,980		23,980		
Series 2009D (taxable)	37,330	2009	6.30%	2029	37,330		37,330		
Commercial paper notes									
Series A (tax-exempt)	159,100	2006	1.42%-1.44%	2020	68,000		14,000	54,000	54,000
Series B (tax-exempt)	61,000	2007	1.75%-1.85%	2020	27,900		3,100	24,800	24,800
Series C (tax-exempt)	70,000	2008	1.42%-1.45%	2020	33,000		3,500	29,500	29,500
Series D (tax-exempt)	25,000	2010	1.75%	2020	14,300		2,172	12,128	12,128
Series E (taxable)	51,620	2015	2.380%-2.470%	2020	47,220		2,200	45,020	45,020
Series F (tax-exempt)	50,100	2017	1.50%	2020	48,100		2,000	46,100	46,100
Series G (tax-exempt)	33,372	2018	1.42%	2020	32,000	1,372		33,372	33,372
Series H (tax-exempt)	57,627	2019		2020		57,627	57,627		
Series I (taxable)	16,000	2019	2.47%	2020		16,000	11,000	5,000	5,000
Infrastructure development bonds	109,234	1995-2006	3.55%-5.29%	2025	8,534		2,392	6,142	2,095
Special purpose revenue bonds									
Series 2015A (tax-exempt)	90,075	2016	2.00%-5.00%	2032	80,745		4,995	75,750	5,245
Series 2013C (tax-exempt)	35,395	2014	2.00%-5.00%	2039	32,440		930	31,510	975
Series 2011B (tax-exempt)	52,485	2012	3.00%-5.00%	2037	45,660		1,490	44,170	1,565
Series 2010A (tax-exempt)	111,400	2011	3.00%-5.00%	2036	93,555		3,375	90,180	3,550
Unamortized premiums and discounts	180,848	2009-2018		2044	133,525	30,460	6,847	157,138	8,554
Capital leases and other		1999-2019	2.98%-4.28%	2028	28,056	22,420	6,499	43,977	6,470
Total	$ 2,206,041				$ 1,541,790	$ 303,334	$ 231,642	$1,613,482	$ 320,119

Long-term debt as of June 30, 2018, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY 2018 beginning balance	Additions	Reductions	FY 2018 ending balance	Current portion
General obligation bonds									
Series 2017A (tax-exempt)	$ 117,095	2018	2.00%-5.00%	2043		$ 117,095		$ 117,095	$ 2,585
Series 2017B (tax-exempt)	292,955	2018	2.00%-5.00%	2037		292,955	$ 37,185	255,770	33,300
Series 2017C (taxable)	13,240	2018	1.375%-2.915%	2029		13,240	1,195	12,045	985
Series 2016A (tax-exempt)	122,475	2016	3.00%-5.00%	2041	$ 119,850		2,800	117,050	2,900
Series 2015B (taxable)	10,110	2016	0.799%-4.039%	2032	9,585		530	9,055	535
Series 2014B (tax-exempt)	145,760	2015	2.00%-5.00%	2044	142,975		2,895	140,080	2,980
Series 2013D (taxable)	12,760	2014	0.60%-4.848%	2039	11,825		360	11,465	365
Series 2013B (taxable)	13,780	2013	2.60%-3.75%	2038	12,275		415	11,860	430
Series 2013A (tax-exempt)	73,570	2013	2.00%-5.00%	2038	65,985		2,070	63,915	2,130
Series 2011D (tax-exempt)	53,610	2012	2.00%-5.00%	2037	47,400		47,400		
Series 2011C (taxable)	19,335	2012	0.90%-4.56%	2037	16,875		565	16,310	585
Series 2011A (tax-exempt)	335,270	2011	2.00%-5.50%	2037	204,020		204,020		
Series 2010B (taxable)	41,720	2011	0.74%-5.02%	2036	34,185		1,385	32,800	1,410
Series 2010D (taxable)	27,200	2010	3.86%-5.768%	2030	25,610		1,630	23,980	1,675
Series 2009D (taxable)	37,330	2009	6.30%	2029	37,330			37,330	
Series 2009C (tax-exempt)	44,625	2009	1.50%-5.00%	2022	20,380		20,380		
Series 2009B (taxable)	17,035	2009	2.50%-6.00%	2029	12,085		12,085		
Series 2009A (tax-exempt)	41,000	2009	3.00%-5.25%	2034	32,505		32,505		
Commercial paper notes									
Series A (tax-exempt)	159,100	2006	1.24%-1.65%	2019	80,000		12,000	68,000	68,000
Series B (tax-exempt)	61,000	2007	1.22%-1.64%	2019	31,000		3,100	27,900	27,900
Series C (tax-exempt)	70,000	2008	1.25%-1.54%	2019	36,500		3,500	33,000	33,000
Series D (tax-exempt)	25,000	2010	1.38%	2019	15,300		1,000	14,300	14,300
Series E (taxable)	51,620	2015	1.90%-2.04%	2019	49,420		2,200	47,220	47,220
Series F (tax-exempt)	50,100	2017	1.18%-1.64%	2019	50,100		2,000	48,100	48,100
Series G (tax-exempt)	32,000	2018	1.60%	2019		32,000		32,000	32,000
Infrastructure development bonds	109,234	1995-2006	3.55%-5.29%	2026	11,324		2,790	8,534	2,392
Special purpose revenue bonds									
Series 2015A (tax-exempt)	90,075	2016	2.00%-5.00%	2032	85,490		4,745	80,745	4,995
Series 2013C (tax-exempt)	35,395	2014	2.00%-5.00%	2039	33,325		885	32,440	930
Series 2011B (tax-exempt)	52,485	2012	3.00%-5.00%	2037	47,075		1,415	45,660	1,490
Series 2010A (tax-exempt)	111,400	2011	3.00%-5.00%	2036	96,770		3,215	93,555	3,375
Unamortized premiums and discounts	197,106	2009-2018		2044	103,712	67,300	37,487	133,525	6,821
Capital leases and other		1999-2018	2.78%-4.21%	2025	32,075	2,718	6,737	28,056	6,391
Total	$ 2,463,385				$ 1,464,976	$ 525,308	$ 448,494	$1,541,790	$ 346,794

General Obligation Bonds

On May 21, 2019, the University issued General Obligation (GO) Bonds, Series 2019A, GO Refunding Bonds, Series 2019B, and GO Taxable Bonds, Series 2019C.

The Series 2019A was issued in the par amount of $104,215 at coupon rates of 5.0 percent with a premium of $21,041. Proceeds of $57,627 were used to refund the Commercial Paper (CP) Series H outstanding. The remaining proceeds are being used to finance costs of issuance and fund portions of capital projects. Capital projects being financed include the Pioneer Hall Project; the construction of the Health Science Education Center; renovation of existing space on the third and fourth floors of the Biological Sciences Center; and a new greenhouse addition to the Plant Growth Facilities for the College of Biological Sciences—all on the Twin

Cities campus—and the construction of the Chemistry and Advanced Materials Science Building located on the Duluth campus.

The Series 2019B was issued in the par amount of $51,240 at coupon rates of 5.0 percent with a premium of $9,419 to current refund and defease the University's GO Taxable Bonds Series 2009D and advance refund and defease the University's GO Taxable Bonds Series 2010D. A gain of $519 was recognized on the transaction. Debt service savings totaling a net present value of $6,806, calculated using a discount rate of 2.257 percent to the date of refunding, will be realized over the life of the bond series.

A portion of the net proceeds of the Series 2019B was used for costs of issuance and to redeem the outstanding Series 2009D bonds on June 1, 2019. The remaining portion of the net proceeds were deposited in an escrow account to pay the principal and interest due on the Series 2010D bonds and to pay the redemption price of the refunded bonds on its redemption date of February 1, 2020.

The Series 2019C was issued in the par amount of $20,000 at coupon rates of 2.466 – 3.974 percent. Proceeds of $11,000 were used to refund a portion of CP Series I outstanding with the remaining $9,000 to be used for various capital projects and costs of issuance.

On September 28, 2017, the University issued GO Bonds, Series 2017A, GO Refunding Bonds, Series 2017B, and GO Taxable Refunding Bonds, Series 2017C.

The Series 2017A was issued in the par amount of $117,095 at coupon rates of 2.0 – 5.0 percent with a premium of $23,068. Proceeds are being used to finance various capital projects including a portion of the Athletes Village Project, construction of a new Track and Field Facility, construction of a new veterinary bio-containment facility, various renovations of existing space, and property acquisition and demolition activities.

The Series 2017B was issued in the par amount of $292,955 at coupon rates of 2.0 – 5.0 percent with a premium of $44,233 to advance refund and defease the University's GO Bonds Series 2009A, Series 2009C, Series 2011A and Series 2011D. A gain of $4,548 was recognized on the transaction. Debt service savings totaling a net present value of $27,048, calculated using a discount rate of 2.152 percent to the date of refunding, will be realized over the life of the bond series.

The Series 2017C was issued in the par amount of $13,240 at coupon rates of 1.375 – 2.915 percent to advance refund and defease the University's GO Taxable Bonds Series 2009B. A loss of $749 was recognized on the transaction. Debt service savings totaling a net present value of $1,532, calculated using a discount rate of 2.564 percent to the date of refunding, will be realized over the life of the bond series.

Net proceeds of the Series 2017B and Series 2017C were deposited in escrow accounts to pay the principal and interest due on each of the five series of refunded bonds, including their respective redemption dates, and to pay the redemption prices of the refunded bonds on their redemption dates.

The University had three series of Build America Bonds (BABs) – Direct Payment to Issuer outstanding, whereby the University expected to receive a 35 percent annual interest subsidy from the Federal Government for the life of the bonds. Due to the implementation of federal sequestration effective with the subsidy payment received beginning June 1, 2013, the subsidy payments received have been reduced by 6.2 percent and 6.6 percent in the federal fiscal years ending September 30, 2019 and 2018, respectively. Two of three series of BABs, Series 2009B and Series 2010D, as mentioned earlier, were defeased in May 2019. Interest payments for the remaining outstanding GO Taxable Bonds, Series 2010B are due August 1 and February 1.

All GO bonds are secured by the full faith and credit of the University and subject to mandatory sinking fund requirements set forth in the prospectuses.

Special Purpose Revenue Bonds

The University issued Special Purpose Revenue Refunding Bonds, Series 2015A to defease the Special Purpose Revenue Bonds (SPRB), Series 2006 that were originally issued to fund a portion of the TCF Bank Stadium. The amended 2015 Minnesota Session Laws authorized the refunding of the Series 2006 bonds and also provided that upon refunding, annual payments from the State of Minnesota will be the maximum annual appropriation of $10,250 to reimburse the University for the annual debt service on these bonds and on the Series 2015B GO Taxable Bonds, and for other University purposes.

The University issued three series of SPRBs for the State Supported Biomedical Science Research Facilities Funding Program in fiscal years 2011, 2012 and 2014. The proceeds were used to fund a portion of the costs of construction of one or more biomedical science research facilities. State of Minnesota legislation provides for an annual appropriation to reimburse the University for the annual debt service on these bonds.

Commercial Paper Notes

On October 12, 2017, the Board of Regents authorized a revolving CP facility through which the University may issue tax-exempt and taxable CP Notes for short or long-term financing of capital projects, including the purchase of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment. The aggregate principal amount outstanding under the facility shall not exceed $400,000, including any previously issued Notes Series A – F still outstanding and additional Notes Series G – I to be issued.

On November 15, 2018, the University issued Taxable CP Notes Series I for $16,000 at an initial rate of 2.47 percent for 89 days. Proceeds were used to pay for a portion of the Pioneer Hall project and for property acquisitions. Proceeds of GO Taxable Bonds Series 2019C were used to refund $11,000 of Series I outstanding on May 24, 2019.

The University issued tax-exempt CP Notes Series H totaling $57,627 during fiscal year 2019 with the first issuance occurring July 10, 2018 in the amount of $20,000. Proceeds were used for construction costs of six specific capital projects. The total amount of Series H outstanding was refunded on May 24, 2019 with a portion of the proceeds of GO Bonds Series 2019A.

The first issuance of tax-exempt CP Notes Series G occurred on June 21, 2018 in the initial amount of $32,000 at an annual rate of 1.6 percent with a maturity date of 61 days. Additional notes totaling $1,372 were issued during fiscal year 2019. The proceeds were used to pay for a portion of the cost of the Athletes Village Project.

On February 15, 2017, the University issued tax-exempt CP Notes Series F in the amount of $50,100 at initial rates of 0.65 – 0.78 percent. The proceeds were used for renovation of the Old Main Heating Plant located on the Twin Cities campus.

All of the University's outstanding CP is secured by the full faith and credit of the University and backed by the University's self-liquidity. Commercial paper is short-term in nature and classified as current liabilities in the consolidated financial statements.

Infrastructure Development Bond Obligations

Pursuant to Minnesota law, the University is obligated to pay the State one third of the debt service of infrastructure development bonds issued by the State for University capital projects. Debt was issued for this purpose between July 1990 and October 2005. The total amount of outstanding debt issued by the State on behalf of the University was $18,426 and $25,602 as of June 30, 2019 and 2018, respectively, of which the University owes $6,142 and $8,534, respectively.

Capital Leases and Other Debt

The University has five distinct capital leases. Four of the capital leases have payments being paid directly to the lessor and represent leases for building space. One of the five agreements is financed through third-party financing for purchase of fleet vehicles. As of June 30, 2019, the associated capital assets were $76,352 for buildings and $14,597 for vehicles with related accumulated depreciation of $39,123 and $7,850, respectively. The capital leases bear interest rates between 2.98 percent and 4.28 percent, with none of the leases extending beyond fiscal year 2028. The third-party financing agreement bears interest tied to the 30 Day LIBOR Index, which ranged from 3.78 – 4.28 percent during the fiscal year ended June 30, 2019. The LIBOR Index is an average yield of interbank offered rates for one-year US dollar denominated deposits.

Interest Rate Swaps

The University's last remaining freestanding pay-fixed and receive-variable interest rate swap, which was considered an ineffective hedge, matured on August 28, 2017. There are no outstanding interest rate swaps as of fiscal year ended June 30, 2019.

Future Debt Service Requirements

Interest payments on CP will vary depending on current market conditions from week to week. Using rates as of June 30, 2019, debt service requirements of the University's outstanding long-term debt obligations for the next five years and in subsequent five-year periods are as follows:

	Bonds and obligations	Commercial paper notes	Capital lease and other	Total principal	Interest	Total obligations
Fiscal year ending June 30						
2020	$ 63,729	$ 249,920	$ 6,470	$ 320,119	$ 59,290	$ 379,409
2021	64,766		6,529	71,295	52,355	123,650
2022	67,153		6,542	73,695	46,093	119,788
2023	58,256		6,590	64,846	46,714	111,560
2024	60,375		6,477	66,852	44,093	110,945
2025-2029	338,797		11,369	350,166	178,459	528,625
2030-2034	302,291			302,291	109,324	411,615
2035-2039	231,893			231,893	53,049	284,942
2040-2044	131,519			131,519	14,562	146,081
2045-2050	806			806		806
	$ 1,319,585	$ 249,920	$ 43,977	$ 1,613,482	$ 603,939	$ 2,217,421

Defeased Bonds

The University has defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt service payments on the old bonds or to immediately pay off existing debt. The defeased bonds are as follows:

Associated bond issue	Refunding date	Amount defeased	Refunded amount	Amount outstanding on June 30, 2019	Bond call date
General obligation bonds					
Series 2010D	5/21/2019	$ 22,305	$ 22,305	$ 22,305	2/1/2020
Series 2011A	9/28/2017	204,020	204,020	150,300	12/1/2020
Series 2011D	9/28/2017	47,400	47,400	44,500	12/1/2021
Series 2009A	9/28/2017	32,505	32,505		4/1/2019
Series 2009B	9/28/2017	12,085	12,085		4/1/2019
Series 2009C	9/28/2017	20,380	20,380		6/1/2019
Series 1996A	10/2/2005	159,000	159,000	68,000	7/1/2021

The Series 2010D bonds were issued in February 2010 to finance various capital projects. They were defeased on May 21, 2019 with a recognized gain of $519. The bonds will be redeemed on February 1, 2020.

The Series 2009A and 2009B, Series 2009C, and Series 2011D were issued in February 2009, May 2009 and December 2011, respectively, to finance various capital projects. The Series 2011A was issued in February 2011 to refund the Series 1999A, 2001C and 2003A, and to finance various capital projects. All five series were defeased on September 28, 2017 with a net recognized gain of $3,799. The Series 2009A, 2009B, and 2009C were redeemed in fiscal year 2019 and are no longer outstanding.

The Series 1996A bonds were issued in January 1997 to provide funds for capital projects and to refund the GO Variable Rate Demand Bonds Series 1985F, 1985G, 1985H, and 1985I and the Commercial Paper Series 1991A and Series 1991B. As required under the terms of a put option exercised July 5, 2005, the proceeds from the issuance of Commercial Paper Notes, Series A in October 2005 were used to defease the remaining outstanding Series 1996A bonds. There was no gain or loss incurred with the defeasance of the Series 1996A bonds.

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

Arbitrage

University general obligation and special purpose debt issuances issued after the Federal Tax Reform Act of 1986 are subject to federal arbitrage regulations. This results when earnings on the invested gross proceeds of a bond issue exceed the issuer's tax-exempt borrowing rates. The University continues to monitor and report any arbitrage in accordance with the Internal Revenue Code. The University had no arbitrage liability as of June 30, 2019 or 2018.

6. Pension Plans

The University and its employees contribute to pension plans characterized as either a defined benefit (specifies the amount of pension benefits to be provided at a future date) or defined contribution (specifies how contributions are to be determined, rather than an amount) plan.

Cost-sharing, multiple-employer plans

Defined Benefit Plans

United States Government (Federal) Retirement Plans

All University employees with federal benefits work for the University of Minnesota Extension (Extension) or its partner colleges; College of Food, Agricultural and Natural Resources Science (CFANS), College of Design, and College of Education and Human Development. These employees were grandfathered in, allowing them to keep their federal benefits, which were formerly offered exclusively to Extension staff. No new participants are being accepted into the federal retirement plans listed below. An exception would be granted to allow for a new participant when an appointment transfers from another Extension service. Questions regarding the federal plans listed below, including requests for financial statements and required supplementary information can be directed to the United States Office of Personnel Management (OPM), 1900 E Street N.W., Washington, DC 20415.

Civil Service Retirement System (CSRS)

The CSRS is a federal program that provides retirement benefits for four employees who work for the University. Participation is limited to those who initially entered federal service prior to January 1, 1984, and have been continuously employed since December 31, 1983, or before, or have had a break in federal service of one year or less since 1984. It is closed to new members. Retirement benefits are based on years and months of service. CSRS provides full retirement benefits at age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. Deferred benefits are payable at age 62 with 5 years of service. The annuity formula provides 1.5 percent of average salary for the first five years of service, 1.75 percent for the next five years, and 2.0 percent for any remaining service, up to a maximum of 80 percent of average salary (based on the highest three consecutive years of salary).

Civil Service Retirement System Offset Retirement (CSRS Offset)

The CSRS Offset is administered in conjunction with the standard CSRS by the OPM. It provides retirement benefits for one employee who works for the University. Participation is limited to federal employees who had at least five years of creditable civilian federal service prior to January 1, 1987, and had rejoined federal service since January 1, 1984, after a break of CSRS coverage of more than one year; or were hired before January, 1, 1984, and acquired CSRS interim coverage (precursor to CSRS Offset coverage) between 1984 and 1987.

Federal Employees Retirement System (FERS)

The FERS is a federal program that provides retirement benefits for 65 employees who work for the University. In general, all civilian service employees newly hired on or after January 1, 1984, are mandatorily covered by FERS. In addition, employees rehired after January 1, 1984, who had less than five years of prior civilian service as of December 31, 1986, are mandatorily covered by FERS. Using

Social Security as a base, FERS provides an additional defined benefit and a voluntary thrift savings plan. An employee who receives a new appointment can often elect FERS coverage voluntarily during the first six months of the appointment. FERS provides full retirement benefits at the "Minimum Retirement Age" (MRA) with 30 years of service, at age 60 with 20 years of service, or at age 62 with 5 years of service. The MRA is 55 for those born before 1948, and incrementally increases to 57 for those born in or after 1970. Deferred retirement benefits are available at or after the MRA with 10 years of service at reduced benefit levels. The annuity formula generally provides 1.0 percent of the employee's average salary (based on the highest three consecutive years of salary) multiplied by the number of years of creditable service. If retirement is at age 62 or later with at least 20 years of service, a factor of 1.1 percent is used rather than 1.0 percent.

Funding Policy and Contribution Rates

	CSRS	CSRS Offset	FERS
Statutory authority			
United States code	Title 5, Chapter 83	Title 5, Chapter 83	Title 5, Chapter 84
Required contribution rates (%)			
Active plan members	7.00%	0.80%	0.80%
University	7.00%	7.00%	13.70%
Required contributions ($)			
Employee			
2019	$ 39	$ 1	$ 51
2018	73	3	52
2017	97	3	52
University			
2019	$ 39	$ 10	$ 882
2018	73	18	893
2017	97	22	892
Due to plan at June 30*			
2019	$ 3	$ 1	$ 54
2018	6	1	54
2017	11	1	56

**Due to plan represents a liability the University has incurred for the employer and employee portion of contributions as of fiscal year end.*

Additional information related to the respective plans is presented in Required Supplementary Information (RSI) following the notes to the consolidated financial statements.

State of Minnesota Retirement Plans

Basis of Accounting and Valuation of Investments

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS) and the Public Employee Police and Fire Fund (PEPFF) and additions to/deductions from MSRS' and PEPFF's fiduciary net position have been determined on the same basis as they are reported by MSRS and PEPFF, respectively. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Public Employee Police and Fire Fund (PEPFF)

The PEPFF is administered by the Public Employees Retirement Association (PERA). PEPFF, in total, provides coverage to approximately 500 local governmental subdivisions within the state of Minnesota. The University's participation in PEPFF covers 70 active law enforcement staff. Participation is mandatory and begins from the first day of employment. The plan provides retirement, survivor, and disability benefits. Benefit provisions are established by state statute and can only be modified by state legislature. Each participant earns service credit for each month retirement deductions are withheld from the employee's salary. Retirement benefits are based on years and months of service. Normal retirement age is 55. The annuity formula for each member is 3.0 percent of average salary for each year of service in that plan. Benefits for members first hired after June 30, 2010, but before July 1, 2014 vest on a prorated basis from 50 percent after five years up to 100 percent after 10 years of credited service. Benefits for members first hired after June 30, 2014, vest on a pro-rated basis from 50 percent after 10 years up to 100 percent after 20 years of credited service. For members hired prior to July 1, 1989, a full annuity is available when the member's age plus years of service equal at least 90. Annual benefits increase by 1.0 percent each year to annuitants who have been receiving a benefit for at least 12 months (36 months for annuitants whose benefits were effective after June 1, 2014, and 2.5 percent if the plan is funded at least 90 percent for two consecutive years). Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. A publicly available financial report, which includes financial statements and required supplementary information for this plan, can be obtained at http://www.mnpera.org/ or by writing the Public Employees Retirement Association (PERA), 60 Empire Drive, Suite 200, St. Paul, MN 55103.

State Employees Retirement Fund (SERF)

The SERF is administered by the Minnesota State Retirement System (MSRS). SERF, in total, provides coverage to 24 employers within the state of Minnesota. The University's participation in SERF covers approximately 8,800 active Civil Service and non-faculty bargaining unit employees. Participation is mandatory and begins from the first day of employment. The plan provides retirement, survivor, and disability benefits. Benefit provisions are established by state statute and can only be modified by state legislature. Benefits are based on a member's age, years of allowable service, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0 percent each year. When the fund reaches a 90 percent funded status for two consecutive years, annuitants will receive a 2.5 percent increase.

The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates if the employee was first hired before July 1, 1989, are 1.2 percent for the first 10 years of allowable service and 1.7 percent for each subsequent year. The applicable rate if the employee is first hired after June 30, 1989, is 1.7 percent of average salary for each year of allowable service. Average salary is defined as the highest salary paid in a 60 successive month period. A publicly available financial report, which includes financial statements, required supplementary information, and detailed information about the plan's fiduciary net position, can be obtained at www.msrs.state.mn.us/annual-reports-fy-2018 or by writing to the MSRS, 60 Empire Drive, Suite 300, St. Paul, MN 55103.

Information pertaining to both PEPPF and SERF in accordance with GASB 68 and GASB 71 follows:

Funding Policy and Contribution Rates

	PEPFF	SERF
Statutory authority		
Minnesota chapter	353	352
Required contribution rates (%)		
Active plan members	10.80%	5.50%
University	16.20%	5.50%
Required contribution rates ($)		
University	$ 1,140	$ 25,972
Non-employer contributing entity	54	

Net pension liability amounts recorded in accordance with GASB 68 and GASB 71 within the University's financial statements are reflective of the respective plan's published financial statements and actuarial valuations as of June 30, 2018. The University's proportion of the respective plans' net pension liability was based on the University's contributions to the respective plans during the measurement period July 1, 2017 through June 30, 2018, relative to the total contributions from all participating employers, as well as on-behalf state contributions paid directly to PEPFF. As a result, contributions made to the respective plans during fiscal year 2019, are recorded as deferred outflows of resources per GASB 68 and GASB 71.

Summary of Pension Amounts

	PEPFF	SERF	Total
Proportionate share of the net pension liability ($)	$ 6,367	$ 203,026	$ 209,393
Proportionate share of the net pension liability (%)			
2019	0.597%	14.648%	
2018	0.589%	14.906%	
Deferred outflows of resources	18,207	594,712	612,919
Deferred inflows of resources	20,934	980,605	1,001,539
Net pension expense	223	(264,079)	(263,856)
Non-operating grant revenue	54		54

Deferred Outflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience	$ 256	$ 5,730	$ 5,986
Changes in actuarial assumptions	8,333	602,608	610,941
Changes in proportion and differences between actual contributions and proportionate share of contributions	8,478	(39,598)	(31,120)
Contributions paid to plan subsequent to measurement date	1,140	25,972	27,112
Total	$ 18,207	$ 594,712	$ 612,919

Deferred Inflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience	$ 1,586	$ 16,168	$ 17,754
Changes in actuarial assumptions	9,245	913,971	923,216
Differences between projected and actual investment earnings	1,283	49,501	50,784
Changes in proportion and contributions allocated	8,820	965	9,785
Total	$ 20,934	$ 980,605	$ 1,001,539

Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense or a Reduction in Net Pension Liability

Fiscal year	PEPFF	SERF	Total
2020	$ 161	$ 15,058	$ 15,219
2021	(472)	20,122	19,650
2022	(956)	(308,893)	(309,849)
2023	(2,598)	(138,152)	(140,750)
2024	(2)		(2)
Net pension expense	$ (3,867)	$ (411,865)	$ (415,732)
Contributions paid to plan subsequent to measurement date	1,140	25,972	27,112
Net deferred outflows	$ (2,727)	$ (385,893)	$ (388,620)

The University's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date by the respective plans. The total pension liability was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

Actuarial Methods and Assumptions

	PEPFF*		SERF**	
Valuation date	6/30/2018		6/30/2018	
Actuarial cost method	Entry age normal		Entry age normal	
Asset valuation method	5-year smoothed fair market value		Fair value	
Long-term expected rate of return	7.50%		7.50%	
20-year municipal bond rate	3.62%	***	3.62%	***
Inflation	2.50%		2.50%	
Salary increases	Service related rates		Service related rates	
Payroll growth	3.25%		3.25%	
Experience study dates	2016	****	2008 - 2014	

** Mortality rates were based on RP-2014 Mortality Tables.*

***Mortality rates were based on RP-2014 Mortality Tables projected with mortality improvement scale MP-2015 from a base year of 2014.*

**** Based on the Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018.*

***** Updated for economic assumptions in 2014.*

As noted in the actuarial methods and assumptions, the long-term expected rate of return (discount rate) was used to measure the total pension liability as of June 30, 2018 of the respective plans. The actual selection of the rate was determined by looking at the asset class target allocations and long-term rate of return expectations from the State Board of Investments (SBI), along with other information, such as the Social Security Trustees Report, the U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns.

The SBI, which manages the investments of the respective plans, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best estimates of expected future real rates of return are developed for each major asset class.

These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

SBI Asset Class

Asset class	Target allocation	Long-term expected real rate of return (geometric mean)
Domestic stocks	36%	5.10%
International stocks	17%	5.30%
Private Markets	25%	5.90%
Fixed Income	20%	0.75%
Unallocated cash	2%	0.00%

GASB includes a specific requirement for the discount rate that is used for the purpose of the measurement of the SERF's and PEPFF's total pension liability. This rate considers the ability of SERF and PEPFF to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses, and investment returns are projected into the future. SERF's and PEPFF's Fiduciary Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in the future, the long-term expected rate of return is used as the discount rate. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" municipal bond rate is required. The single discount rate is equivalent to applying these two rates (long-term expected rate of return and "risk-free" municipal bond rate) to the benefits that are projected to be paid during the different time periods.

The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in the statute. Based on that assumption, each of the pension plan's fiduciary net position at June 30, 2018, was projected to be available to make all projected future benefit payments of current and active employees. The long-term expected rate of return on pension plan investments of 7.5 percent was applied to all periods of projected benefit payments through June 30, 2118 for SERF and for all periods for PEPFF to determine the total pension liability.

Notable impacts affecting the University's total net pension liability reported for fiscal year ended June 30, 2019 compared to fiscal year ended June 30, 2018, involve changes to SERF's and PEPFF's actuarial valuation assumptions. Part of the assumption changes included changes to the single discount rates. For PEPFF, the single discount rate stayed at 7.5 percent, and for SERF, the single discount rate changed from 5.42 percent to 7.50 percent.

The following presents the University's proportionate share of the net pension liability, calculated using the discount rate of 7.50 percent for SERF and 7.5 percent for PEPFF, as well as what the impact would be if the net pension liability were calculated using a discount rate that was 1.0 percentage point lower or 1.0 percentage point higher than these percentages.

Discount Rate Sensitivity

Pension plan	1.0% Decrease in discount rate	Current discount rate	1.0% Increase in discount rate
PEPFF			
Discount rate (%)	6.50%	7.50%	8.50%
Net pension liability ($)	$ 13,644	$ 6,367	$ 343
SERF			
Discount rate (%)	6.50%	7.50%	8.50%
Net pension liability ($)	$ 469,285	$ 203,026	$ (17,975)

Additional information related to the respective plans is presented in Required Supplementary Information (RSI) following the notes to the consolidated financial statements.

Single-employer plan

Supplemental Benefits Plan (SBP)

The SBP is a closed plan sponsored by the University pursuant to the Board of Regents governing authority. This plan is in addition to the Faculty Retirement Plan (FRP), where faculty members employed prior to 1963 and female participants employed prior to July 1, 1982, may be eligible to receive additional benefits. SBP is designed to provide additional retirement benefits for certain groups of individuals who participated in the FRP, but who, due to plan design, have retirement income levels that are significantly lower than those of current participants. It accounts for 71 eligible participants. SBP is funded in an amount equal to or greater than the amount required under Minnesota Statute Chapter 356. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. An internal faculty and staff retirement program report is prepared on a fiscal year basis. Finances related to this plan are immaterial to the overall University's financial statements. Questions regarding the SBP may be directed to Employee Benefits, 100 Donhowe Building, 319 15th Avenue S.E., Minneapolis, MN 55455.

Due to the plan being closed, required contribution rates do not apply. Contribution amounts are determined by funding status and actuarial value in compliance with state statutes. The University makes all contributions to the SBP using a variable rate.

Defined Contribution Plans

The University's defined contribution plans represent benefits to be received. They are limited to the value of the participant's account balance, depending on the plan. Accordingly, there is no unfunded actuarial accrued liability (UAAL), or actuarial accrued liability (AAL), associated with the following plans. A description of the plans and contribution information follows.

Faculty Retirement Plan (FRP)

The FRP is a mandatory retirement savings/investment plan contingent on meeting certain prescribed eligibility requirements. Pursuant to the University's Board of Regents governing authority, in compliance with Section 401(a) of the Internal Revenue Code, it authorizes the University to contribute

to the plan and governs the requirements of this plan. Eligibility requirements involve an employee appointment of at least nine months; employee appointments between 67 to 99 percent time are granted prorated participation. The plan is funded through employee pre-tax contributions and University contributions. Eligible academic employees with hire dates prior to January 2, 2012 contribute 2.5 percent of covered salary and the University contributes 13.0 percent. Eligible employees with a start date (or who were rehired) on or after January 2, 2012 contribute 5.5 percent of covered salary and the University contributes 10.0 percent. The FRP covers approximately 9,900 active faculty and professional and administrative (P&A) staff. This amount includes approximately 5,200 with hire dates on or after January 2, 2012.

University of Minnesota Optional Retirement Plan (ORP)

The ORP is a voluntary retirement savings/investment plan covered under Section 403(b) of the Internal Revenue Code. All faculty and staff members who are paid on a continuous basis are eligible to participate in this plan. The plan is funded mainly through employee pre-tax contributions. However, the University may make discretionary contributions for select staff based on employment contracts. Approximately 3,800 full- and part-time employees contribute to this plan.

University of Minnesota Section 457 Deferred Compensation Plan

The 457 Deferred Compensation Plan is a voluntary retirement savings plan authorized under Section 457 of the Internal Revenue Code. This plan is funded exclusively through employee pre-tax contributions. All faculty and staff members who are paid on a continuous basis are eligible to participate in this plan. Approximately 1,100 full- and part-time employees contribute to this plan.

University of Minnesota 415(m) Retirement Plan

The 415(m) Retirement Plan is a qualified excess benefit plan authorized under Section 415(m) of the Internal Revenue Code that is administered by the University of Minnesota. This plan is provided to select staff based on individual employment contracts negotiated. All contributions provided by the University are negotiated on an individual employee basis and are 100 percent vested and non-forfeitable at all times. There are no assets accumulated in a trust or trust-like arrangement for this plan. Seven University employees are part of this plan.

Contributions Made for Fiscal Year 2019

	FRP	ORP	457	415(m)
Employee	$ 37,140	$ 42,707	$ 16,106	N/A
University	113,743	267	N/A	$ 613

Due to plan at June 30*

	FRP	ORP	457	415(m)
Employee	$ 2,197	$ 2,283	$ 878	N/A
University	6,660	N/A	N/A	N/A

**Due to plan represents a liability the University has incurred for the employer and employee portion of contributions as of fiscal year end.*

7. Related Organization

The University is responsible for appointing eight members of the 15-member Board of Directors of UCare Minnesota, a licensed nonprofit health maintenance organization (HMO) that provides medical services for its members. The University's accountability for this organization, however, does not extend beyond making Board appointments. The dean of the University of Minnesota Medical School and the head of the University's Department of Family Medicine and Community Health appoint six board members; two members are automatically appointed by virtue of the University positions that they hold.

8. Commitments and Contingencies

Construction projects in progress, principally buildings, approximated $174,429 on June 30, 2019. The estimated cost to complete these facilities is $138,860, which is to be funded from plant fund assets and $61,421 in appropriations available from the State of Minnesota as of June 30, 2019.

The University owns steam production facilities that produce steam for heating and cooling the Twin Cities campus, which by agreement are managed, operated, and maintained by an unaffiliated company. The original agreement was for five years and began May 17, 2019, with a contract end date of May 2024. Under the agreement, the University must make minimum fixed payments for certain operating and maintenance costs, as well as contingent payments based upon performance requirements.

The University is obligated under various operating leases for the use of real property and equipment. Total operating lease expenditures for the years ended June 30, 2019 and 2018, were $25,740 and $26,583, respectively, of which $22,032 and $23,162 were for real property and $3,708 and $3,421 were for equipment, respectively.

The future steam plant and operating lease commitments as of June 30, 2019, for the next five years and in subsequent five-year periods are as follows:

	Steam plant	Operating leases	Total
Fiscal year ending June 30			
2020	$ 279	$ 13,660	$ 13,939
2021	279	13,362	13,641
2022	279	12,110	12,389
2023	279	3,988	4,267
2024	279	2,965	3,244
2025-2029		13,948	13,948
2030-2034		13,226	13,226
2035-2039		1,394	1,394
2040-2044		301	301
Total commitments	$ 1,395	$ 74,954	$ 76,349

The University receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. Management is not aware of any material disallowed claims at this time.

The University is a defendant in cases involving claims of medical malpractice, personal injuries, breach of contract, and other civil matters. While any litigation has an element of uncertainty and the University cannot, therefore, predict how these cases will be finally resolved, management and its general counsel believe the outcomes of the cases, individually and combined, will not have a material adverse effect on the overall financial position of the University.

9. Self-Insurance Programs

The University is self-insured for medical malpractice, general liability, non-profit organization liability, and automobile liability through RUMINCO, Ltd., a wholly-owned, single parent captive insurance company (see Note 1). Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In addition, an actuarial liability is established for incurred but not reported (IBNR) claims using a discount rate based on a rate of return of 1.84 percent.

The University is also self-insured for workers' compensation through an internally maintained fund, and excess claims insurance is maintained through the Workers' Compensation Reinsurance Association (WCRA). The internal fund for workers' compensation is maintained only to fund the current year's expected payouts. Each year, an actuarial estimate of the University's liability for workers' compensation is compiled and recorded within the consolidated statements of net position, but the liability is not separately funded.

The University's medical (health) coverage for faculty and staff and their dependents is a self-insured program (UPlan). Under UPlan Medical, the University pays claims and establishes reserves, and the administration of the program is handled by two independent administrators: Medica for medical plan administration, and Prime Therapeutics for pharmacy benefit management. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than $800,000 in a single year. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position.

The University's dental coverage for faculty and staff and their dependents is also a self-insured program (UPlan). Under UPlan Dental, the University pays claims and establishes reserves, and the administration of the program is handled by two independent administrators, Delta Dental and HealthPartners. An annual actuarial estimate of the University's liability for dental claims, including IBNR, is recorded within the consolidated statements of net position.

Medical coverage for eligible graduate assistants is a self-insured program. Under the graduate assistant medical plan, the University pays claims and establishes reserves. The program is administered by HealthPartners. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than $400,000 in a single year. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position. The Graduate Assistant Plan also offers self-insured Dental Plan benefits at Boynton Health Service without a third-party administrator.

The University's medical (health) coverage for eligible students and their dependents is a self-insured program (Student Health Benefit Plan). Under the Student Health Benefit Plan (SHBP), the University pays claims and establishes reserves, and the administration of the program is handled by Blue Cross and Blue Shield of Minnesota. The administrator offers medical conversion policies to eligible University students who are able to convert their SHBP coverage to single coverage after graduation. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical

expenses greater than $375,000 in a single year in addition to aggregate stop-loss coverage for claims totals over 115 percent of plan year claims. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position. The University also carries a student health plan for the Academic Health Center (AHC). The plan is self-insured and the health carrier is Blue Cross and Blue Shield of Minnesota. An estimated claims liability ensures that funds are available to cover claims up to the point where stop-loss coverage begins. The AHC Plan also offers self-insured Dental Plan preventive benefits at Boynton Health Service without a third-party administrator.

Medical coverage for eligible Medical Residents and Fellows is a self-insured program. Under the Medical & Resident medical plan, the University pays claims and establishes reserves. The program is administered by HealthPartners. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position. The Medical & Resident group also offers a fully insured Dental Benefit Plan through Delta Dental.

Reported liabilities as of June 30, 2019, are shown below:

	Liability beginning of year	New claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	$ 9,374	$ 814	$ (2,719)	$ (223)	$ 7,246
Workers' compensation	12,349	2,325	(2,325)	(299)	12,050
UPlan medical	22,509	262,146	(262,549)	5,431	27,537
UPlan dental	1,016	18,070	(17,736)	(157)	1,193
Graduate assistant health plan	4,277	23,690	(23,690)	661	4,938
Student health plan	5,108			992	6,100
Medical residents & fellows	703			(210)	493

Other adjustments reflect reserve changes on prior years' claims and changes in estimated IBNR.

Reported liabilities as of June 30, 2018, are shown below:

	Liability beginning of year	New claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	$ 9,255	$ 2,979	$ (2,512)	$ (348)	$ 9,374
Workers' compensation	13,718	4,136	(4,136)	(1,369)	12,349
UPlan medical	18,912	244,870	(245,511)	4,238	22,509
UPlan dental	1,014	17,369	(16,829)	(538)	1,016
Graduate assistant health plan	3,764	21,541	(21,541)	513	4,277
Student health plan	4,882			226	5,108
Medical residents & fellows	456			247	703

Other adjustments reflect reserve changes on prior years' claims and changes in estimated IBNR.

10. Other Postemployment Benefits

Description of Plan

The University administers the UPlan—a self-insured, single-employer, defined benefit healthcare plan. It is a partnership between the University and its employees to provide quality, cost-effective health benefits to employees, retirees, and their families. Pursuant to the University's Board of Regents governing authority, non-Medicare retirees and former employees can purchase medical and dental insurance coverage. The benefit provision process is initiated through the Benefits Advisory Committee (BAC). The BAC comprises

representatives from all employee groups who advise the University administration on health program benefit offerings. An internal UPlan financial report is prepared on a calendar year basis. Questions regarding the UPlan may be directed to Total Compensation, 100 Donhowe Building, 319 15th Avenue S.E., Minneapolis, MN 55455.

Contributions and Benefits Provided

The UPlan is currently financed on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria prescribed in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The University has established that a former employee must pay the entire premium for continuation coverage, except as otherwise provided in a collective bargaining agreement or personnel policy. Non-Medicare retirees and eligible participants under the Academic Disability Plan (ADP) can purchase medical and dental insurance coverage at the full premium rate. These rates are based on a blended active and pre-Medicare retiree rate. With the University being self-insured, the University becomes liable for the actual cost of retiree and disability related healthcare costs in excess of premiums collected. As a result, an implicit subsidy is created, which is reflected in the OPEB liability that is recorded.

UPlan Membership Covered by Benefit Terms

UPlan membership	June 30, 2019	June 30, 2018
Active plan members	19,742	19,331
Inactive plan members or beneficiaries currently receiving benefits	416	470
Total	20,158	19,801

OPEB Liability

The University's OPEB liability was measured and determined as of June 30, 2019 and June 30, 2018 in accordance with GASB 75.

The components that contributed to the change in the University's OPEB liability are as follows:

	June 30, 2019	June 30, 2018
OPEB liability—Beginning of year	$ 34,936	$ 32,461
Changes in net OPEB liability:		
Service cost	3,870	3,763
Interest	1,361	1,202
Differences between expected and actual experience	(344)	2,596
Changes of actuarial assumptions or other inputs	2,879	(120)
Benefit payments	(2,419)	(4,966)
Increase in OPEB liability	5,347	2,475
OPEB liability—End of year	$ 40,283	$ 34,936

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan, the plan as understood by the employer and plan members. This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions applied to the measurement of the OPEB liability are as follows:

Actuarial Methods and Assumptions

Valuation date	6/30/2019		6/30/2018	
Actuarial cost method	Entry age normal, level percent of pay		Entry age normal, level percent of pay	
Asset valuation method	N/A		N/A	
Discount rate	3.50%	*	3.62%	*
Inflation	2.75%		2.75%	
Salary increases	4.00% average including inflation		4.00% average including inflation	
Mortality	PubT-2010.H for Faculty and PubG-2010.H for all others		RP-2014 rolled back to 2006 and projected by modified 2016 scale	
Experience applied	FY2015 - FY2017		FY2015 - FY2017	

** Based on a AA/Aa or higher rated 20-year tax exempt muncipal bond rate.*

The University's OPEB liability is sensitive to changes in the discount rate and healthcare cost trends rates.

The following presents the OPEB liability of the University, as well as what the University's OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower and or 1.0 percentage point higher than the current discount rate:

Discount Rate Sensitivity

	1.0% Decrease (2.5%)	Discount rate (3.5%)	1.0% Increase (4.5%)
OPEB liability ($)	$ 42,967	$ 40,283	$ 37,701

The following presents the OPEB liability of the University, as well as what the University's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0 percentage point lower (6.0 percent decreasing to 4.0 percent) or 1.0 percentage point higher (8.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate Sensitivity

	1.0% Decrease (6.0% decreasing to 4.0%)	Healthcare cost trend rates (7.0% decreasing to 5.0%)	1.0% Increase (8.0% decreasing to 6.0%)
OPEB liability ($)	$ 35,543	$ 40,283	$ 45,897

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

In accordance with GASB 75, the University recorded $7,214 and $6,686 in OPEB expense for the fiscal years ended June 30, 2019 and June 30, 2018, respectively. In addition, the University reported the following deferred outflows of resources and deferred inflows of resources from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,072	$ 416
Changes in assumptions	3,243	71
Total	$ 5,315	$ 487

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,314	$ 165
Changes in assumptions	1,223	96
Total	$ 4,537	$ 261

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB as expense as follows:

Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense or a Reduction in OPEB Liability

Fiscal year	Total
2020	$ 1,739
2021	903
2022	700
2023	262
2024	262
After 2024	962
Net deferred outflows	$ 4,828

Additional information related to OPEB is presented in Required Supplementary Information (RSI) following the notes to the consolidated financial statements.

11. Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2019, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 701,443	$ 100,183			$ 801,626
Research	460,379	260,235			720,614
Public service	144,603	99,131			243,734
Academic support	302,268	99,150			401,418
Student services	94,048	27,961			122,009
Institutional support	181,772	56,883			238,655
Operation and maintenance of plant	90,430	178,409			268,839
Scholarships and fellowships	9,210	2,375	$ 52,939		64,524
Depreciation				$ 214,336	214,336
Auxiliary enterprises	99,642	170,138			269,780
Other operating expense			1,070		1,070
	$ 2,083,795	$ 994,465	$ 54,009	$ 214,336	$ 3,346,605

Operating expenses by natural classification for the year ended June 30, 2018, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 727,585	$ 99,615			$ 827,200
Research	508,796	259,341			768,137
Public service	192,082	93,169			285,251
Academic support	371,087	94,232			465,319
Student services	115,880	26,985			142,865
Institutional support	229,069	85,700			314,769
Operation and maintenance of plant	136,189	174,485			310,674
Scholarships and fellowships	10,569	2,931	$ 51,089		64,589
Depreciation				$ 221,797	221,797
Auxiliary enterprises	131,045	166,666			297,711
Other operating expense			120		120
	$ 2,422,302	$ 1,003,124	$ 51,209	$ 221,797	$ 3,698,432

12. Subsequent Events

On October 11, 2019, the University Board of Regents approved the purchase of real estate located at 2025 East River Parkway, Minneapolis, MN. The property includes 10.2 acres of land, improved with a 103,500 square foot, two-level building with out-patient clinics, inpatient hospital facility, and supporting uses, with a skyway connected to a 14,000 square foot, 10-room hotel and conference facility. The property also includes a 172-space attached parking ramp plus 28 additional parking spaces. The total purchase price for the property is $22.5 million, with $0.3 million in earnest money. Funding for the purchase and renovation of the property will be made possible through philanthropic donations.

The property is currently owned by Shriners Healthcare for Children, and is used as a pediatric specialty hospital facility. The University intends to renovate the building to accommodate programs jointly associated with programs focused on child and adolescent brain health run jointly by the Medical School and the College of Education and Human Development.

Closing on the property is contingent upon completion of a 160 day due diligence period ending on December 9, 2019, and the University and Shriners negotiating an agreement for the University to leaseback a portion of the facility to Shriners while their new facility is under construction. The period of the lease back would be until July 31, 2020, with an option for an additional five month period.

13. Component Units

Discretely Presented Component Units

Based on significant balances reported in the University's discretely presented component units' Statements of Financial Position, the note disclosures for investments and net assets with donor restrictions, as reported in the separately issued financial statements of the University of Minnesota Foundation (UMF), are presented below.

Investments

Investments in cash equivalents, corporate bonds, other fixed income securities, equity securities, hedge funds, natural resources, and Treasury inflation protected securities with readily determinable fair values are reported at fair value as set forth in Note 3 of the UMF's annual report (traditional structures). Investments held in alternative structures, except those reported as Level 3 in Note 3 of the UMF's annual report or are investments held at cost, investments held at the equity method or are consolidated, are recorded at net asset values provided by external investment managers as a practical expedient in determining fair value. Because such investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for such investments existed.

The UMF invests in LLCs and LLPs in which the UMF has a majority interest and control. As a result, these investments are consolidated within the financial statements.

Donated investments are recorded at their fair values, as determined on the date of donation. Investment income and gains and losses are recorded in the period incurred.

For management efficiency, investments of net assets with and without restrictions are pooled, except for certain net assets that the board of trustees or donors have designated to be segregated and maintained separately.

Receivables from pending liquidations represent sales of investments made prior to the end of the fiscal year, but settled after the fiscal year-end.

The UMF investments as of June 30 are summarized as follows:

	2019		
	Traditional structures	Alternate structures	Total
Cash and cash equivalents	$ 796,593		$ 796,593
Fixed income	622,774	$ 698,673	1,321,447
Global equity	1,661	15,939	17,600
Hedge funds	19,315	4,297	23,612
Natural resources	8,352	82,195	90,547
Treasury inflation protected securities (TIPS)	48,644		48,644
Real estate		52,504	52,504
Private equity		582,447	582,447
Other investments		6,122	6,122
Subtotal	1,497,339	1,442,177	2,939,516
Less charitable gift annuities reported separately			(33,718)
Total			$ 2,905,798

	2018		
	Traditional structures	Alternate structures	Total
Cash and cash equivalents	$ 151,796		$ 151,796
Fixed income	863,464	$ 539,571	1,403,035
Global equity	209,978	55,845	265,823
Hedge funds	18,990	78,758	97,748
Natural resources	10,966	108,848	119,814
Treasury inflation protected securities (TIPS)	35,380		35,380
Real estate		56,929	56,929
Private equity		546,969	546,969
Other investments		6,258	6,258
Subtotal	1,290,574	1,393,178	2,683,752
Less charitable gift annuities reported separately			(29,146)
Total			$ 2,654,606

Fixed income investments include high yield bonds, factored receivables, line of credit, bank loans, mortgage, and related securitizations.

Investments held in traditional structures represent those held directly by the UMF in custodial accounts with financial institutions. Investments held in alternative structures include those held through interests in collective trust funds, limited partnerships, commingled funds, and limited liability companies.

Net asset values provided by external investment managers for alternative structures include estimates, appraisals, assumptions, and methods that are reviewed by management. It is possible that the redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and, consequently, the fair value of the UMF's interests in the funds. At June 30, 2019 and 2018, the UMF has $1,442,177 and $1,393,178 respectively, of investments in alternative structures which are reported at net asset

value as a practical expedient, except those reported as Level 3, loans measured at cost and investment held in LLC in Note 3 of the UMF's annual report. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the UMF were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

Fair Value Measurements

The UMF allows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the UMF has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- **Level 1:** Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.

- **Level 2:** Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fixed income securities are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing service. These prices are based on observable market data for the same or similar securities, including quoted prices in markets that are not active, or matrix pricing or other similar techniques that use observable market inputs, such as benchmark yields, expected prepayment speeds and volumes, and issuer ratings.

- **Level 3:** Inputs that are unobservable inputs for the asset or liability, including bankruptcy claims and auction rate securities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables summarize the UMF's financial assets and other liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018:

	2019			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income				
Asset backed securities		$ 2,496		$ 2,496
Mortgages		3,094		3,094
Corporate bonds		20,222		20,222
Government		590,681		590,681
Large cap	$ 253			253
Other		6,028		6,028
Global equity				
Small cap	1,661			1,661
Large cap				
Hedge funds				
Long/short non-equity	19,315		$ 3,716	23,031
Natural resources	8,352			8,352
Treasury inflation protected securities (TIPS)		48,644		48,644
Total investments	$ 29,581	$ 671,165	$ 3,716	704,462
Cash and cash equivalents				796,593
Investments measured at net asset value or its equivalent				1,044,152
Investments held at cost				23,720
Investments at equity method				75,187
Consolidated investments				295,402
Total investments and cash				$ 2,939,516
Gift annuities not categorized above	$ 1,146	$ 588		$ 1,734
Beneficial interest in perpetual trusts	8,757	2,695	$ 52,642	64,094
Assets held in charitable trusts	19,952			19,952
Beneficial interest in trusts			2,790	2,790
UGC derivative financial instrument		(1,547)		(1,547)

Assets held in charitable trusts consist of equities, bonds and cash.

	2018			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income				
Asset backed securities		$ 4,304		$ 4,304
Mortgages		3,673		3,673
Corporate bonds		27,381		27,381
Government		823,687		823,687
Other	$ 2,082	2,337		4,419
Global equity				
Small cap	1,670			1,670
Large cap	208,308			208,308
Hedge funds				
Long/short non-equity	18,990		$ 1,831	20,821
Natural resources	10,966			10,966
Treasury inflation protected securities (TIPS)		35,380		35,380
Total investments	$ 242,016	$ 896,762	$ 1,831	1,140,609
Cash and cash equivalents				151,796
Investments measured at net asset value or its equivalent				1,093,644
Investments held at cost				24,477
Investments at equity method				80,235
Consolidated investments				192,991
Total investments and cash				$ 2,683,752
Gift annuities not categorized above	$ 1,146	$ 583		$ 1,729
Beneficial interest in perpetual trusts	8,398	2,867	$ 52,178	63,443
Assets held in charitable trusts	20,001			20,001
Beneficial interest in trusts			3,003	3,003
UGC derivative financial instrument		(1,136)		(1,136)

The changes in investments measured at fair value on a recurring basis included as Level 3 measurements are summarized as follows at June 30:

	Beginning balance at July 1, 2018	Investment income	Net realized and unrealized gain (loss)	Purchases	Sales	Ending balance at June 30, 2019
Fixed income						
Other						
Hedge funds						
Long/short non-equity	$ 1,831	$ 117	$ 36	$ 3,234	$ (1,502)	$ 3,716
	$ 1,831	$ 117	$ 36	$ 3,234	$ (1,502)	$ 3,716

	Beginning balance at July 1, 2017	Investment income	Net realized and unrealized gain (loss)	Purchases	Sales	Ending balance at June 30, 2018
Fixed income						
Other	$ 2,767	$ 1,128	$ (288)		$ (3,607)	
Hedge funds						
Long/short non-equity	3,379	74	359	$ 70	(2,051)	$ 1,831
	$ 6,146	$ 1,202	$ 71	$ 70	$ (5,658)	$ 1,831

The changes in other investments or financial assets measured at fair value on a recurring basis included as Level 3 measurements are summarized as follows:

	Beginning balance at July 1, 2018	Change in carrying value of trusts	Ending balance at June 30, 2019
Beneficial interest in trusts	$ 3,003	$ (213)	$ 2,790
Beneficial interest in perpetual trusts	52,178	464	52,642

	Beginning balance at July 1, 2017	Change in carrying value of trusts	Ending balance at June 30, 2018
Beneficial interest in trusts	$ 3,313	$ (310)	$ 3,003
Beneficial interest in perpetual trusts	53,672	(1,494)	52,178

The following is a summary of the investments whose net asset value approximates fair value and the related unfunded commitments and redemption restrictions associated with each major category at June 30:

	2019			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investments				
Fixed income	$ 318,165	$ 192,154	None or quarterly	None or 60 days
Global equity	2,139		None or daily to quarterly	None or 0-60 days
Hedge funds	580		None or monthly to quarterly	None or 0-90 days
Natural resources	82,195	11,536	None	None
Real estate	52,504	24,294	None	None
Private equity	582,447	143,729	None	None
Other investments	6,122		None	None
Total	$ 1,044,152	$ 371,713		

	2018			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investments				
Fixed income	$ 255,667	$ 176,524	None or quarterly	None or 60 days
Global equity	42,045		None or daily to quarterly	None or 0-60 days
Hedge funds	76,928		None or monthly to quarterly	None or 0-90 days
Natural resources	108,848	20,154	None	None
Real estate	56,929	30,567	None	None
Private equity	546,969	166,336	None	None
Other investments	6,258		None	None
Total	$ 1,093,644	$ 393,581		

The UMF's alternative investments which are redeemable at net asset value under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the UMF's interest in the funds.

Investment Commitments

As of June 30, 2019, the UMF also had unfunded commitments for investments held at cost of $20,580, unfunded commitments for investments at equity method of $51,086, and unfunded commitments for consolidated investments of $42,692.

In addition to the unfunded commitments noted above, the UMF has entered into investment commitments of $74,404 since June 30, 2019, which are expected to be paid within one year.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the UMF and changes therein are classified into the following categories:

- **Net Assets with Donor Restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

- **Net Assets without Donor Restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are restricted for the following purposes:

Gifts and other unexpended revenues and gains available for:

	2019	2018
Capital improvement/facilities	$ 133,711	$ 130,839
Faculty and staff support	20,668	22,079
Scholarships and fellowships	151,745	144,110
Lectureships, professorships, and chairs	45,703	45,492
Program support	486,034	408,654
Research and outreach/community engagement	160,655	170,031
Trusts	7,401	7,571
Other	8,768	8,231
Subtotal	$ 1,014,685	$ 937,007

Endowments:
Original donor-restricted gift amount and amounts required to be maintained in perpetuity:
Restricted by donors for:

Capital improvement/facilities	$ 9,934	$ 9,852
Faculty and staff support	33,377	29,598
Scholarships and fellowships	588,188	551,010
Lectureships, professorships, and chairs	418,321	405,811
Program support	95,702	91,253
Research and outreach/community engagement	73,823	70,063
Trusts	15,635	14,969
Other	3,072	581
Subtotal	$ 1,238,052	$ 1,173,137

Subject to foundation endowment spending policy and appropriation:

Capital improvement/facilities	$ 9,953	$ 9,476
Faculty and staff support	14,292	12,987
Scholarships and fellowships	172,652	152,925
Lectureships, professorships, and chairs	229,015	211,169
Program support	53,995	58,854
Research and outreach/community engagement	24,017	18,732
Other	2,917	2,693
Subtotal	506,841	466,836
Total endowments	$ 1,744,893	$ 1,639,973

Not subject to spending policy or appropriation:

Capital improvement/facilities	$ 68	$ 153
Scholarships and fellowships	1,570	2,701
Program support	6,953	7,147
Research and outreach	1,035	1,262
Trusts	54,466	54,157
Other	1,091	3,157
Subtotal	65,183	68,577
Total net assets with donor restrictions	$ 2,824,761	$ 2,645,557

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

Net assets released for purpose:

	2019	2018
Capital improvement/facilities	$ 21,970	$ 26,125
Faculty and staff support	4,582	4,813
Scholarships and fellowships	50,304	46,362
Lectureships, professorships, and chairs	28,609	29,554
Program support	84,795	77,351
Research and outreach/community engagement	62,666	42,243
Other	505	710
Total net assets released from donor restrictions	$ 253,431	$ 227,158

Blended Component Units

Condensed statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows for fiscal years ended June 30, 2019 and 2018 for RUMINCO, Ltd, are as follows:

Condensed statements of net position	2019	2018
Current assets	$ 158	$ 106
Noncurrent assets	51,538	48,386
Total assets	51,696	48,492
Deferred outflows of resources		
Total assets & deferred outflows of resources	51,696	48,492
Current liabilities	1,401	2,822
Noncurrent liabilities	2,112	2,520
Total liabilities	3,513	5,342
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	3,513	5,342
Unrestricted net position	$ 48,183	$ 43,150

Condensed statements of revenues, expenses, and changes in net position	2019	2018
Operating revenues:		
Net underwriting income	$ 3,515	$ 895
Operating expenses	1,501	1,459
Operating income (loss)	2,014	(564)
Nonoperating revenues:		
Investment income, net	3,019	3,212
Increase in net position	5,033	2,648
Net position at beginning of year	43,150	40,502
Net position at end of year	$ 48,183	$ 43,150

Condensed statements of cash flows	2019	2018
Net cash provided (used) by:		
Operating activities	$ 687	$ 226
Investing activities	(640)	(237)
Net increase (decrease) in cash	47	(11)
Cash at beginning of year	49	60
Cash at end of year	$ 96	$ 49

Condensed statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows for fiscal year ended June 30, 2019 for 2515 University Ave SE, LLC (University Village), is as follows:

Condensed statement of net position	2019
Current assets:	
Cash and cash equivalents	$ 185
Accounts and other receivables	530
Noncurrent assets:	
Capital assets, net	42,757
Total assets	43,472
Deferred outflows of resources	
Total assets & deferred outflows of resources	43,472
Current liabilities	569
Noncurrent liabilities	43,500
Total liabilities	44,069
Deferred inflows of resources	
Total liabilities & deferred inflows of resources	44,069
Unrestricted net position	$ (597)

Condensed statement of revenues, expenses, and changes in net position	2019
Operating revenues:	
Rental income	$ 1,069
Other revenue	20
Operating expenses:	
General operating expenses	852
Depreciation expense	250
Operating loss	(13)
Nonoperating expenses	584
Decrease in net position	(597)
Net position at beginning of year	
Net position at end of year	$ (597)

Condensed statement of cash flows	2019
Net cash provided (used) by:	
Operating activities	$ 783
Capital and related financing activities	(598)
Net increase in cash	185
Cash at beginning of year	
Cash at end of year	$ 185

Required Supplementary Information (Unaudited)

Required Supplementary Information (RSI) (Unaudited)
Years ended June 30, 2019 and 2018 (in thousands)

Other Postemployment Benefits (OPEB)

Schedule of Employer's Contributions

Year Ended June 30	OPEB Liability (a)	University's Covered-Employee Payroll (b)	Contributions as a Percentage of Covered-Employee Payroll (c) = a / b
2019	$ 40,283	$ 1,427,948	2.82%
2018	34,936	1,439,621	2.43%
2017	32,461	1,384,251	2.35%
2016	32,447	1,350,645	2.40%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Changes in Total OPEB Liability

Total OPEB Liability at June 30	2019	2018	2017	2016
Service cost	$ 3,870	$ 3,763	$ 3,446	$ 2,961
Interest	1,361	1,202	973	1,150
Differences between expected and actual experience	(344)	2,596	(281)	3,374
Changes of actuarial assumptions or other inputs	2,879	(120)	1,023	1,674
Benefit payments	(2,419)	(4,966)	(5,147)	(5,794)
Increase in OPEB liability	5,347	2,475	14	3,365
Total OPEB liability—beginning	34,936	32,461	32,447	29,082
Total OPEB liability—ending	$ 40,283	$ 34,936	$ 32,461	$ 32,447

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Additional information is provided in Note 10.

Notes to Required Supplementary Information

No assets are accumulated in a trust that meets the criteria prescribed in GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Schedules of the Employer's Share of Net Pension Liability

Public Employee Police and Fire Fund (PEPFF)*

Actuarial valuation date	University's Proportion of the Net Pension Liability (%) (a)	University's Proportionate Share of the Net Pension Liability ($) (b)	University's Covered-Employee Payroll (c)	University's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (d) = (b)/(c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (e)
6/30/2018	0.597%	$ 6,367	$ 6,295	101.144%	88.84%
6/30/2017	0.589%	7,952	6,046	131.525%	85.43%
6/30/2016	0.604%	24,240	5,818	416.638%	63.88%
6/30/2015	0.613%	6,965	5,781	120.481%	86.61%
6/30/2014	0.608%	6,567	5,255	124.967%	87.07%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

State Employees Retirement Fund (SERF)*

Actuarial valuation date	University's Proportion of the Net Pension Liability (%) (a)	University's Proportionate Share of the Net Pension Liability ($) (b)	University's Covered-Employee Payroll (c)	University's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (d) = (b)/(c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (e)
6/30/2018	14.648%	$ 203,027	$ 437,428	46.414%	90.56%
6/30/2017	14.906%	1,105,713	428,771	257.880%	62.73%
6/30/2016	15.200%	1,884,630	417,703	451.189%	47.51%
6/30/2015	15.424%	237,436	451,306	52.611%	88.32%
6/30/2014	16.031%	259,954	410,364	63.347%	87.64%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information

In the fiscal years ended June 30, 2019 and 2018, there were changes in actuarial assumptions for both PEPFF and SERF that affected the measurement of the total pension liability since the prior actuarial valuation. Part of the assumption changes included changes to the single discount rates. For PEPFF, the single discount rate remained unchanged at 7.5 percent in fiscal year 2019, and changed from 5.6 percent to 7.5 percent in fiscal year 2018. For SERF, the single discount rate changed from 5.42 percent to 7.50 percent in fiscal year 2019, and from 4.17 percent to 5.42 percent in fiscal year 2018. Refer to Note 6 for additional information related to PEPFF and SERF.

Pensions

Schedules of Employer's Contributions – Last 10 Years

Public Employee Police and Fire Fund (PEPFF)*

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (e) = b / d
2018	$ 1,020	$ 1,020		$ 6,295	16.20%
2017	979	979		6,046	16.20%
2016	943	943		5,818	16.20%
2015	885	885		5,781	15.30%
2014	804	804		5,255	15.30%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available*

State Employees Retirement Fund (SERF)*

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (e) = b / d
2018	$ 24,059	$ 24,059		$ 437,428	5.50%
2017	23,582	23,582		428,771	5.50%
2016	22,974	22,974		417,703	5.50%
2015	22,565	22,565		451,306	5.00%
2014	20,518	20,518		410,364	5.00%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available*

Civil Service Retirement System (CSRS)

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (e) = b / d
2019	$ 39	$ 39		$ 557	7.00%
2018	73	73		1,043	7.00%
2017	97	97		1,386	7.00%
2016	109	109		1,557	7.00%
2015	139	139		1,986	7.00%
2014	152	152		2,171	7.00%
2013	172	172		2,457	7.00%
2012	226	226		3,229	7.00%
2011	271	271		3,871	7.00%
2010	281	281		4,014	7.00%
2009	296	296		4,229	7.00%

Additional information is provided in Note 6.

Civil Service Retirement System Offset Retirement (CSRS Offset)

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (e) = b / d
2019	$ 10	$ 10		$ 143	7.00%
2018	18	18		257	7.00%
2017	22	22		314	7.00%
2016	30	30		429	7.00%
2015	35	35		500	7.00%
2014	35	35		411	8.51%
2013	34	34		400	8.51%
2012	33	33		388	8.51%
2011	32	32		376	8.51%
2010	34	34		400	8.51%
2009	37	37		435	8.51%

Federal Employees Retirement System (FERS)

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (e) = b / d
2019	$ 881	$ 881		$ 6,431	13.70%
2018	893	893		6,518	13.70%
2017	892	892		6,511	13.70%
2016	1,232	1,232		8,993	13.70%
2015	938	938		7,106	13.20%
2014	894	894		7,513	11.90%
2013	878	878		7,378	11.90%
2012	900	900		7,563	11.90%
2011	957	957		8,545	11.20%
2010	974	974		8,696	11.20%
2009	1,031	1,031		9,205	11.20%

Additional information is provided in Note 6.

Fiscal Year 2019 Annual Financial Report

Michael Volna, Associate Vice President and Assistant CFO
Suzanne Paulson, University Controller

Finance & Operations Committee

December 12, 2019

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

FY19 Highlights

- Total Net Assets increased $0.4 billion to $3.6 billion, indicating a continued strong financial position
- Total Operating Revenues (as defined by GASB) increased slightly to $2.4 billion from $2.3 billion compared to the prior year
- GASB 68/71 pension expense decreased $425.7 million compared to the prior year, driven by increased contribution rates and changes in actuarial assumptions

Notable Financial Events

- FY 2019 approved annual operating budget included:
  - *Undergraduate resident tuition increase – 2% (TC only)*
  - *Non-resident / non-reciprocity tuition increase – 15% (incoming TC only)*
  - *2% average compensation increases*
- FY 2019 approved annual capital budget provided:
  - *$132.7 million for University-financed projects*
  - *$79.4 million in state-financed projects*
- FY 2019 Legislative Session resulted in:
  - *$65.3 million increase in appropriations (regular and special sessions)*
  - *No capital bonding bill*

Notable Financial Events

- Board approved debt transactions:
  - *Issued $124,215,000 of new debt; refunded $51,240,000 of existing debt*
- Capital asset transactions:
  - *Acquisition of Stadium Village - $43,500,000*
  - *Other real estate acquisitions (net of sales) - $9,280,000*
- 2018 Legislative session pension reforms:
  - *Plan contribution increases, COLA reductions, actuarial assumption changes*
- Revised UM – Fairview agreement
  - *2019 was first complete fiscal year of new agreement, which included ~ $37.5 million in fixed academic support to the University*

Overview of Balance Sheet

$ in Millions	2019	2018
Current Assets	$ 1,099.8	$ 1,103.5
Noncurrent Assets	5,436.0	5,201.0
Total Assets	6,535.8	6,304.5
Deferred Outflows	618.9	948.3
Current Liabilities	876.4	865.1
Noncurrent Liabilities	1,640.8	2,445.5
Total Liabilities	2,517.2	3,310.6
Deferred Inflows	1,008.1	724.6
Net Position	$ 3,629.3	$ 3,217.6

Refer to Annual Financial Report – page 28 for additional information

Net Position, 2009-2019

Dollars in millions

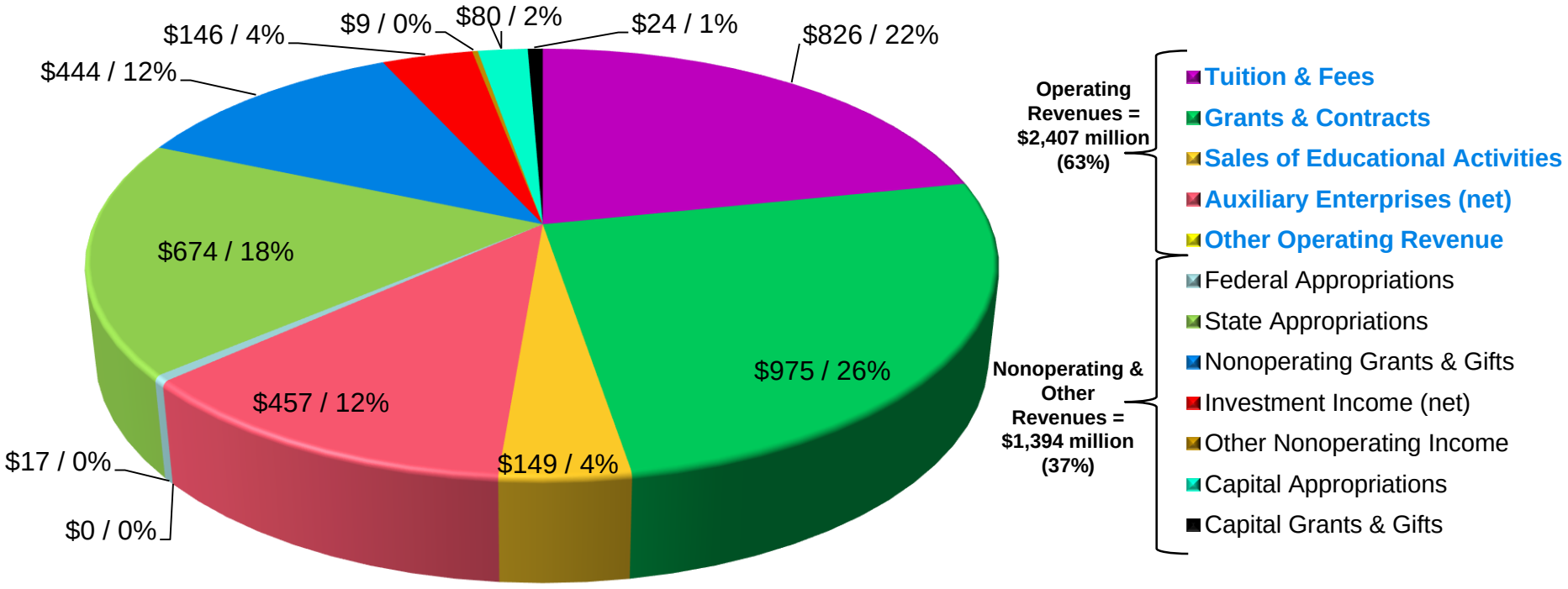
Refer to Annual Financial Report – page 28 for additional information

Overview of Revenues, Expenses, and Changes in Net Position

$ in Millions	2019	2018
Total Operating Revenues	$ 2,409.1	$ 2,327.9
Total Operating Expenses	3,346.6	3,698.4
Net Operating Loss (as defined by GASB)	(937.5)	(1,370.5)
Net Non-Operating Revenues, including State appropriations	1,240.9	1,233.0
Other Revenues	108.3	110.7
Increase (Decrease) in Net Position	**$ 411.8**	**$ (26.8)**

Refer to Annual Financial Report – page 30 for additional information

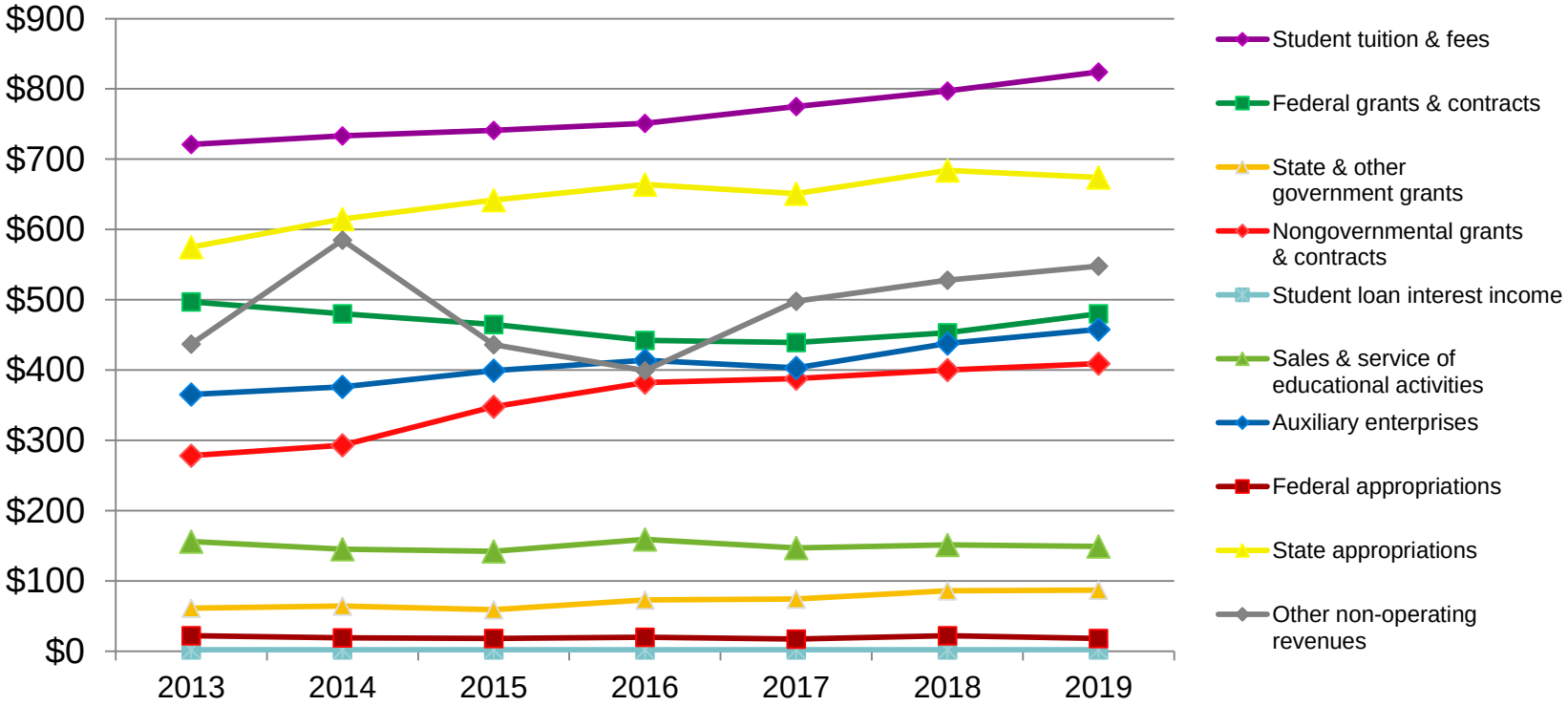
FY19 Total Revenues – $3.8 Billion



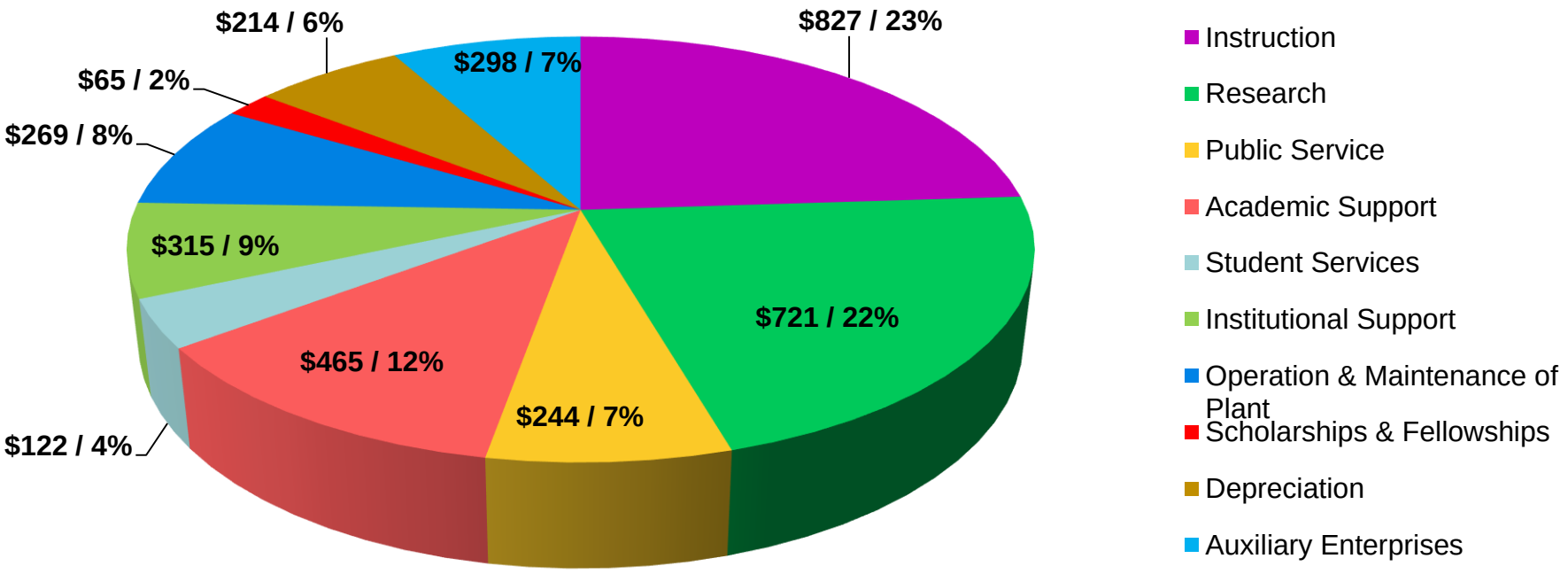
$ in millions

Revenue Trends / Fiscal Years 2013 – 2019

(Audited amounts; $ in millions)



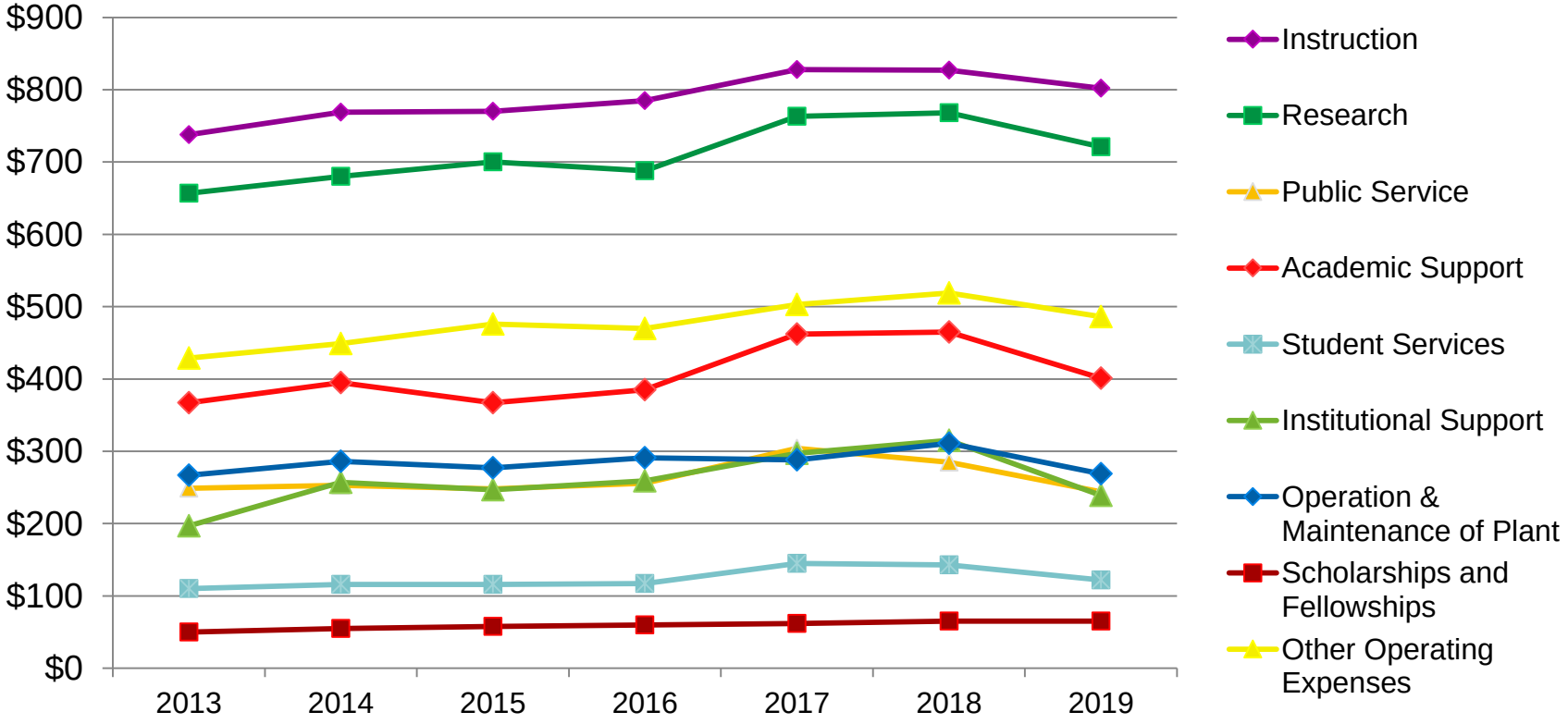
FY19 Total Operating Expenses – $3.34 Billion



$ in millions

Operating Expense Trends – Functional Classification
Fiscal Years 2013 – 2019

(Audited amounts; $ in millions)



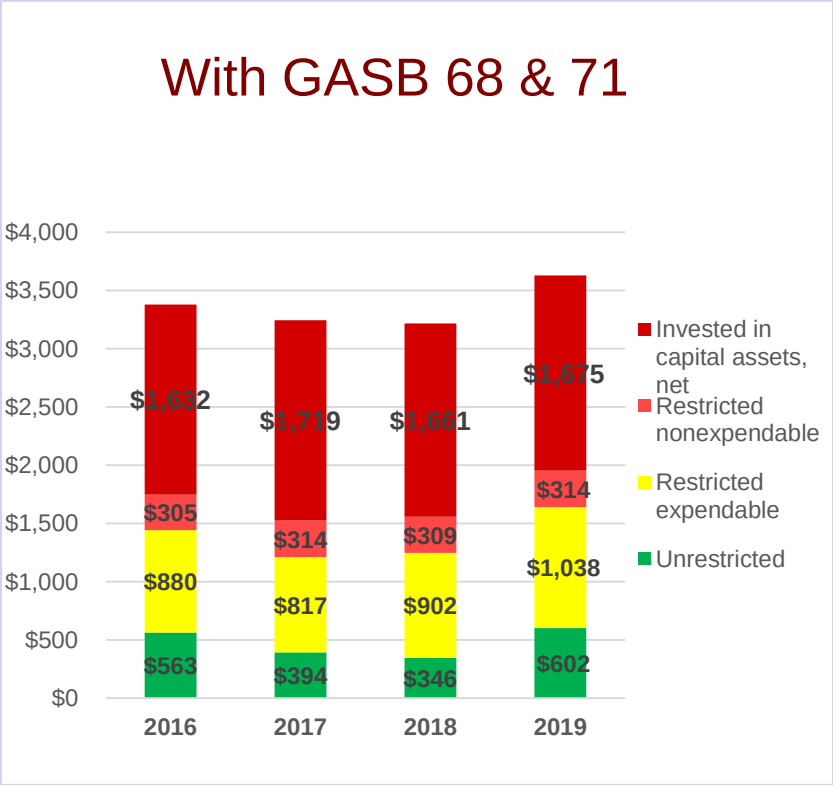
The GASB Pension Effect

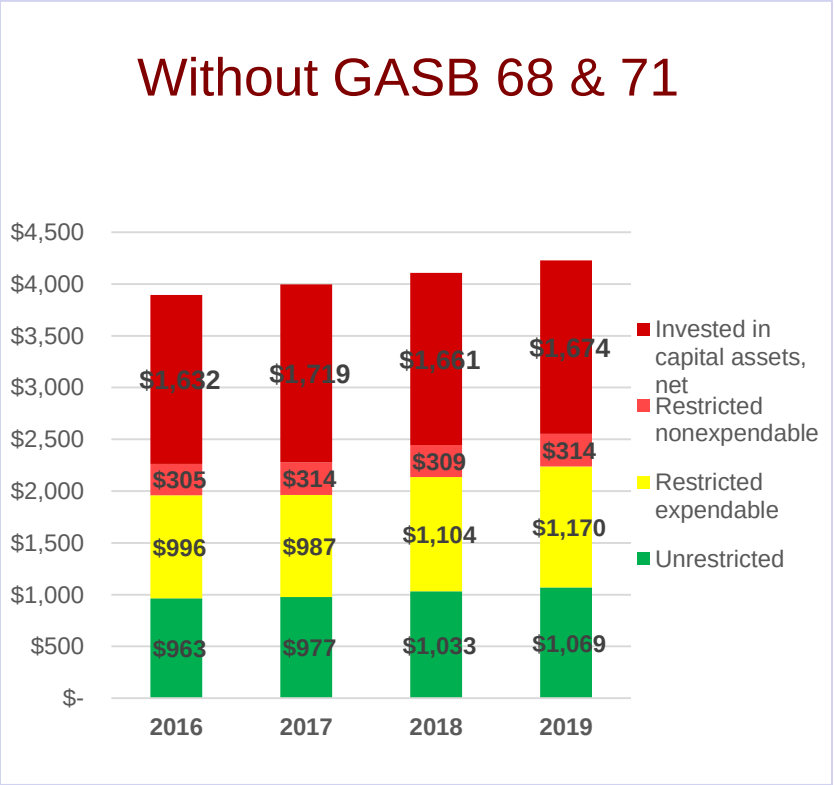
Changes in pension plan's actuarial assumptions, combined with GASB's prescribed methodologies, has continued to lead to volatility in the University's net pension liability and expense:

- A decrease of **$904.2 million** in net pension liability (balance sheet) in FY19 compared to a decrease of **$795.2 million** in FY18
- A decrease in pension expense (income statement) of **$425.7 million** in FY19 compared to a decrease of **$99.1 million** in FY18

Net Position, 2016-2019

Dollars in millions



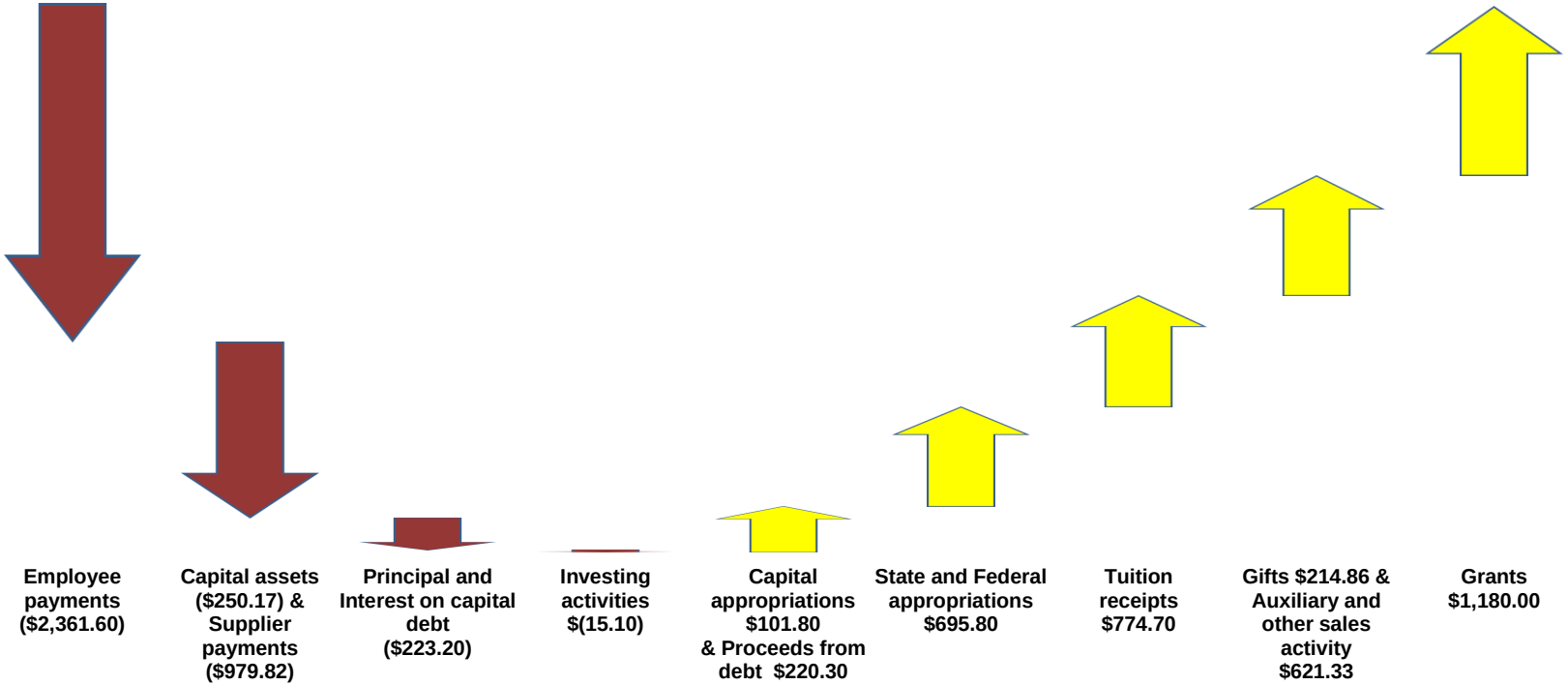


Cash Flows, FY19

($ in millions)

6/30/2018
$488.9

6/30/2019
$467.8



Refer to Annual Financial Report – pages 33-34 for additional information

Discretely Presented Component Units FY19 Overview

($ in millions)

	UMF	UMP
Total Assets	$3,348.7	$ 244.7
Total Liabilities	390.0	144.0
Net Assets	2,958.7	100.7
Total Revenues	453.3	629.1
Total Expenses	273.0	626.9
Increase in Net Assets	$ 180.3	$ 2.2

Refer to Annual Financial Report – pages 29, 31 and 32 for additional information

Discretely Presented Component Units FY 2018 Overview

($ in millions)

	UMF	UMP
Total Assets	$3,139.4	$ 223.9
Total Liabilities	361.0	125.5
Net Assets	2,778.4	98.4
Total Revenues	457.8	571.1
Total Expenses	249.0	587.5
Increase (Decrease) in Net Assets	$ 208.8	$ (16.4)

Refer to Annual Financial Report – pages 29, 31 and 32 for additional information

Summary

- ✓ ***University of Minnesota has a strong balance sheet***
- ✓ ***Required GASB pension adjustments continue to create significant unexpected volatility***
- ✓ ***Financial strength supports AA/Aa1 credit ratings, and lowers overall cost of borrowing***

"The stable outlook reflects continued favorable student demand and sponsored research trends, growing tuition revenue, stable to improving operating cash flow and debt service coverage despite additional debt plans" *Moody's Investors Service Rating Outlook, April 15, 2019*

UNIVERSITY OF MINNESOTA

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Crookston Duluth Morris Rochester Twin Cities

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 12, 2019**

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. Spending approval is requested for an additional $11,635.10 to support University President search and transition activities, bringing the final total to $361,635.10. Additional costs were primarily due to travel by the president-designate from South Carolina to Minnesota for onboarding meetings. This item is an adjustment to the previously approved $350,000 in October 2018.

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 AEFIS for an estimated $710,000 for an integrated assessment management system for the Office of the Executive Vice President and Provost for the period of January 1, 2020 through December 31, 2022 with optional contract extensions through December 31, 2024 for an additional $610,000. Total contract value, if all options are exercised, would be $1,320,000. Since this new contract would replace an existing contract, the Office of Undergraduate Education has dedicated O&M funds as part of their annual budget for this solution. AEFIS, a new supplier, was selected as a result of a competitive Request for Proposal (RFP) process by Purchasing Services. Six suppliers responded to the RFP.

- To Carrier, Corval, Division 23, Metropolitan Mechanical Contractors, and Trane for an estimated $1,250,000 for providing refrigerant based systems maintenance and repair support services as needed for Facilities Management for the period of January 1, 2020 through December 31, 2024. Contract Refridgerant Based Systems Maintenance and Repair Support Services is budgeted by Facilities Management Units on the Twin Cities campus through their facilities budget. Carrier, Corval, Division 23, Metropolitan Mechanical Contractors, and Trane, new suppliers, were selected as a result of a competitive Request for Proposal (RFP) process by Purchasing Services. Five suppliers responded to the RFP.

- To ChemTreat Inc. for an estimated $1,960,000 for providing chemical water treatment services as needed for Facilities Management for the period of February 1, 2020 through January 31, 2027. Chemical water treatment services are budgeted by a variety of organizations on the Twin Cities campus through their operation and maintenance facilities budget. ChemTreat, Inc., a new supplier, was selected as a result of a competitive Request for Proposal (RFP) process by Purchasing Services. Seven suppliers responded to the RFP.

- To Collegiate Licensing Company (CLC) for an agreement appointing CLC as exclusive licensing agent for the University for estimated royalty revenue and signing bonus valued at $2,000,000 for the Department of Intercollegiate Athletics, Twin Cities for the period of July 1, 2020 to June 30, 2025, with the option to extend through June 30, 2030. This agreement represents royalty revenue and the financial terms are similar to the previous agreement and consistent with peer institutions. CLC, the current supplier, was selected as a result of a competitive Request for Proposal (RFP) process conducted by Purchasing Services. One supplier responded to the RFP.

- To Fanatics College (Fanatics) for an agreement appointing Fanatics as exclusive retailer to provide merchandise sales and brand development services, primarily at Intercollegiate Athletic (ICA) facilities and for online sales for ICA for estimated revenue share, signing bonus, and other commitments valued at $3,850,000 for the Department of Intercollegiate Athletics, Twin Cities, for the period of July 1, 2020 to June 30, 2030. Merchandise revenue is collected by Fanatics and remitted to the ICA after retaining its share per the revenue share percentages and hurdles in the contract. Fanatics, a new supplier, was selected as a result of a competitive Request for Proposal (RFP) process conducted by Purchasing Services. Three suppliers responded to the RFP.

- To Florence Healthcare, Inc. for an estimated $600,000 for electronic regulatory binder solution for the Clinical and Translational Science Institute and the Medical School (CTSI) for the period December 31, 2019 to December 30, 2022, with optional renewal options through December 31, 2024 for an additional $400,000. Total contract value, if all options are exercised would be $1,000,000. CTSI/Medical School will be paying for this purchase. The software was not included in the current FY20 budget; as such, it will be funded by CTSI and Medical School. Florence Healthcare, Inc., a new supplier, was selected as a result of a competitive Request for Proposal (RFP) process by Purchasing Services. Three suppliers responded to the RFP.

- To Guardian Life Insurance Company of America for an estimated $2,027,399 to provide Long Term Disability Coverage for graduate, professional and nursing students in the Academic Health Center, and Long Term and Short Term Disability Coverage to University of Minnesota Residents, Fellows, and Interns for the Office of Human Resources for the period of July 1, 2020 through June 30, 2022 with optional contract extensions through June 30, 2026 for an additional $4,663,017. Total contract value, if all options are exercised would be $6,690,416. Guardian, the existing supplier, was selected as a result of a competitive Request for Proposal (RFP) process by Purchasing Services. One supplier responded to the RFP.

- To Infinera Corporation for an estimated $1,600,000 to provide optical network equipment, installation, and maintenance for the Office of Information Technology (OIT), acting as fiscal agent for the Broadband Optical Research, Education and Sciences Network (BOREAS-Net) for the period January 1, 2020 through December 31, 2022. Cost sharing agreements are in place and the University of Minnesota will be reimbursed by the other member institutions that make up the consortium for their share of the project. The funding for the University

share of this purchase comes from OIT operations. BOREAS-Net is a consortium of four major research institutions (University of Minnesota, University of Wisconsin, University of Iowa, and Iowa State University) where costs for managing and upgrading the network are proportionally shared by the four institutions. See enclosed documentation for basis of supplier selection.

- To Oracle America, Inc. for an estimated $18,000,000 for information technology hardware and software maintenance for the Office of Information Technology (OIT) for the period of January 1, 2020 through December 31, 2025. This requirement is currently budgeted and will be funded by OIT utilizing O&M funds. See enclosed documentation for basis of supplier selection.

- To Xigent Solutions for an estimated $1,400,000 for Enterprise Network Attached Storage (NAS) for the Office of Information Technology (OIT) for the period of approximately December 20, 2019 through December 19, 2026. This requirement is currently budgeted and will be funded utilizing O&M funds. Xigent Soltions, a new supplier, was selected as a result of a competitive Request for Proposal (RFP) process by Purchasing Services. Eight suppliers responded to the RFP.

- To Nike USA, Inc. (NIKE) for a continuation to the agreement granting NIKE the designation as exclusive athletic footwear, apparel and accessories sponsor of University of Minnesota Athletics for the right to pre-purchase NIKE product at a discounted rate. For the period of August 1, 2020 through July 31, 2023 the Department of Intercollegiate Athletics, Twin Cities campus (ICA) will receive an annual product allotment of $4,200,000 for the cash purchase price of $1,400,000. ICA retained a consultant to pursue bona fide third-party offers that could be compared to the NIKE proposal for extension. There were no offers that were more favorable that the offer presented by Nike. The agreement was negotiated in concert with the Office of General Counsel.

Employment Agreements

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

- Rachel Croson as Executive Vice President and Provost
- Lisa German as University Librarian and Dean of Libraries
- Mos Kaveh as Dean of the College of Science and Engineering

Off-Cycle Tuition Approval

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

The President recommends approval of tuition rates for the following programs for Summer 2020, Fall 2020, and Spring 2021:

	A	B	C	D	E	F
	2019-2020 (Effective Summer 2019) Semester Rates		2020-2021 (Effective Summer 2020) Semester Rates		2020-2021 Semester Rates	
	Resident	Nonresident	Resident	Nonresident	Resident % Increase	Nonresident % Increase
Twin Cities						
Carlson School of Management						
Master of Science in Business Analytics						
Per Credit	$990.00	$1,410.00	$1,020.00	$1,450.00	3.0%	2.8%
Master of Science in Finance						
Per Credit	$990.00	$1,410.00	$1,020.00	$1,450.00	3.0%	2.8%
College of Science and Engineering						
Master of Science in Security Technologies						
Per Credit - Year 2 Students *	$1,325.00	$1,325.00	$1,325.00	$1,325.00	0.0%	0.0%
Per Credit - Year 1 Students	$1,325.00	$1,325.00	$1,350.00	$1,350.00	1.9%	1.9%
Master of Science in Medical Device Innovation						
Per Credit - Year 2 Students *	$1,325.00	$1,325.00	$1,325.00	$1,325.00	0.0%	0.0%
Per Credit - Year 1 Students **	$1,325.00	$1,325.00	n/a	n/a	n/a	n/a

* Current year rates for Year 2 Students in the Master of Science in Security Technologies and Master of Science in Medical Device Innovation reflect the rate currently paid by Year 1 students who will be Year 2 students in Summer 2020. Rates are guaranteed for the 4 terms of a cohort's enrollment (Summer-Fall-Spring-Summer).

** The Master of Science in Medical Device Innovation will switch from a Summer start to a Fall start beginning in 2020. No new cohort will be entering Summer 2020. Rates for the new cohort entering Fall 2020 will be submittted iduring the regular cycle as part of the FY21 budget submission.

The proposed increases for the Carlson School programs result in rates that remain competitive with peer programs and reflect strong demand for enrollment. The two full-time programs, Master of Science in Business Analytics (MSBA) and Master of Science in Finance (MSFIN), are one-year programs so there is no impact to current students. Student demand for these programs continues to be strong and MSBA enrollment is expected to remain at full capacity and MSFIN enrollment to increase for 2020-2021.

The Master of Science in Security Technologies (MSST) program is a high-service professional program marketed to full-time working professionals. Enrolling new cohorts of students in summer allows the program to maintain an accelerated 14-month timeline, which has consistently been noted by students and alumni as a desirable characteristic relative to other competing programs. A 1.9 percent increase from $1,325 to $1,350 per credit is requested for the new cohort entering Summer 2020 to allow the program to keep pace with inflationary increases to instruction and other operating costs, while remaining cost-competitive with respect to other similar programs.

The Master of Science in Medical Device Innovation (MDI) program is structured identically to the MSST program but will be transitioning this year from being a summer-start program to a fall-start program. A strategy of shifting the start term to fall and allowing for an optional fifth semester extension for the final capstone project is being implemented to combat a decline in enrollments in recent years. Consequently, no rate is being requested for Year 1 students for Summer 2020. Approval is requested for continuation of the existing rate(s) for Year 2 students finishing their fourth semester in Summer 2020. A rate request for the new cohort entering Fall 2020 will be submitted during the normal rate approval process.

Real Estate Transaction

The purpose of this item is review and action on a real estate transaction for the following property:

- Lease for a nine-year term for a Child Welfare Training Academy, Rosewood Office Plaza, Roseville, Minnesota (Twin Cities campus)

A data sheet is included in the docket and addresses the basis for request, description of leased premises, details of transaction, lease cost, and source of funding. A map locating the property is also included.

Resolution Related to Issuance of Debt

The purpose of this item is to review a resolution authorizing the execution of a promissory note for a loan of up to $4,500,000 with Otto Bremer Trust to support financing for the purchase and renovation of the Shriner's Hospital facility.

The proposed loan is called a program-related investment (PRI). A PRI is a loan, equity investment, or guaranty, made by a foundation or other qualifying tax-exempt entity in pursuit of its charitable mission, rather than to generate income. The recipient can be a nonprofit organization or a for-profit business enterprise.

Common characteristics of PRIs include:

- PRIs count toward a foundation's qualifying distributions - the required annual payout of 5 percent of its endowment. (Any principal returned from a PRI must be re-granted within a year; any income is treated in the same manner as income from regular investments.)
- PRIs are exempt from the US Internal Revenue Code's penalty on foundations' making "jeopardizing investments" - investments that, if only intended to increase a foundation's balance sheet, would reflect a lack of reasonable business care and prudence (the "prudent investor standard") in providing for the long- and short-term financial needs of the foundation for it to carry out its exempt function.
- PRIs to for-profit organizations are accompanied by requirements of "expenditure responsibility" in monitoring the organization's use of the funds - requirements that are not imposed on grants to public charities.
- A PRI commitment must "specify the purpose of the investment and must include an agreement by the organization…to use all the funds received from the private foundation…only for the [charitable] purposes of the investment and to repay any portion not used for such purposes."

The Otto Bremer Trust is a nonprofit organization that provides grants and loans to organizations which meet the social return focus of its mission. PRIs are one of the ways it fulfills its charitable mission. The collection of the principal and re-granting of it allows the Otto Bremer Trust to recycle its philanthropic dollars, while the modest interest income helps defray costs of running the program.

Other private foundations and other types of nonprofit organizations use PRIs, including the Bill and Melinda Gates Foundation, which has committed over $1.5 billion dollars from its portfolio PRIs.

Terms of the proposed program-related investment to the University include interest-only payments at an annual rate of 1.9 percent for the first four years of the loan, with a final interest

and principal maturity of the loan in year five. Early prepayment of principal is permitted with no penalty. The terms require the loan to be closed by December 31, 2019.

Amendments to Civil Service Rules

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

BACKGROUND INFORMATION

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

- General Contingency: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 1.
- Purchase of Goods and Services $1,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6.
- Employment Agreements: *Reservation and Delegation of Authority*, Article I, Section IV, Subd. 1.
- Real Estate Transactions: *Reservation and Delegation of Authority,* Article I, Section VIII, Subd. 2.
- Issuance and Refinancing of Debt: *Reservation and Delegation of Authority,* Article I, Section VII, Subd. 4.
- Amendments to Civil Service Rules: *Reservation and Delegation of Authority,* Sec. XI, Subd. 2.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Consent Report.

General Contingency

Fiscal Year 2020
(7/1/2019-6/30/2020)

Current Activity:

	Recipient	Amount	Balance	Purpose
1	**FY20 General Contingency Allocation**		**1,000,000**	
2	Carryforward from FY19 to FY20	1,912,966	2,912,966	
3	Office of the General Counsel	(228,918)	2,684,048	Support for Board-requested Athletics review. (posted in FY19 adjustment period)
4	Capital Project Management	(150,000)	2,534,048	Partial support for St Paul Campus Strategic Facilities Plan.
5	**New items this reporting period:**			
6	University Relations	(116,938)	2,417,110	University President inauguration activities, final. $250,000 budget authority approved June, 2019.
7	**Current Balance**		**2,417,110**	

Commitments*:

	Recipient	Amount		Purpose
8	Office of the Board of Regents	(350,000)	2,067,110	University President search & transition activities. Budget authority approved October, 2018.
9	**Projected Balance**		**2,067,110**	

Proposed Activity - Submitted for Board Approval:

	Recipient	Amount		Purpose
10	Office of the Board of Regents	(11,635)	2,055,475	Spending approval is requested for an additional $11,635.10 to support University President search & transition activities, bringing the final total to $361,635.10. This item is an adjustment to the previously approved $350,000 on line 8.

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

FY20 - December, 2019

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

To AEFIS for an estimated $710,000 for an integrated assessment management system for the Office of the Executive Vice President and Provost for the period of January 1, 2020 through December 31, 2022 with optional contract extensions through December 31, 2024 for an additional $610,000. Total contract value, if all options are exercised, would be $1,320,000.

This purchase will assist the University in its assessment of student learning and accreditation efforts. The University has had a contract for an assessment management system since 2014 with another provider; however, it was determined that AEFIS would meet more of the University needs (integration with Canvas, robust visualizations, and enhanced reporting). The previous contract expired on October 14, 2019, portions of which were renewed to cover the transition period.

AEFIS was selected as the result of a competitive Request for Proposal (RFP) process conducted in accordance with Board of Regents purchasing policy. The RFP committee was made up of representatives from all system campuses, as well as from diverse units (Medical School, Graduate School, Office of Public Engagement, Office of Information Technology, Office of Student Affairs, and multiple collegiate representatives) on the Twin Cities campus. Six suppliers submitted responses to the RFP and AEFIS was selected for its ability to meet the needs of the University. The University negotiated an implementation plan for a phased approach to the suite of solutions over a three-year period, which resulted in reduced pricing for the first two years of the contract.

The Office of Undergraduate Education has dedicated O&M funds as part of their annual budget for this solution.

Submitted by: Steven Hawks, Director of Undergraduate Assessment
Office of Undergraduate Education
130G Morrill Hall
sjhawks@umn.edu
Phone: (612) 626-9414
Fax: (612) 624-3814

Approval for this item requested by:

Robert B. McMaster 11/14/19
Robert B. McMaster Date
Vice Provost and Dean of Undergraduate Education
Office of the Executive Vice President and Provost

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

To Carrier, Corval, Division 23, Metropolitan Mechanical Contractors, and Trane for an estimated $1,250,000 for providing Refrigerant Based Systems Maintenance and Repair Support Services as needed for Facilities Management for the period of January 1, 2020 through December 31, 2024.

Maintenance and repair of refrigerant based systems is vital for providing safe, reliable and efficient buildings for the University community and to maximize the useful life span of the equipment. In recent years contract maintenance and repair of refrigerant systems has been provided through various contract methods that led to varying levels of service delivery and an inefficient approach to asset management. Having contract Refrigerant Based Systems Maintenance and Repair Support Services allows the University to efficiently manage its preventive maintenance program in the most cost effective way possible.

A competitive RFP was completed in September 2019, and five suppliers were found to provide the best value (combination of price, work plan, and staffing). The overall level of anticipated spending will be consistent with prior years but the contracts will better manage costs by providing a more efficient process and fixed labor rates over the five years of the contracts.

Contract Refrigerant Based Systems Maintenance and Repair Support Services is budgeted by Facilities Management Units on the Twin Cities campus through their facilities budget.

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

Approval for this item requested by:

Michael Berthelsen

Michael Berthelsen
Vice President of University Services

11-13-19
Date

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

To ChemTreat Inc. for an estimated $1,960,000 for providing chemical water treatment services as needed for Facilities Management for the period of February 1, 2020 through January 31, 2027.

Historically, chemical water treatment services were performed by a combination of internal and limited contract services that led to varying levels of service and an inefficient approach to asset management.

In October, 2019, a Request for Proposal was issued. ChemTreat, Inc. provided the best value (combination of price, work plan, and staffing).

The overall level of anticipated spending will be consistent with prior years. The chemical water treatment program will manage costs by providing efficient processes and a fixed cost structure for material and labor costs over the seven years of the contract.

Chemical water treatment services is budgeted by a variety of organizations on the Twin Cities campus through their operation and maintenance facilities budget.

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

Approval for this item requested by:

Michael Berthelsen
Vice President of University Services

11-13-19
Date

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

To Collegiate Licensing Company (CLC) for an agreement appointing CLC as exclusive licensing agent for the University for estimated royalty revenue and signing bonus valued at $2,000,000 for the Department of Intercollegiate Athletics - Twin Cities for the period of July 1, 2020 to June 30, 2025, with the option to extend through June 30, 2030.

Licensing agency services include but are not limited to brand protection, brand management, and brand development. The University has contracted with CLC (operated as "IMG College Licensing" from Spring 2017- Summer 2019) for these services since 2006.

A Request for Proposal was issued by Purchasing Services in April, 2019, and CLC was awarded the contract. CLC holds the licensing agency agreement for the vast majority of all Division 1 institutions.

Under this agreement, royalty revenue is collected by CLC and remitted to the University. The estimated annual royalty revenue to the University, based on current sales levels, is $1,300,000 and total royalty revenue retained by CLC is $200,000. In addition, the agreement includes a $250,000 signing bonus upon execution of the agreement and another $250,000 upon executing the extension ($50,000 of each $250,000 bonus is earmarked for the University Supplier Diversity program).

CLC has historically provided high quality service, expertise, and innovative solutions in all aspects of their business. All indications are that this level of quality will continue. Specific services include but are not limited to: licensing contracting, royalty collection, licensing enforcement, corporate responsibility, data analytics, strategic brand management, national and local marketing campaigns, and retail development.

This agreement represents royalty revenue and the financial terms are similar to the previous agreement and consistent with peer institutions.

Submitted by: Tim McCleary
Assistant Athletic Director- Budget and Finance
270 Bierman Athletic Field Building
(612) 625-2524

Approval of this item is requested by:

Mark Coyle
Director of Athletics, Twin Cities

10/20/2015
Date

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

To Fanatics College (Fanatics) for an agreement appointing Fanatics as exclusive retailer to provide merchandise sales and brand development services, primarily at Intercollegiate Athletic (ICA) facilities and for online sales for ICA for estimated revenue share, signing bonus, and other commitments valued at $3,850,000 for the Department of Intercollegiate Athletics - Twin Cities, for the period of July 1, 2020 to June 30, 2030.

Retailer services include but are not limited to elevating the brand, engaging supporters, and maximizing revenue.

Fanatics was selected through a competitive bidding process conducted through University of Minnesota Purchasing Services, of which three other companies responded. Fanatics was evaluated very high and was selected for 1) highly evolved and innovative approach to online sales, marketing and use of data 2) commitment to the fan experience through capital upgrades and enhanced shopping experience 3) commitment to the fan experiences through product variety and quality 4) ability to leverage scale and integration with key suppliers 5) ability to leverage best practices in customer service from professional sports and other major Division 1 clients. The ability to innovate and integrate the online and brick and mortar experience, known as the omni-channel experience, and fully utilize the benefits of data is key to success in retail going forward. Fanatics was determined best positioned to succeed in this objective that will result in the best outcome for driving revenue and brand growth.

Based on current sales levels and revenue sharing in the agreement, the annual revenue to ICA would be $275,000. In addition to the annual merchandise revenue share paid to the University / ICA, the agreement includes a $400,000 signing bonus, a $450,000 capital investment commitment, and a $250,000 digital marketing fund commitment.

Merchandise revenue is collected by Fanatics and remitted to the ICA after retaining its share per the revenue share percentages and hurdles in the contract.

Submitted by: Tim McCleary
Assistant Athletic Director- Budget and Finance
270 Bierman Athletic Field Building
(612) 625-2524

Approval of this item is requested by:

Mark Coyle — 11/20/2019

Mark Coyle
Director, Intercollegiate Athletics, University of Minnesota – Twin Cities

Date

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

To Florence Healthcare, Inc. for an estimated $600,000 for an electronic regulatory binder solution for the Clinical and Translational Science Institute (CTSI) and the Medical School for the period December 31, 2019 to December 30, 2022, with optional renewal options through December 31, 2024 for an additional $400,000. Total contract value, if all options are exercised, would be $1,000,000.

Florence Healthcare will automate clinical trials regulatory binder signature processes and provide a single document repository. Currently, paper documents are physically transported from person to person for signature. Additionally, multiple processes currently exist to manage the signatures, storage, and maintenance of the clinical trials regulatory documentation across paper binders and various electronic secure file storage systems. This vendor solution will allow the University to standardize processes and data storage, achieve greater efficiencies and better manage risk.

Florence Healthcare was selected as a result of a competitive Request for Proposals (RFP) process pursuant to Regents' policy. Three suppliers responded to the RFP. Florence Healthcare is the solution that presents the best value to the University, price and other factors considered.

The CTSI and Medical School guarantee funds for this purchase. One time funds will be used to pay the initial year's costs, as a bridge to a funding model that will recover these costs through future budgets negotiated with Business & Industry (B&I) sponsors of clinical trials.

Submitted by: Daniel J Weisdorf, MD, Deputy Director, CTSI
Clinical and Translational Research Services, Core Director
Division of Hematology, Oncology and Transplantation
420 Delaware Street SE, MMC 480
Minneapolis, MN 55455
612-625-1110

Approval for this item requested by:

TOLAR

November 19, 2019

Jakub Tolar, PhD, MD, VP for Clinical Affairs and Dean, Medical School

Date

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

To Guardian Life Insurance Company of America for an estimated $2,027,399 to provide Long Term Disability Coverage for graduate, professional and nursing students in the Academic Health Center, and Long Term and Short Term Disability Coverage to University of Minnesota Residents, Fellows, and Interns for the Office of Human Resources for the period of July 1, 2020 through June 30, 2022 with optional contract extensions through June 30, 2026 for an additional $4,663,017. Total contract value, if all options are exercised would be $6,690,416.

This estimate is based on a projection of 5,136 students in the Academic Health Center covered for long term disability, and 1,221 residents, fellows, and interns covered for long term disability, in addition to 1,051 residents and fellows covered for short term disability.

The contract is being issued to provide disability coverage to students, residents, fellows, and interns, securing long term income protection at a group cost to all participants, many of whom do not have access to disability coverage. It provides coverage while students are enrolled at the University of Minnesota and has an additional Guaranteed Standard Issue Conversion Disability Insurance option that does not contain any medical pre-existing condition exclusions for those preparing to graduate. In addition to specific benefits unique to student needs are included benefits such as loan payoff provisions in case of disability.

Guardian Life Insurance Company of America was chosen through a competitive bidding process. This contract is for coverage for two plan years from July 1, 2020 through June 30, 2022 with subsequent annual contract extensions through June 30, 2026.

The cost of the coverage for the AHC students is borne entirely by students. The cost per semester to student is currently $44.10, an average cost of $7.35 per month. The cost of coverage for the residents and fellows is borne by the department that employs them.

Submitted by:

Tom Geskermann
Chief Operating Officer
Boynton Health
Phone: 612-624-1758
Fax: 612-625-1434

Approval for this item requested by:

Maggie Towle 11/15/19

Maggie Towle, Interim Vice Provost
Office of Student Affairs

Date

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

To Infinera Corporation for an estimated $1,600,000 to provide optical network equipment, installation, and maintenance for the Office of Information Technology (OIT), acting as fiscal agent for the Broadband Optical Research, Education and Sciences Network (BOREAS-Net) for the period January 1, 2020 through December 31, 2022.

BOREAS-Net is a consortium of four major research institutions (University of Minnesota, University of Wisconsin, University of Iowa, and Iowa State University) where costs for managing and upgrading the network are proportionally shared by the four institutions.

This purchase provides Internet access for all students, faculty, and staff, connecting all parts of the University to other research institutions and global research networks such as Internet2 and the Energy Sciences Network (ESNet). Access to these high-performance research networks has been - and will continue to be - a requirement for the University's researchers to compete for research funding from federal granting agencies such as the National Science Foundation (NSF) and others.

Cost sharing agreements are in place and the University of Minnesota will be reimbursed by the other member institutions that make up the consortium for their share of the project. The funding for the University share of this purchase comes from OIT operations.

Submitted by: Douglas Ahlgren
Contracts Manager, OIT Finance
2218 Information Technology Building
Minneapolis, MN 55455
Phone: (612) 624-6070

Approval of this Item is requested by:

Vice President and CIO

Nov 18, 2019
Date

Rationale for Exception to Competitive Bidding

This purchase was not competitively bid because the BOREAS-Net consortium selected Infinera Corporation to provide optical networking equipment through a competitive RFP process conducted by the University of Wisconsin in early 2006. The network was successfully installed and fully operational by February 2007. BOREAS-Net wants to maintain compatibility with the Northern Tier Network Consortium (NTNC) and retain most of the value (approximately $5.1M) of the current optical network equipment, while providing for the ever-increasing bandwidth needed. This maintenance contract extends the useful life expectancy of the current equipment by a further three years.

Standard pricing will increase 10% annually and Infinera Corporation has offered an additional 10% discount off the sum total of the three year contract which will result in nominal cost savings of $1.2 million or 44%.

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

To Oracle America, Inc. for an estimated $18,000,000 for information technology hardware and software maintenance for the Office of Information Technology (OIT) for the period of January 1, 2020 through December 31, 2025.

OIT, on behalf of the University, is currently engaged in a 5-year contract with Oracle to provide licensing and maintenance for the full suite of the University's PeopleSoft applications, supporting diagnostics and tuning packages, and several Exalogic servers. This hardware and software are critical to the University's internal infrastructure and support students, faculty, and staff daily through a myriad of services and benefits from payroll tracking to procurement to admissions.

The current contract will come to an end on December 31, 2019. OIT intends to enter into a new 5-year contract with Oracle to sustain these systems for the benefit of the University.

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

Submitted by: Douglas Ahlgren
Contracts Manager, OIT Finance
2218 Information Technology Building
Minneapolis, MN 55455
Phone: (612) 624-6070

Approval for this item requested by:

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

Nov 18, 2019
Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because Oracle is the original manufacturer of PeopleSoft, the University's main enterprise systems (Finance Administration, Human Resource Management System, and Campus Solutions) and the maintenance and licensing is only available through Oracle.

This contract renewal will lock in pricing through December 31, 2025. Based on current increases of 3% annually, future cost avoidance is projected to be $6.6 million over this five-year period which is roughly a 27% savings.

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

To Xigent Solutions for an estimated $1,600,000 for Enterprise Network Attached Storage (NAS) for the Office of Information Technology (OIT) for the period of approximately December 20, 2019 through December 19, 2026.

This purchase will replace an end-of-life data storage system that runs our enterprise server-hosting environment, which has been in production for 7 years—well beyond the original anticipated lifespan of 5-6 years. The Enterprise NAS solution is a critical component of the University's information technology infrastructure, and it is used by our academic, administrative, and research functions. This includes the entirety of our Enterprise Resource Planning (ERP) Suite: student records, employee records, research/grant documents, and financial documents.

Xigent Solutions, selling a NetApp solution, was selected as the result of a competitive Request for Proposal (RFP) process conducted in accordance with Board of Regents purchasing policy. Eight suppliers responded to the RFP. The finalist was selected for its ability to meet the needs of the University's Enterprise NAS storage, cost efficiency, and vendor responsibility.

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

Submitted by: Douglas Ahlgren
Information Technology Building
2218 University Ave, SE
Minneapolis, MN 55414
612-624-6070

Approval for this item requested by:

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

Nov 18, 2019
Date

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

To Nike USA, Inc. (NIKE) for an agreement granting NIKE the designation as exclusive athletic Footwear, apparel and accessories sponsor of University of Minnesota Athletics for the right to pre-purchase NIKE Product at a discounted rate. For the period of August 1, 2020 through July 31, 2023 the Department of Intercollegiate Athletics – Twin Cities (ICA) will receive an annual Product Allotment of $4,200,000 for the cash purchase price of $1,400,000.

Retailer services include but are not limited to the manufacture, distribution and sales of athletic and athleisure footwear, apparel and related equipment and accessories. The University has contracted with NIKE since 2007.

The agreement continuing the partnership with NIKE was negotiated in concert with the University Office of General Counsel. Language in the current NIKE agreement grants NIKE the right of first dealing and first refusal. ICA retained a consultant to pursue bona fide third-party offers that could be compared to the NIKE proposal for extension. There were no offers received that were more favorable than the offer presented by NIKE.

NIKE has historically provided high quality performance apparel and related equipment in support of ICA student athletes and staff. All indications are that this level of quality will continue. The University acknowledges NIKE's industry leadership in the design of performance product and its expertise and innovation in the area of sports marketing.

Services provided to the University by NIKE include but are not limited to the manufacture of authentic competition apparel, practice wear, and other apparel articles of an athletic nature; manufacture, marketing and sale of products bearing University marks through NIKE retail accounts and over the Internet; and performance bonuses ranging from $5,000 to $100,000 based on team success.

NIKE receives broad and prominent exposure for the NIKE brand including venue signage displaying the NIKE logo; exclusive logo prominence on product worn and/or used by team members, coaches and staff during program activities; and product placement in campus stores.

Submitted by: Rhonda McFarland
Deputy Athletic Director- Chief Financial Officer
250 Bierman Athletic Field Building
(612) 625-2524

Approval of this item is requested by:

Mark Coyle

Mark Coyle
Director, Intercollegiate Athletics, University of Minnesota – Twin Cities

11/25/2019
Date

UNIVERSITY OF MINNESOTA – NIKE ALL-SPORT AGREEMENT

THIS IS AN AGREEMENT made and entered into by and between Regents of the University of Minnesota, a Minnesota constitutional corporation ("UNIVERSITY"), through its Department of Intercollegiate Athletics having its principal administrative office at 516 15th Avenue SE, Room 250, Minneapolis, MN 55455-0120, and NIKE USA, Inc., an Oregon corporation having its principal offices at One Bowerman Drive, Beaverton, Oregon 97005-6453 ("NIKE").

WITNESSETH

WHEREAS, UNIVERSITY fields and maintains nationally recognized intercollegiate athletic programs (and retains the coaches and staff in connection therewith) and owns all right, title and interest in and to the names, nicknames, mascots, trademarks, service marks, logographics, and other recognized references to UNIVERSITY or its intercollegiate athletic programs; and

WHEREAS, NIKE is a sports and fitness company engaged in the manufacture, distribution and sale of athletic and athleisure footwear, apparel and related equipment and accessories, and desires to support UNIVERSITY and its intercollegiate athletic programs (as described below).

NOW, THEREFORE, in consideration of the mutual promises, terms and conditions set forth herein, it is agreed as follows:

1. DEFINITIONS.

As used in this Agreement, the terms set forth below shall be defined as follows:

(a) "Athletic Department" shall mean UNIVERSITY's Twin Cities Campus ("Campus") Athletic Department.

(b) "Athletics Web Sites" shall mean http://www.gophersports.com or any successor web site thereto and any other now existing or hereafter created official web site owned and/or controlled by the Athletic Department but specifically excluding, without limitation, www.umn.edu or any successor web site thereto.

(c) "Coach" shall mean an individual in the employ of, and while employed during the term of this Agreement to act as a head coach of a Covered Program.

(d) "Coach Properties" shall mean the Coach's name, nickname, initials, autograph, facsimile signature, voice, video or film portrayals, photographs, likeness and image or facsimile image, and any other means of identification used by such Coach in connection with the promotion of the UNIVERSITY-NIKE sponsorship and in accordance with the terms of this Agreement.

(e) "Conference" shall mean the Big Ten Conference and such other intercollegiate athletic conference of which UNIVERSITY is a member and in which a Covered Program competes.

(f) "Contract Year" shall mean each consecutive twelve (12) month period from August 1 through July 31 during the Term of this Agreement.

(g) "Covered Program(s)" shall mean any and all NCAA Division I varsity intercollegiate athletic teams that are fielded by UNIVERSITY during the Term from and on the Campus which, as of the date of this Agreement, include: football; baseball; basketball (men's and women's); cross country (men's and women's); golf (men's and women's); gymnastics (men's and women's); hockey (men's and women's); rowing (women's); soccer (women's); swimming & diving (men's and women's);

tennis (men's and women's); track & field (men's and women's); volleyball (women's); softball; wrestling (men's) and such other varsity programs as may be added by UNIVERSITY during the Term of this Agreement. For purposes of this Agreement, teams shall also include UNIVERSITY's official cheer and dance squads.

(h) "Covered Program Activity" shall mean the official games, practices, trainings, exhibitions, events and public appearances of a Covered Program, in which a Team member, Coach and/or Staff member appears as an official representative of the Covered Program or Athletic Department.

(i) "Internet" shall mean a global network of interconnected computer networks or other devices which is used to transmit Internet Content that is directly or indirectly delivered to a computer or other device for display to a user thereof, whether such Internet Content is delivered through on-line browsers, off-line browsers, "push" technology, electronic mail, broadband distribution (whether cable, DSL or otherwise), satellite, telephony, wireless or any other means whether now known or hereafter created.

(j) "Internet Content" shall mean text, graphics, photographs, film, video, audio and/or other data or information associated with the Internet.

(k) "Athletic Department-controlled Content" shall mean text, graphics, photographs, film, video, audio and/or any other data, materials or information (e.g., statistics, biographical profiles, archival materials, etc.) of a public nature and relating to any and all Covered Programs to the extent owned and controlled by the Athletic Department.

(l) "NCAA" shall mean the National Collegiate Athletic Association.

(m) "NIKE Group" shall mean NIKE USA, Inc., NIKE Retail Services, Inc. (d/b/a NikeTown), their parent company NIKE, Inc., their licensees, distributors, subsidiaries and any successor company.

(n) "Products" shall mean:

(1) all athletic and athletically inspired or derived footwear that members of any of Team, Coaches and/or Staff wear while participating in a Covered Program Activity;

(2) authentic competition apparel consisting of uniforms, sideline or courtside jackets, polos, sweaters, pants, shorts and shirts, game-day warm-ups, basketball shooting shirts, football player capes, wool and fitted caps, windsuits, rainsuits, "base-layer" apparel (including padded and non-padded compression products) and similar apparel, practicewear, thermal wear, and performance undergarments (collectively, "Authentic Competition Apparel") that members of any Team, Coaches and/or Staff wear while participating in a Covered Program Activity;

(3) all other apparel articles of an athletic nature including but not limited to polo shirts, golf shirts, tank-tops, T-shirts, sweatsuits, separates and other body coverings, and accessories of an athletic nature, including but not limited to headwear (other than protective headwear), headbands, wristbands, carrying and equipment bags, socks, on-field quarterback hand-towels (but specifically excluding all other sideline hand-towels), receiver's and linemen's gloves, sleeves (e.g., single or double arm protective sleeves), weight training gloves, elbow and knee pads (collectively, "Accessories") that members of any Team, Coaches and/or Staff wear or use while participating in a Covered Program Activity;

(4) footballs, men's basketballs, women's basketballs and soccer balls;

(5) protective eyewear (e.g., football face mask eyeshields), eyewear with performance attributes and sunglasses;

(6) body-worn (or handheld) activity tracking/monitoring devices and watches; and

(7) other sports equipment as NIKE may add to its Product lines at any time during the Term of this Agreement as further described herein.

(o) "NIKE Products" shall mean all Products as set forth above and in connection with which, or upon which, the NIKE name, the Swoosh Design, the NIKE AIR Design, the Basketball Player Silhouette ("Jumpman") Design or any other trademarks or brands (e.g., Brand Jordan, Converse) now or hereafter owned and/or controlled by NIKE (collectively, "NIKE Marks") appear.

(p) "NIKE Web Sites" shall mean www.nike.com, www.nikebiz.com or any successor web site thereto and any other now existing or hereafter created web site owned and/or controlled by a NIKE Group, including, but not limited to, NIKE-controlled social media sites.

(q) "Staff" shall mean, collectively, all assistant coaches and strength coaches, equipment managers, trainers and any on-field/courtside staff (e.g., ball persons, etc.) employed by UNIVERSITY during the Term of this Agreement to provide services to any Covered Program.

(r) "Team" shall mean that group of athletes attending the Campus of UNIVERSITY during the Term of this Agreement and then comprising the roster of each Covered Program.

(s) "UNIVERSITY Marks" shall mean the identifications "University of Minnesota", the nickname "Golden Gophers" and all other names, nicknames, mascots, identifications, trademarks, service marks, logographics and/or symbols, and any other recognized symbols that are both associated with its athletic teams and controlled by the UNIVERSITY.

(t) "Covered Program Activity" shall mean the official games, practices, trainings, exhibitions, events and public appearances of a Covered Program, in which a Team member, Coach and/or Staff member appears as an official representative of the Covered Program or Athletic Department.

(u) "Digital Features" shall mean digital content or applications whether or not used in conjunction with a NIKE Product (e.g., an add-on Nike+ or a mobile device application), designed to improve, encourage, support or inspire performance, fitness and/or activity.

(v) "Net Sales" means the total gross invoiced selling price, including the royalty amount, less lawful quantity trade discounts actually allowed and taken as such by customers and shown on the invoice, less any credits for returns actually made, less sales taxes, and less prepaid transportation charges on Licensed Products shipped by Licensee from its facilities to the purchaser. There shall be no other deductions allowed including, without limitation, deductions for direct or indirect costs incurred in the manufacturing, distributing, selling, importing or advertising (including cooperative and other advertising and promotional allowances) of the Licensed Products, nor shall any deductions be allowed for non-collected or uncollectible accounts, commissions, cash or early payment discounts, close-out sales, distress sales, sales to employees, or any other costs. In the case of sales of Licensed Products by NIKE to a NIKE affiliate or subsidiary that is a retail seller to the public, the sales price shall be the price regularly charged by Licensee to their respective

bona fide third party wholesale customers for a sale of similar quantity of such Licensed Products. "Net Sales" shall be computed by NIKE's accounting system, guidance for which is established by generally accepted accounting principles, and provided that it conforms to the definition herein.

2. TERM.

The term of this Agreement shall be for a period of three (3) Contract Years, to commence August 1, 2020 and end July 31, 2023, unless sooner terminated in accordance with the terms of this Agreement (the "Term").

3. GRANT OF SPONSORSHIP RIGHTS, PRE-EXISTING AGREEMENTS.

In consideration of the Products to be supplied, and favorable pricing and purchase credit offered to UNIVERSITY as an educational institutional benefit by NIKE under this Agreement:

(a) UNIVERSITY hereby grants to NIKE, and NIKE hereby accepts, (i) the designation as "the exclusive athletic footwear, apparel and Accessories sponsor of University of Minnesota Athletics", "the official athletic footwear and apparel sponsor of (each Covered Program)", the "official athletic footwear sponsor of (each Covered Program)" and/or such similar designations as the parties may agree upon in writing (collectively, the "Designations"); and (ii) the non-exclusive right to utilize (subjectto the approval and other provisions of Paragraph 12 and Paragraph 13 below and to applicable NCAA rules and regulations) the UNIVERSITY Marks, the Coach Properties, and the Designations, worldwide, in any media now known or hereafter created (including, without limitation, the Internet and mobile technologies) in connection with the manufacture, advertising, marketing, promotion and sale of NIKE Products and/or brands and Digital Features. Such rights shall specifically include, but shall not be limited to, the following:

(1) The exclusive right to supply Products for the Covered Programs and to use the Designations as described herein;

(2) The right to manufacture, sell and market the Products and Digital Features bearing or incorporating UNIVERSITY Marks, and to conduct promotions with and through NIKE retail accounts and over the Internet.

(3) The right to manufacture and sell NIKE Products bearing or incorporating UNIVERSITY Marks and to conduct promotions with and through NIKE retail accounts and over the Internet, provided, however, NIKE must secure a license through UNIVERSITY or UNIVERSITY's licensing agent for the use of UNIVERSITY Marks in the manufacture and sale of NIKE Products bearing or incorporating UNIVERSITY Marks.

(4) The right to use UNIVERSITY-controlled game photographs ("Game Photos"), videotape and/or film footage ("Game Footage") relating to the Covered Programs, and Athletic Department-controlled Content, subject to Conference approval and applicable NCAA rules and regulations with respect to the depiction of eligible student-athletes. In connection therewith, at NIKE's request, UNIVERSITY shall permit NIKE to utilize, consistent with this Paragraph 3, Game Photos and Game Footage (owned and controlled by UNIVERSITY), without a use fee, other than reasonable search and edit charges.

(b) NIKE acknowledges that UNIVERSITY is a party to pre-existing contracts and/or supply arrangements with respect to product supply as set forth on Schedule A and

NIKE agrees that such contracts and/or arrangements may be maintained, extended and/or replaced during the Term provided, however, in the event any such agreement or arrangement is replaced by another supplier, such replacement supplier cannot be a company or brand well-known to the public as a footwear company or footwear brand.

4. RETAIL LICENSING RIGHTS.

UNIVERSITY (or its designated licensing agent (currently IMG College Licensing ("IMGCL")), and NIKE shall enter into and maintain in full force and effect during the Term, a retail product license agreement, incorporating NIKE and IMGCL's agreed upon terms and conditions for UNIVERSITY, except as expressly described below to the contrary (the "Retail License").

For the Term of the Agreement, NIKE shall pay UNIVERSITY (or its licensing agent) a fixed royalty rate of eleven percent (11%) of Net Sales for retail sales of any NIKE Products bearing or incorporating UNIVERSITY Marks ("Licensed Products"), except that the royalty rate payable by NIKE for any footwear Licensed Products shall be fixed at 5% of Net Sales. It is understood and agreed that Licensed Products provided to UNIVERISTY pursuant to Paragraph 5 of this Agreement (including to Coaches and staff members) shall not be subject to royalties.

UNIVERSITY agrees to take any necessary steps to ensure that the terms of the contract between UNIVERSITY and IMGCL, and any subsequent contract between IMGCL and NIKE, are consistent with the terms of this Agreement. In the event of any conflict, the terms and conditions of this Agreement shall control and prevail over the terms and conditions of UNIVERSITY's contract with IMGCL and NIKE's contract with IMGCL. The termination or expiration of the UNIVERSITY's contract with IMGCL will have no effect upon this Agreement.

5. NIKE'S PRODUCT CONSIDERATION.

(a) In partial consideration for the rights granted under this Agreement, each Contract Year, UNIVERSITY shall have the right to pre-purchase NIKE Product at a discounted rate as set forth below.

Contract Year	Cash Purchase Amount	Annual Product Allotment (retail value)
1st Contract Year	$1,400,000	$4,200,000
2nd Contract Year	$1,400,000	$4,200,000
3rd Contract Year	$1,400,000	$4,200,000

UNIVERSITY agrees to pay NIKE the Cash Purchase Amount in two installments as follows: $800,000 due on or before September 1 and $600,000 due on or before March 1 of each Contract Year (the "Cash Payment Date"). If the Cash Purchase Amount is not received by the Cash Payment Date, then NIKE will bill the UNIVERSITY for such NIKE Product at NIKE's wholesale value. Upon payment of the first installment each Contract Year, UNIVERSITY shall be entitled to order directly from NIKE, and receive, the above-indicated amounts of NIKE Product for use by (or in connection with) the Covered Programs, clinics, camps (in no event shall any camp or clinic in this Agreement include any juvenile or youth camps or clinics that are run separately by the Coaches), Coaches, Staff and such other purposes as the Director of Athletics may deem appropriate to support the relationship between the parties.

(b) UNIVERSITY acknowledges that in Contract Years 1 and 2, UNIVERSITY shall be permitted to carry-over an Annual Product Allotment credit up to $200,000 (retail

value) for any unordered annual allotment of Product from such Contract Year to the subsequent Contract Year. UNIVERSITY will notify NIKE as soon as practicable if UNIVERSITY anticipates it will carry-over a credit to the subsequent Contract Year.

(c) Each Contract Year, UNIVERSITY shall be entitled to order through "NIKE Elite" Client Services (and subject to procedures established by NIKE for such purposes), up to $200,000 (retail value) for UNIVERSITY Coaches and Staff use to be annually allocated at the discretion of the Director of Athletics. No carry-over of unordered annual allotments of merchandise from one Contract Year to another shall be allowed.

6. PRODUCT ORDERING, DELIVERY & LOGO USE ON PRODUCT.

(a) The exact styles, sizes and delivery dates and, where appropriate, quantities of NIKE Products ordered under this Agreement shall be as reasonably specified by UNIVERSITY and consistent with NIKE's overall product marketing strategy. NIKE shall propose styles each year, sufficiently in advance, to allow UNIVERSITY adequate time for consideration. Each such Contract Year, if UNIVERSITY desires quantities of NIKE Product in excess of that provided under its Annual Product Allotment, UNIVERSITY may order and purchase such additional quantities of NIKE Products at NIKE's published wholesale prices, subject to availability and NIKE standard account sales terms and conditions. In the event of a conflict between NIKE's sales terms and conditions and the terms and conditions set forth in this Agreement, the terms and conditions set forth in this Agreement shall prevail. Except as otherwise described in this Agreement, in no event shall UNIVERSITY purchase any Products (including footwear and core basic apparel – e.g., T-shirts, shorts, fleece and socks), for Covered Program use, from any third-party without NIKE's approval (approval by NIKE via email is acceptable). All Products to be supplied by NIKE hereunder shall be delivered F.O.B. to UNIVERSITY. Only properly submitted orders from UNIVERSITY's Athletic Department shall be filled by NIKE.

(b) UNIVERSITY acknowledges that Annual Product Allotments shall be delivered to UNIVERSITY generally one (1) month prior to the start of the regular season for each Covered Program and that annual allotments must typically be ordered 9-12 months in advance of each season to ensure timely delivery. As long as UNIVERSITY places all its orders by the October 1 preceding any Contract Year, the Annual Product Allotment for each Covered Program shall be delivered to UNIVERSITY by the following dates during such Contract Year:

Football	
Basics	July 1
Uniforms	August 1
Basketball	
Basics	July 1
Uniforms	October 1
All other Fall Athletic Programs	
Basics	July 1
Uniforms	August 1
All Spring Athletic Programs	
Basics	September 1
Uniforms	December 1

Notwithstanding the foregoing, however, if approved in writing by UNIVERSITY (such approval not to be unreasonably withheld), certain products within a Covered Program's product allotment may be delivered later than the date specified above,

depending on their date of actual use, furthermore, UNIVERSITY acknowledges that, once apparel ordering deadlines have been met, product delivery may be staggered in accordance with a mutually agreed priority schedule. (By way of example, with respect to football product, footwear and practice wear would be delivered by July 1st, game uniforms by photo day, and cold weather wear by October 1st.)

(c) UNIVERSITY acknowledges that the placement of the NIKE logo, as it is currently permitted by the NCAA (in terms of size, location placement, color contrast/prominence and/or number of placements), on Authentic Competition Apparel is a bargained for material benefit contemplated by NIKE under this Agreement and that such continued degree of manufacturer logo prominence on competition product is of the essence of this Agreement. Accordingly, during the Term, UNIVERSITY shall take no action that shall have the effect of relocating (except for a more favorable placement should a subsequent relaxation in rules so permit), reducing, or restricting NIKE's logo placement rights on Authentic Competition Apparel as such logo now is permitted by current relevant NCAA rules or regulations including, but not limited to, NCAA Rule 12.5.4. Notwithstanding anything contained in this subparagraph, UNIVERSITY further acknowledges that nothing herein shall be construed as a restriction of any right of NIKE to avail itself of such more favorable presentation or placement of its logo (e.g., size, color contrast, number of placements, location of placement, etc.) as may be currently permitted under NCAA, Conference and/or other applicable rules, or hereafter permitted by any subsequent relaxation in NCAA, Conference and/or other applicable rules.

7. USE OF NIKE PRODUCTS.

(a) Throughout the Term, UNIVERSITY shall make NIKE Products available on an exclusive basis to all Covered Programs, to be worn and/or used by Team members, Coaches and Staff during Covered Program Activities during which Team members, Coaches and Staff wear and/or use Products. Except as provided in Schedule A, UNIVERSITY shall require Coaches, Team members and Staff to wear and/or use exclusively NIKE Products during such Covered Program Activities.

Notwithstanding the foregoing, NIKE acknowledges and agrees that:

(1) other than sports camps and/or clinics associated with the football, men's or women's basketball programs, or men's or women's ice hockey programs, sports camps and clinics shall have the option to use generic T-shirts (i.e., non-NIKE) that do not bear any externally visible manufacturer/maker identification and provided they are not sourced from any manufacturer of athletic footwear;

(2) Team members, Coaches and Staff may wear non-athletic footwear and apparel (e.g., business attire), as appropriate, in connection with Covered Program Activities and that the election to not wear NIKE Product for such activities shall not constitute a breach of this Paragraph;

(3) If after having used NIKE footwear, a Team member, Coach or Staff shall at any time suffer any foot pain or discomfort attributable to such footwear which for a Team member materially affects their performance, and it is verified in writing by the Team's physician, UNIVERSITY shall promptly notify NIKE of such occurrence. Upon receipt of such notice, NIKE shall diligently seek to address such Team member, Coach or Staff's foot pain or discomfort and UNIVERSITY shall fully cooperate with NIKE in its efforts to satisfy such Team member, Coach or Staff's special footwear requirements, including using

UNIVERSITY's best efforts to encourage such Team member, Coach or Staff to fully cooperate with NIKE's remedial efforts and by facilitating such cooperation by the Team member, Coach or Staff. To the extent permissible under applicable NCAA and UNIVERSITY rules and regulations, such facilitation by UNIVERSITY may include, but shall not be limited to, requesting that the Team member, Coach or Staff (i) make themselves available to be examined (at NIKE's cost) by a podiatrist or other qualified physician (located within the UNIVERSITY's metropolitan area and approved by the UNIVERSITY's team physician) to assist NIKE in determining and verifying the nature and extent of the Team member, Coach or Staff's foot pain or discomfort connected with the use of such NIKE footwear, (ii) make themselves available to NIKE, under Athletic Department supervision, for design consultations and/or tests conducted by NIKE's footwear research and design personnel to determine any special requirements of Team member, Coach or Staff's foot characteristics or medical condition, (iii) wear-test customized footwear developed by NIKE to meet such special requirements, and (iv) provide NIKE with product feedback, as requested by NIKE, concerning Team member, Coach or Staff's findings with respect to such wear-testing (collectively, "Remedial Efforts"). During the period NIKE is engaged in Remedial Efforts or if the Remedial Efforts ultimately prove unsuccessful, NIKE shall directly furnish Team member, Coach or Staff with footwear of his or her choice (produced by any manufacturer whatsoever) but with all visible manufacturer's identification removed or otherwise covered so as to completely obscure such manufacturer's identification.

NIKE shall not be liable to UNIVERSITY, any Coaches, Staff or Team members for any injury or damage suffered from wearing or using NIKE Products, except such injury or damage resulting from NIKE's adjudicated negligence. *UNIVERSITY specifically waives, only as against NIKE, all express warranties, and implied warranties of merchantability or fitness for a particular purpose, and acknowledges that no NIKE warranties shall run with any Product re-sold by UNIVERSITY in violation of Paragraph (e)(1) below.*

(b) UNIVERSITY shall ensure that no Team member, Coach or Staff member shall:

(1) Alter or permit the alteration of any NIKE Product worn or used by them to resemble a non-NIKE Product; or

(2) Wear any non-NIKE Products which have been altered to resemble NIKE Products.

(c) UNIVERSITY shall ensure that no Coach, Staff or Team member shall wear and/or use any athletic footwear, or other Products, manufactured by companies other than NIKE except as expressly permitted herein.

(d) UNIVERSITY acknowledges that "spatting" or otherwise taping, so as to cover any portion of the NIKE footwear worn by Team Members during practices, games, exhibitions, clinics, sports camps and other occasions during which Team members wear athletic shoes, is inconsistent with the purpose of this Agreement and the benefits to be derived from it by NIKE and is a material breach of this Agreement. Notwithstanding the foregoing, isolated spatting or taping as is deemed medically advisable, for example in instances where a player is injured during competition and the in-game determination is made that the player can continue to play if the player's ankle and shoe are taped-over, shall not be deemed a breach of this Agreement.

(e) UNIVERSITY shall not (1) permit the trade name, trademark, name, logo or any other identification of any person, company or business entity other than NIKE, UNIVERSITY, the Conference, or the NCAA, unless approved by NIKE, to appear on NIKE Products worn or used by Coaches, Staff or Team members (excluding only activities such as golf fundraisers where tournament shirts may be co-branded with the logos or sponsors permitted under this Agreement, and, provided that such event is controlled by UNIVERSITY, such items are exclusively embellished by and sourced from NIKE), (2) any third party to screenprint upon, or otherwise embellish, any NIKE Product worn or used by Coaches, Staff or Team members, or (3) re-sell any Product provided pursuant to this Agreement except through an on-campus "tent" sale, "garage" sale or the like and in no event shall Product be sold to liquidators, jobbers, distributors or any other individual or entity in the trade.

8. PERFORMANCE BONUSES.

In the event the indicated Covered Program achieves any of the following performances during any Contract Year, NIKE shall pay UNIVERSITY the respective Performance Bonus(es) indicated below within thirty (30) days of NIKE's receipt of written verification from UNIVERSITY that the relevant performance has been achieved.

Achievement	Cash Bonus
Men's Basketball:	
Final Four Appearance	$25,000**
Wins the National Championship	$50,000**
Women's Basketball:	
Final Four Appearance	$10,000**
Wins the National Championship	$25,000**
Football:	
Plays in Big Ten championship game	$10,000
Wins Big Ten championship game	$20,000
Plays in a College Football Playoff* game	$25,000
Plays in the National Championship	$50,000
Wins the National Championship	$100,000
Men's Hockey:	
Frozen Four Appearance	$10,000**
Wins the National Championship	$15,000**
Women's Hockey	
Frozen Four Appearance	$5,000**
Wins the National Championship	$10,000**

* means the two bowl games designated from the following six bowl games (or replacement bowl games) to serve as the CFP semifinals during the relevant Contract Year: Peach Bowl, Cotton Bowl, Orange Bowl, Sugar Bowl, Fiesta Bowl and Rose Bowl.

* non-cumulative (i.e., only the highest bonus earned in each category will be paid).

9. PROMOTIONAL APPEARANCES.

Solely in connection with the promotion of NIKE Products and/or the NIKE brand:

(a) Each Contract Year, upon reasonable prior notice and subject to the terms of Coach's contract with the UNIVERSITY and any coaching commitment, if so requested by NIKE, UNIVERSITY shall make the Coach of each Covered Program available for up to three (3) appearances on behalf of NIKE. No single appearance shall exceed twenty-four (24) hours in duration, including travel time, unless

otherwise agreed upon in advance. Such appearances may include, but are not limited to, photo shoots for posters, brochures or in-store displays, production sessions related to filming commercials and/or video productions and/or advertising, retail store appearances, trade shows, speaking engagements, appearances at sports clinics, celebrity events and other public appearances, but not including any live radio or television broadcasts of games in direct competition with the rights of UNIVERSITY's media holders. Neither UNIVERSITY nor Coach shall receive additional compensation for such appearances.

(b) NIKE agrees to pay all reasonable and necessary out-of-pocket expenses incurred by any Coach in connection with any appearance hereunder. In the event Coach attends the NIKE Coach of the Year Clinics, the parties agree NIKE shall pay coach class airfare.

10. NIKE SPONSOR BENEFITS.

During the Term, in connection with the Covered Programs, UNIVERSITY shall provide NIKE with the following promotional benefits at no additional cost to NIKE except as otherwise indicated:

(a) NIKE shall receive season tickets to home games (and has the option to purchase neutral site games as indicated below) for each Covered Program in accordance with the following:

PROGRAM	No. TICKETS
Football (home)	4 "VIP" tickets
Football (if applicable, Conference Championship)	8
Bowl Game (or playoff game, if applicable)	10
Basketball (M)	4
Basketball Tournament (M) (Conference & NCAA or NIT, if applicable)	8 (per round)
Basketball (W)	4
Basketball Tournament (W) (Conference & NCAA or NIT, if applicable)	8
Ice Hockey	4
Ice Hockey Tournament	8 (per round)
Other Ticketed Programs	4 - on request

(b) One (1) "VIP" parking passes at all football, basketball and ice hockey games.

(c) At Williams Arena and the TCF Bank Stadium, subject to the terms of UNIVERSITY's agreement(s) with other parties to sell merchandise in any of such venues NIKE shall receive a suitable, high-traffic, location within or at each venue at which NIKE may, at its option and expense, set-up a merchandise display and sell NIKE Product.

(d) NIKE shall receive venue signage in which it may prominently display the NIKE logo, NIKE.com and/or other NIKE trademark or message as NIKE and UNIVERSITY may agree from time-to-time. UNIVERSITY shall be responsible for producing and installing the signs and all costs associated with such activity. Any costs relating to changes to the installed signage initiated by NIKE more frequently than once every two (2) years shall be the sole responsibility of NIKE.

(e) Prominent NIKE name and/or logo recognition in the media guides and mutually agreeable other collateral materials for each Covered Program.

(f) Reasonable access to Covered Program activities, for NIKE (or its agent) to create and use in accordance with the terms of this Agreement and with the prior written

approval of UNIVERSITY in each instance, and subject to applicable NCAA rules and regulations with respect to the depiction of eligible athletes, Athletic Department-controlled Content, including but not limited to conducting and taping post-game interviews or filming "Midnight Madness", Team practices, or their participation in a domestic or international tournament/tour.

(g) NIKE Product placement in campus stores (e.g., UNIVERSITY bookstores) system-wide, and/or to establish NIKE Shops and/or NIKE concept shops therein and, subject to the terms of UNIVERSITY's agreement(s) with UNIVERSITY bookstores and/or other parties, the right to display and sell NIKE Products at UNIVERSITY's football stadium, and basketball and ice hockey arena concessions stands and/or stores during all games (regardless of the sport) held therein.

(h) NIKE shall be permitted, upon its reasonable request and agreement to pay any actual operating costs and upon execution of all documentation required by UNIVERSITY, to use free of any lease or use fees mutually agreed upon Athletic Department-controlled facilities in connection with community based programs and events held by the NIKE Foundation.

(i) In addition to the above, UNIVERSITY shall afford NIKE advance notice and the opportunity to consider participation, upon mutually agreeable terms, in any and all additional appropriate advertising opportunities, in any media, made available by UNIVERSITY during the Term.

NIKE acknowledges and agrees that any recognition, name or logo identification, statement or acknowledgement provided by the UNVIERSITY under this Paragraph or this Agreement shall comply with the requirements of 26 USC 513 to qualify the payment to the UNIVERSITY as a "qualified sponsorship payment" and as such NIKE shall not have the right to display a message that contains a comparative or qualitative description of NIKE Product, price information or other indications of savings or value, an endorsement, or an inducement to purchase, sell or use NIKE Product. All creative proposed for display by NIKE shall be supplied by NIKE at NIKE's cost and are subject to reasonable approval by the UNIVERSITY. All such recognition is subject to and shall comply with all NCAA and Conference rules and regulations.

11. DESIGN & MARKETING CONSULTATION.

(a) UNIVERSITY acknowledges NIKE's industry leadership in the design of performance product and its expertise and innovation in the area of sports marketing and that such leadership, expertise and innovation is a material inducement to UNIVERSITY's entrance into this Agreement. NIKE shall continue its efforts to produce high quality Products through consultation with coaches and staff of successful athletic programs such as UNIVERSITY and whose full cooperation is important to NIKE, as such individuals have knowledge that can be useful in the research, development and production of NIKE Products, and such consultation is of the essence of this Agreement. Upon request by NIKE, UNIVERSITY shall require designated Coaches and Staff to provide NIKE with written or oral reports concerning the NIKE Products supplied to each through NIKE's product development and testing program. Such reports shall address the fit, wear characteristics, materials and construction techniques of such Products.

(b) UNIVERSITY acknowledges that a material inducement to NIKE's entrance into this Agreement is to provide broad and prominent exposure for the NIKE brand and particular Product models and styles. Accordingly, UNIVERSITY shall require the use, in practices and games, by the Team as NIKE may request, such specific models and/or styles of NIKE Products as NIKE may designate from time to time

and UNIVERSITY further acknowledges that this undertaking is a material term, and is of the essence, of this Agreement.

12. ADVERTISING APPROVALS.

(a) If for other than wholly internal purposes NIKE (as opposed to consumers through consumer-generated content) desires to use the UNIVERSITY Marks in any consumer advertising or promotion, NIKE shall first submit a sample or the concept of the proposed advertisement or promotion to UNIVERSITY in writing or electronic format or other fixed media for approval, which approval shall not be unreasonably withheld. UNIVERSITY shall use its best efforts to advise NIKE of its approval or disapproval of the sample or concept within twenty (20) calendar days of its receipt thereof. UNIVERSITY's approval, or disapproval, shall be given in writing (email is acceptable). (If a submission is disapproved, UNIVERSITY's written notice (email is acceptable) thereof shall set forth in reasonable detail the basis for such disapproval.) Any submitted item that has not been disapproved within twenty (20) calendar days of receipt by UNIVERSITY shall be deemed approved. Once a submitted sample or concept is approved, NIKE shall not depart therefrom in any material respect without re-submission of the item and obtaining UNIVERSITY's further approval.

(b) In the event UNIVERSITY desires to use the NIKE Marks in any advertising or promotion, UNIVERSITY shall first submit a sample or the concept of the proposed advertisement or promotion to NIKE for approval, which approval shall not be unreasonably withheld. Any submitted item that has not been approved within twenty

(20) calendar days of receipt by NIKE shall be deemed disapproved.

13. DEVELOPMENT OF NEW LOGO & TRADEMARK OWNERSHIP.

(a) If UNIVERSITY desires to develop an additional trademark, service mark, symbol and/or logographic in connection with a Covered Program (a "New Logo"), UNIVERSITY shall in writing notify NIKE of such intention and agrees to meet with NIKE, upon NIKE's request, to discuss in good faith the use of NIKE's services to design such New Logo. Such discussions must occur prior to UNIVERSITY's engaging in negotiations with any third party to provide such design services. Should UNIVERSITY elect to have NIKE undertake such design assignment, NIKE shall provide such design services at no expense to UNIVERSITY except as provided below. In the event NIKE designs such New Logo and it is approved by UNIVERSITY, then UNIVERSITY shall be the sole owner of all right, title and interest in and to the New Logo and shall be free to use and market the New Logo as it deems fit. NIKE agrees to execute the documents reasonably necessary to assign all rights in the New Logo to UNIVERSITY prior to any use of the New Logo. Following the expiration or termination of the Agreement for any reason, NIKE shall have no further rights, except as otherwise provided herein, with respect to the New Logo. UNIVERSITY acknowledges that all trademark/copyright registration and maintenance expenses in connection with the New Logo shall be at its expense and NIKE agrees that it shall not incur any such expense on behalf of UNIVERSITY without UNIVERSITY's prior approval.

(b) NIKE recognizes the value of the UNIVERSITY Marks and acknowledges that the goodwill attached thereto belongs to UNIVERSITY and that nothing in this Agreement serves to assign, convey or transfer to NIKE any rights, title or interest in or to the UNIVERSITY Marks.

(c) UNIVERSITY recognizes the value of the NIKE Marks and acknowledges that the goodwill attached thereto belongs to NIKE and that nothing in this Agreement serves

to assign, convey or transfer to UNIVERSITY any rights, title or interest in or to the NIKE Marks.

14. RIGHTS OF FIRST DEALING AND FIRST REFUSAL.

(a) At NIKE's request, UNIVERSITY shall negotiate with NIKE in good faith with respect to the terms of a renewal of this Agreement. The parties shall not be obligated to enter into an agreement if they cannot settle on mutually satisfactory terms. Prior to January 1, 2022 (the "Exclusive Negotiating End Date") UNIVERSITY shall not engage in discussions or negotiations with any third party with respect to the supply and/or sponsorship of any Products after the Term ("Product Supply/Sponsorship").

(b) During the Term and for a period of ninety (90) days thereafter, NIKE shall have the right of first refusal for Product Supply/Sponsorship, as follows: If UNIVERSITY receives any bona fide third party offer at any time on or after the Exclusive Negotiating End Date with respect to any Product Supply/Sponsorship, UNIVERSITY shall submit to NIKE in writing the specific terms of such bona fide third party offer in the form of a true and complete copy which shall be on the offeror's letterhead or other identifiable stationery or imprint readily authenticatable by NIKE as having originated with such third-party offeror. NIKE shall have fifteen (15) business days from the date of its receipt of such true copy of the third party offer to notify UNIVERSITY in writing if it will enter into a new contract with UNIVERSITY on terms no less favorable to UNIVERSITY than the material, measurable and matchable terms of such third party offer. If NIKE so notifies UNIVERSITY within such 15 day period, UNIVERSITY shall enter into a contract with NIKE on the terms of NIKE's offer. If NIKE fails or declines to match or better the material, measurable and matchable terms of such third party offer within such 15-day period, UNIVERSITY may thereafter consummate an agreement with such third party on the terms of the offer made to UNIVERSITY. Prior to the Exclusive Negotiating End Date, UNIVERSITY shall not solicit, consider or present to NIKE, and NIKE shall not be obligated to respond to, any third party offer for any Product Supply/Sponsorship.

15. RIGHTS FOR NEW PRODUCTS.

From time-to-time during the term of this Agreement, NIKE may add to its Products line one or more items of sports equipment. If at any time during the Term NIKE shall have a bona fide intention to expand its Products line in this sports equipment category by adding any such item(s), then NIKE shall give UNIVERSITY advance written notice of the particular item(s) then in development by NIKE. Once such item is commercially available and meets current industry standards, then such item(s) shall thereafter be deemed to be included in "Products" as defined in Paragraph 1(m) above and "NIKE Products" as defined in Paragraph 1(n) above and covered in all pertinent respects by the terms hereof, and except in the case of existing agreements, UNIVERSITY shall no longer be permitted to source such Products from a manufacturer other than NIKE. Thereafter, UNIVERSITY shall make such new Product item(s) available to Coaches, Staff and/or Team members, NIKE shall supply UNIVERSITY with sufficient quantities for such purpose to be mutually agreed upon by the parties, including quantities equal to or greater than the quantities of any comparable item(s) which UNIVERSITY, Coaches, Staff and/or Team members are then receiving from a third party, and UNIVERSITY shall thereupon distribute, as is appropriate, such new item(s) to Team members, Coaches and/or Staff for use consistent with the terms of this Agreement.

16. RIGHT OF TERMINATION BY UNIVERSITY.

UNIVERSITY shall have the right to terminate this Agreement immediately upon written notice to NIKE if:

(a) NIKE is adjudicated insolvent or declares bankruptcy;

(b) NIKE fails to make payment to UNIVERSITY of any sum due pursuant to this Agreement within thirty (30) days following NIKE's receipt of written notice from UNIVERSITY that such payment is past due; or

(c) NIKE shall be in material breach of this Agreement, which breach NIKE fails to cure within thirty (30) days of NIKE's receipt of written notice from UNIVERSITY specifying the breach.

17. RIGHT OF TERMINATION BY NIKE.

(a) NIKE shall have the right to terminate this Agreement immediately upon written notice to UNIVERSITY if:

(1) Either the football or men's basketball program is placed on NCAA probation resulting in a ban on television and/or postseason appearances for longer than a single playing season, or UNIVERSITY ceases for any reason to field a Division I team in either sport;

(2) In connection with the Covered Program Activities contemplated hereunder, Coach, Staff and/or Team member fails to wear or use NIKE Products during Covered Program Activities, or wear NIKE Products altered in violation of the provisions of Paragraph 7 above; provided, however, that NIKE shall have first provided written notice to UNIVERSITY of any such violation and such violation shall then recur during the same Contract Year;

(3) Any Coach, Staff or Team member fails to perform any material obligations provided for in this Agreement;

(4) UNIVERSITY, NCAA, Conference or any assignee thereof (including any licensing agent or media partner of the foregoing) enacts, adopts or accedes to any regulation, restriction, prohibition or practice that materially deprives NIKE of the promotional benefits and/or product/brand exposure contemplated by this Agreement including, but not limited to, (i) any diminution of NIKE's logo placement rights (in terms of size, location placement, color prominence and/or numerosity) on the Products supplied hereunder, including any total ban on the placement of camera-visible logo identification on Authentic Competition Apparel, (ii) "air brushing" NIKE identification from still photography or footage, or (iii) use of L-VIS technology or other electronic/computer imaging technology that alters, substitutes or replaces NIKE's stadium/arena signage (including NIKE logo identification that appears on uniforms) with other commercial identification that is seen by home television viewers;

(5) Any member of the Athletic Department administration (including Coaches and Staff) publicly disparage the quality and/or performance of NIKE Products; or

(6) UNIVERSITY breaches any warranty or other material term of this Agreement, which breach UNIVERSITY fails to cure, if curable, within thirty (30) days of NIKE's delivery of written notice to UNIVERSITY of any such breach.

(b) In the event of termination under this Paragraph 17 or Paragraph 16, NIKEwill fulfill any Product orders that were placed prior to the effective date of termination and refund UNIVERSITY the remaining unused Cash Purchase Amount. UNIVERSITY shall be entitled to purchase NIKE Product from NIKE at NIKE's published wholesale prices through the remainder of the Contract Year.

18. SPECIAL RIGHT OF EXTENSION.

In the event that the NCAA Division I Committee on Infractions sanctions the UNIVERSITY by placing the institution on probation for a "major violation" of NCAA rules (or UNIVERSITY self-imposes sanctions) that results in either (a) a post-season competition ban, or a ban on television appearances, for the men's or women's basketball programs, men's or women's ice hockey programs or volleyball program, and/or (b) a reduction of the number of men's or women's basketball programs, men's or women's ice hockey programs or volleyball program grants-in-aid (scholarships) by two (2) or more scholarships for two (2) or more seasons, in lieu of exercising its right of termination under Paragraph 17 above, NIKE shall have the right, exercisable upon written notice to UNIVERSITY, to extend the term of this Agreement for the number of Contract Years that corresponds to the number of impacted seasons. (For example, if the men's basketball program was subject to a 2-year post-season competition ban, or 2-year loss of 3 scholarships, NIKE would be entitled to extend this Agreement for a period of 2 additional Contract Years.) Such right shall only be exercised after the issuance of a final decision following the conclusion of any appeal process.

19. NIKE POST-TERMINATION RIGHTS.

Upon expiration or termination of this Agreement for any reason, NIKE shall have the right to:

(a) For a period not to exceed ninety (90) days, run any non-cancelable media involving the UNIVERSITY Marks and/or the Coach Properties and exhaust all advertising and promotional materials which were produced prior to the effective date of expiration or termination;

(b) For a period of six (6) months, complete and dispose of any Licensed Products which are on-hand or in-process, and fulfill orders received prior to the effective date of expiration or termination, and provided royalties thereon are paid and reported in accordance with the provisions of this Agreement and/or the Retail License; and

(c) In perpetuity, without restriction, the non-exclusive use for in-house historical purposes any materials that depict the Coach Properties or UNIVERSITY Marks. UNIVERSITY understands NIKE is not obligated to delete or remove Activity Based Information from any database or storage device.

20. REMEDIES.

UNIVERSITY and NIKE agree that, in the event that either party breaches any material term or condition of this Agreement, in addition to any and all other remedies available to the other party at law or in equity, such other party shall be entitled to seek injunctive relief from such further violation of this Agreement, pending litigation as well as on final determination of such litigation, without prejudice to any other right of such other party. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, LOST PROFITS, OR LIKE EXPECTANCY DAMAGES ARISING OUT OF THIS AGREEMENT.

21. INDEMNITY.

To the extent permitted under the laws of Minnesota (including its Constitution), the parties agree to indemnify and hold each other harmless from and against any and all claims, actions, suits, demands, losses, damages and all costs and expenses, but specifically excluding attorney's fees, incurred in connection with or arising out of any breach(es) of warranty, representation or agreement made by the parties under the provisions of this Agreement.

22. NOTICES.

All notices, statements and payments provided for herein shall be in writing and deemed

given if sent postage prepaid via registered or certified mail, or by express courier service, to the parties at the addresses given below, or such other addresses as either party may designate to the other. Notwithstanding the foregoing, any notice of default or other breach must either be sent via registered or certified mail, or by express courier service with confirmed delivery. Any written notice shall be deemed to have been given at the time it is confirmed delivered.

NIKE USA, Inc. One Bowerman Drive Beaverton, OR 97005-6453 Attn: Legal Dept., Contracts Specialist – Sports Marketing	University of Minnesota Athletic Dept 516 15th Avenue SE, Room 250 Minneapolis, MN 55455-0120Attn: Director of Athletics Any Legal Notice: cc: Office of the General Counsel 360 McNamara Alumni Center 200 Oak Street SE Minneapolis, MN 55455

23. RELATIONSHIP OF PARTIES.

The parties shall perform hereunder as independent contractors. Accordingly, nothing contained in this Agreement shall be construed as establishing an employer/employee, partnership or joint venture relationship between UNIVERSITY, or any affiliated entity, and NIKE.

24. ASSIGNMENT/DELEGATION/PASS THROUGH.

(a) This Agreement and the rights and obligations of UNIVERSITY hereunder are personal to UNIVERSITY and shall not be assigned or delegated by UNIVERSITY. Any assignment by UNIVERSITY shall be invalid and of no force or effect and upon any such unauthorized assignment, NIKE may, at its option, immediately terminate this Agreement upon written notice to UNIVERSITY.

(b) The rights granted to NIKE by UNIVERSITY hereunder are personal to NIKE and shall not be assigned, delegated or passed-through outside of the NIKE Group and/or digital product partner without UNIVERSITY's prior approval, which approval shall not be unreasonably withheld.

25. WAIVER.

The failure at any time of either party to demand strict performance by the other of any of the terms, covenants or conditions set forth herein shall not be construed as a continuing waiver or relinquishment thereof, and either party may, at any time, demand strict and complete performance by the other party of such terms, covenants and conditions.

26. SEVERABILITY.

Every provision of this Agreement is severable. If any term or provision hereof is held to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the validity of the remainder of this Agreement or any other provision and the illegal, invalid or unenforceable provision shall be deemed by the parties as replaced by such substitute provision as shall be drafted and agreed to in writing by the parties, in such form and substance as shall be legally valid, and as shall accomplish as near as possible the purpose and intent of the invalidated provision.

27. ADDITIONAL WARRANTIES.

UNIVERSITY represents warrants and covenants that, in connection with the Covered Programs:

(a) To the extent UNIVERSITY has approval rights over the use by any third party (e.g., other UNIVERSITY sponsors, broadcast partners, etc.) of any photographs or video footage in which NIKE Products appear as actually worn/used by Team members, Coaches and Staff (e.g., game-action photos, photo day shots, television commercials featuring any Team member or Coach using or wearing Products, etc.), it shall not approve or permit such photos or video to be used with any NIKE Marks that appear therein removed, airbrushed, digitally altered or otherwise obscured.

(b) No agreement, contract, understanding or rule of any national, international or collegiate governing body exists which would prevent or limit performance of any of the obligations of the UNIVERSITY hereunder.

(c) Neither the UNIVERSITY, nor to the best of the UNIVERSITY's knowledge, any Coach or any Staff member is party to any oral or written agreement, contract or understanding which would prevent or limit the performance of any obligations set forth in this Agreement. Except as provided for in Paragraph 3(b), UNIVERSITY further represents, warrants and covenants that during the Term UNIVERSITY will not:

(1) Sponsor, endorse or allow Coach or any Staff member to sponsor, endorse, wear and/or use athletic footwear or other Products or running/fitness social networks designed, licensed, manufactured, branded, sold, hosted or presented by or on behalf of any manufacturer other than NIKE;

(2) Enter into, or allow Coach or any Staff member to enter into, any endorsement, promotional, consulting or similar agreement (including the sale of signage or other media) with any manufacturer of Products that competes with NIKE. Notwithstanding anything in this paragraph to the contrary, NIKE agrees that any person or entity that incidentally sells, fulfills, or otherwise distributes Products and who is not well-known as an athletic, athleisure or athletically-inspired footwear or apparel company will not be considered a competitor for purposes of this Agreement

(3) Sell to any person or entity Products purchased hereunder by NIKE, except for the sale of game-worn jerseys for fundraising/auction purposes or in the normal course of disposal of surplus property in accordance with Paragraph 7(e)(3);

(4) Permit the trade name, trademark, name, logo or any other identification of any manufacturer of Products other than NIKE to appear on signage at Covered Program Activities (including, but not limited to, practices, games, exhibitions, clinics, sports camps, photo sessions and interviews); or

(5) Take any action inconsistent with the endorsement of NIKE Products, or allow Coach or any Staff member to take any such action.

(d) It has the full legal right and authority to enter into and fully perform this Agreement in accordance with its terms and to grant to NIKE all the rights granted herein.

28. COMPLIANCE.

UNIVERSITY and its representatives have complied and will comply with all applicable anti-bribery and anti-corruption laws and regulations in connection with this Agreement, and have not engaged and will not engage, directly or indirectly, in the offer, payment, promise, solicitation, or acceptance of a bribe, kickback, or other improper benefit in connection with this Agreement. If UNIVERSITY or its representatives become aware of any violation of the foregoing provision or any anti-

bribery or anti-corruption laws or regulation in connection with this Agreement, UNIVERSITY shall give notice to NIKE. UNIVERSITY has undertaken and will undertake reasonable measures to ensure compliance with the foregoing provisions by UNIVERSITY and its representatives.

29. CONFIDENTIALITY.

Subject to the laws of the state of Minnesota, UNIVERSITY shall not (nor shall it permit or cause its employees, agents, attorneys, accountants or representatives to) disclose the financial or other material terms of this Agreement, the marketing plans of NIKE, or other confidential material or information disclosed by NIKE to UNIVERSITY (or by UNIVERSITY to NIKE) (including information disclosed during audit) to any third party, except its regents or as may be required by law. Notwithstanding the foregoing, the terms of this Agreement shall be subject to public disclosure in accordance with the provisions of Minnesota Public Records Act. This Paragraph shall survive the expiration or termination of this Agreement.

30. CAPTIONS.

Paragraph captions and other headings contained in this Agreement are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of the Agreement or any provision hereof.

31. ENTIRE AGREEMENT.

This Agreement shall constitute the entire understanding between UNIVERSITY and NIKE as to the matters set forth herein. This Agreement may not be altered or modified except by a written agreement, signed by both parties.

32. INSURANCE.

The parties shall have in place reasonable and customary insurance coverage and limits as it relates to the operations of this Agreement.

33. NIKE CODE OF CONDUCT.

NIKE shall manufacture all Products that bear or incorporate UNIVERSITY Marks, including Licensed Products, in accordance with the NIKE Code of Conduct and applicable NIKE Code Leadership Standards, each of which are publicly available. For the avoidance of doubt, the Agreement Regarding Labor Standards and Corporate Social Responsibility incorporated into the Retail License shall continue to apply to the production of Licensed Products in accordance with the Retail License.

34. UNIVERSITY BOARD OF REGENT APPROVAL.

When countersigned by the parties below, this Agreement shall constitute a binding contract between the parties, subject only to the approval of UNIVERSITY's Board of Regent. If UNIVERSITY does not secure the approval of its Board of Regent by the close of business on March 15, 2020, subject to both parties agreeing to extend the deadline, UNIVERSITY will provide written notice to NIKE and upon such notice, this Agreement shall be null and void, and the parties will have no obligations or liability to each other by virtue of this Agreement.

– SIGNATURES ON FOLLOWING PAGE –

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be effective as of the date set forth above.

REGENTS OF THE UNIVERSITY OF MINNESOTA THROUGH ITS DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

Mark Coyle

By: _____

Mark Coyle

Its: Athletic Director

Dated: Nov 7, 2019

Fed. ID No.: 41-6007513

NIKE USA, INC.

Kit Morris

By: _____

Kit Morris

Its: Director, College Sports Marketing

Jonathan Banks

By: _____

Jonathan Banks

Its: VP, North America Sports Marketing

Dated: Nov 7, 2019

SCHEDULE A
Pre-existing Agreements

SPONSORED PROGRAM	SUPPLIED OR LICENSED PRODUCT	SPONSORING COMPANY	CONTRACT EXPIRATION
Baseball	Fielding Gloves & Bats	Easton	Ongoing
Softball	Fielding Gloves, Bats, Softballs, Catchers' Gear & Helmets	Wilson	Ongoing
Hockey	Equipment/Pants	CCM*/Bauer	Ongoing
Swimming	Competition Swimsuits & Swim Aids	Speedo	Ongoing
Women's Basketball, Volleyball & Soccer	Activity Tracking/Monitoring Devices	Zephyr	Ongoing
Men's Basketball, Cross Country, Track & Field	Activity Tracking/Monitoring Devices	Polar	Ongoing
Football & Hockey	Activity Tracking/Monitoring Devices	Catapult	Ongoing
Golf	Bags, Balls, Clubs	Various	Ongoing
Volleyball	Volleyballs	Molton	Ongoing
Whoop Band	Activity Tracking/Monitoring Device	Whoop Band	Ongoing

* The parties agree that UNIVERSITY may source hockey equipment from CCM provided that such equipment will not include any visible Reebok logos.

Finance & Operations Committee
Board of Regents Meeting
Consent Report
December 12, 2019

Personnel Appointment

Pending approval by the Board of Regents, Dr. Rachel Croson will be appointed Executive Vice President and Provost at the University of Minnesota, effective March 30, 2020.

Position Overview

As Executive Vice President and Provost, Dr. Rachel Croson will serve as chief academic officer of the University of Minnesota multi-campus system and provost for the Twin Cities campus, with overarching responsibility for fostering the academic excellence of the University. She will ensure systemwide leadership for undergraduate, graduate and professional education, promotion and tenure, academic and research programs and policies, and faculty development, and collaborative management of the University's academic planning and budgeting process. Dr. Croson will provide oversight to the colleges, schools and academic units on the Twin Cities campus, and work closely with the president, chancellors and others to leverage strengths across the system to support and strengthen our five distinct campuses.

Appointee's Background and Qualifications

Dr. Rachel Croson comes to the University of Minnesota from Michigan State University (MSU), where she currently serves as dean of the College of Social Science and MSU Foundation Professor of Economics. While dean at MSU, she ran a participatory strategic planning process, the implementation of which led to significant increases in faculty research and grants, student placement and diversity, equity and inclusion. She currently serves on the Association of American Universities Advisory Board on Sexual Harassment and Gender Discrimination. Prior to MSU, she served as dean of the School of Business at the University of Texas at Arlington, division director for Social and Economic Sciences at the National Science Foundation, professor and director of the Negotiations Center at the University of Texas at Dallas, and associate professor at the University of Pennsylvania's Wharton School. Dr. Croson earned her undergraduate degree from the University of Pennsylvania, with a double major in economics and philosophy and minor in political science, and her doctorate in economics from Harvard University.

Recommended Salary and Appointment Type

Dr. Rachel Croson's annual base salary will be $495,000. Her appointment as Executive Vice President and Provost 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. Croson is attached as an exhibit.

Individually Negotiated Terms of Employment or Separation Agreements

In addition to base salary, Dr. Croson will receive $30,000 annually in deferred compensation and $20,000 annually associated with a McKnight Presidential Endowed Professorship. In the event that Dr. Croson is separated from the Executive Vice President and Provost position, she will be entitled to a twelve (12) month leave for the purpose of preparing to return to the faculty, and paid at her faculty salary rate, consistent with University policy.

Comparable Market Data

Benchmarking with the *CUPA Administrators in Higher Education* base salary survey for the position of Executive Vice President and Provost for the University of Minnesota peer group (aged to July 1, 2020):

$378,397 – 10th percentile
$431,389 – 25th percentile
$470,858 – 50th percentile
$511,487 – 75th percentile
$558,069 – 90th percentile

Recommendation

The President recommends the appointment of Dr. Rachel Croson as Executive Vice President and Provost at the University of Minnesota.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 13th day of November, 2019, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Dr. Rachel Croson ("Dr. Croson" or "you").

WHEREAS, the University wishes to employ Dr. Croson as the Executive Vice President and Provost and Dr. Croson wishes to accept employment as Executive Vice President and Provost;

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

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

I. EMPLOYMENT TERM AND DUTIES

Subject to the terms and conditions of this Agreement and University Policies and Procedures, the University appoints Dr. Rachel Croson as the Executive Vice President and Provost and she agrees to be so employed by the University for a term commencing on March 30, 2020. The Executive Vice President and Provost is a 100 percent time, 12-month, L appointment in the professional and academic personnel classification who serves as an at will employee at the pleasure of the President. As such, you report to and serve at the pleasure of the President and your appointment may be terminated at any time without advance notification.

II. DUTIES

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

A. Serving as chief academic officer of the University of Minnesota's multi-campus system and provost for the Twin Cities campus, with overarching responsibility for fostering the academic excellence of the University's educational, research and outreach missions;

B. Assuming broad strategic and administrative responsibilities for policies and practices that affect the academic life of the University and shared leadership responsibility for the effective management and advancement of the administrative and operational functions of the University;

C. Providing leadership for undergraduate, graduate and professional education; system-wide oversight and administrative responsibility for academic programs and curriculum; faculty development and support, including promotion and tenure; and accreditation and institutional accountability;

D. Overseeing strategic initiatives to advance research and teaching excellence and innovation and public outreach carrying forward the University's land-grant mission;

E. Overseeing the responsible planning, stewardship, management and accountability of fiscal, capital, and human resources of the units that report to you; and

F. Performing such other duties as related to your employment position and assigned to you by the president of the University of Minnesota, in accordance with typical job responsibilities for Provosts.

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. FACULTY APPOINTMENT

In addition to your appointment as Executive Vice President and Provost, you will hold an appointment as a tenured, full professor in the Department of Economics in the College of Liberal Arts, subject to Board of Regents Policy: *Faculty Tenure*. Your tenured faculty appointment requires approval of the faculty as well as the Board of Regents. During the time you serve as Executive Vice President and Provost you will not receive any compensation for your faculty appointment, but a salary for this appointment will be established at the time of appointment as Executive Vice President and Provost, and increased "on paper" each year by the University, based on the average increase to base of your same-ranked collegiate peers, consistent with University policy. In the event you no longer are employed as Executive Vice President and Provost and retain this faculty appointment, this will be your established faculty salary.

V. COMPENSATION

A. Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall pay you an annual salary of Four Hundred and Ninety Five Thousand Dollars and Zero Cents ($495,000).

B. The amount of $30,000 shall be contributed on September 30th, 2020, and starting in 2021, on June 30th annually thereafter to the University of Minnesota Optional Retirement Plan or, to the extent such contribution exceeds contribution limits for that plan, to the University of Minnesota 415(m) Retirement Plan. The first such contribution will be made on a vesting date of September 30th, 2020. The University will deposit these funds each year thereafter on the vesting date, June 30th, or the next business day immediately following the vesting date. Except as otherwise stated in this Agreement, the Executive Vice President and Provost must have remained continuously employed as Executive Vice President and Provost under this Agreement through the vesting date in order to qualify for any payment under this Section. In the event of the Provost's death, permanent disability, or termination without cause, the University shall contribute a pro rata share of the unvested funds for the year of the event consistent with the date of death, permanent disability, or termination without cause. Notwithstanding the foregoing, the University reserves the right to provide

some or all of the amounts specified in this Section directly to Dr. Croson (or in another manner that is mutually agreeable to the University and Dr. Croson) in the event the University determines, in its sole discretion, that providing such payments through the Optional Retirement Plan and/or the University of Minnesota 415(m) Retirement Plan would result in adverse tax consequences to the University and/or to Dr. Croson.

C. The University will also appoint you to a McKnight Presidential Endowed Professorship for the length of your tenure as Executive Vice President and Provost or as a faculty member at the University of Minnesota, one of the highest honors for faculty which recognizes highly distinguished, world-class scholars. In connection with this appointment, the University will compensate you $20,000 annually.

D. 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.

E. In accordance with University Policies and Procedures, you shall be eligible for salary increases on an annual basis based upon the evaluation of the President of the University of Minnesota, beginning FY21.

F. The base salary is subject to furloughs, pay freezes, salary reductions or other adjustments to the same extent they are required by present or future University policy or Board action.

VI. BENEFITS

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

VII. RELOCATION

The University will pay for relocation costs associated with your and your family's move by means of a lump sum equivalent to one month's salary in accordance with the University's relocation policy (http://www.policy.umn.edu/Policies/Finance/Travel/EmployeeRelocation.html).

VIII. SEPARATION

A. Your appointment as Executive Vice President and Provost is an L appointment which means you serve at the pleasure of the President for the University of Minnesota. 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. In the event that you are separated from your administrative position, you may return to the faculty in the unit where you hold tenure. You will be entitled to a twelve (12) month leave for the purpose of preparing to return to the faculty, and paid at your faculty salary rate, consistent with University policy. Your faculty appointment will be a nine (9) month, "B" term appointment. You will be eligible for future salary increase in accordance with the regular salary policies and procedures for faculty in the academic unit, and will receive the standard faculty employee benefits package. You will also receive other academic support (e.g., research support, office space, administrative support, etc.) as are typically provided to new faculty of your experience and rank in the academic unit.

D. IX. UNIVERSITY POLICIES AND GENERAL CONDITIONS

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

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

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

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

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

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

X. BOARD OF REGENTS APPROVAL

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

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

By:_____
Dr. Rachel T.A. Croson, Ph.D.
11/13/19

REGENTS OF THE UNIVERSITY OF MINNESOTA

By:_____
Joan T.A. Gabel
President

Approved as to Form and Execution

By:_____
Douglas Peterson
General Counsel

KORN FERRY®

UNIVERSITY OF MINNESOTA

Position Specification

Executive Vice President and Provost

University of Minnesota

May 2019

POSITION SPECIFICATION

Position	Executive Vice President and Provost
Institution	University of Minnesota
Location	Twin Cities, Minneapolis/St. Paul, Minnesota
Reporting Relationship	The EVPP reports directly to the President in consultation and coordination with the University's senior leadership team, and is a senior leader liaison to the Board of Regents. Additional information on the University of Minnesota organizational structure is available here.
Institutional Website	www.umn.edu

THE OPPORTUNITY

The University of Minnesota is seeking applications and nominations for Executive Vice President and Provost (EVPP). As the institution's chief academic officer, the EVPP will work in partnership with the University's incoming President Joan T. A. Gabel to advance the University's reputation as one of the world's most renowned public research universities.

The EVPP is the chief academic officer of the University of Minnesota's multi-campus system and provost for the Twin Cities campus, with overarching responsibility for fostering the academic excellence of the University's educational, research, and outreach missions. The EVPP has a primary leadership role in the president's cabinet, with broad strategic and administrative responsibility for policies and practices that affect the academic life of the University and shared leadership responsibility for effective management and advancement of the administrative and operational functions of the University. The EVPP also provides leadership for undergraduate, graduate, and professional education, and has system-wide oversight and administrative responsibility for academic programs and curriculum; faculty development and support, including promotion and tenure; and accreditation and institutional accountability. The EVPP provides leadership to strengthen student access, experience, and support; and oversees strategic initiatives to advance research and teaching excellence and innovation and public outreach carrying forward the University's land-, sea-, and space-grant mission. The EVPP also has shared responsibility for leading strategic academic components of the systemwide strategic planning framework. More broadly, the EVPP works with the president, chancellors, deans, and other leaders to leverage strengths across the multi-campus system, enhance the distinct strengths of the five campuses, and support ongoing "system orientation" in academic and operational planning. The EVPP directs academic policy and administration for colleges and schools on the Twin Cities campus, as well as central student and academic support units.

The EVPP serves as the Board of Regents senior leader liaison for the Board's Mission Fulfillment Committee, incorporating Board priorities, planning calendar, and committee work to guide agenda development. The EVPP plays a collaborative leadership role in academic planning and budgeting; institutional capital planning; institutional advancement and fundraising; and academic technology planning.

As University of Minnesota Twin Cities Provost, the EVPP has responsibility for oversight and management of the colleges, schools, and academic units of the Twin Cities campus; for the

assessment of collegiate performance and the review of deans; and for oversight of academic leadership and management in the areas of undergraduate education, graduate and professional education, faculty and academic affairs, and student affairs that support colleges and schools, degree programs, and research and outreach programs across both the campus and system. The EVPP also has responsibility for implementing the Twin Cities campus strategic plan, Driving Tomorrow, as a multi-component framework for leveraging research and curricular strengths to advance academic excellence and impact.

THE UNIVERSITY OF MINNESOTA

Introduction

The multi-campus University of Minnesota is one of the most comprehensive universities in the country and ranks among the most prestigious research universities in the world. The University has scholars, scientists, artists, and teachers of national and international reputation as well as a strong tradition of public engagement. It has the special distinction of being Minnesota's land-, sea-, and space-grant university, dedicated to serving the public good; and its globally engaged flagship research institution, charged with positioning the state at the forefront of emerging knowledge and educating highly skilled workers, professionals, leaders, and global citizens to thrive in a diverse and changing world. As the public land-, sea-, space-grant, and research university for the state of Minnesota, it plays a major role in shaping an economically strong, culturally vibrant, and civic-minded state.

The University of Minnesota system comprises 5 campuses, which together carry out its mission of research and discovery; teaching and learning; and outreach and public service. The University of Minnesota, Twin Cities, located in the large metropolitan area of Minneapolis-St. Paul; the University of Minnesota, Crookston, located in the northwest corner of the state; the University of Minnesota Duluth, on the shores of Lake Superior; the University of Minnesota Morris, on the western edge of the state; and the University of Minnesota Rochester in southeastern Minnesota.

The UMN Twin Cities, the flagship R1 research campus, is one of few major research campuses in a major metropolitan area. The UMN Crookston offers a technology-rich environment where students develop the skills and leadership abilities to succeed in our global economy. The UMN Duluth is a highly rated comprehensive university with considerable research infrastructure and a strong record of undergraduate student achievement and community engagement. The UMN Morris is ranked as one of the top public liberal arts colleges in the nation and a leader in environmental and sustainability solutions. The UMN Rochester, in partnership with a destination academic medical center, offers access to more than 30 undergraduate and graduate degree programs in the areas of health sciences and biotechnology.

The University also encompasses regional Extension offices, research and outreach centers, clinics, labs, professional education outreach, and K–12 educational engagement programs throughout the state. It includes a comprehensive library system recognized as a national model, and world-class performing arts facilities, museums, and galleries.

The University of Minnesota has more than 60,000 students, 26,000 employees, and half a million alumni living around the world. Students from 130 countries are enrolled on our campuses, and thousands of students at the U of M study abroad. In research expenditures, U of M is the 8th most active public research university in the United States and it ranks 37th among the world's top universities overall. U of M's distinguished intellectual history includes 26 Nobel Prize laureates. The breadth of its academic programs and offerings on the Twin Cities campus is matched by only three other universities in the country. This diverse constellation of academic programs creates an

enviable environment for fundamental discoveries in the biological sciences, physical sciences, health sciences, social sciences, arts, humanities, and engineering. The University is one of only five universities in the nation with schools of engineering, human and veterinary medicine, law, nursing, and agriculture on one campus.

The University is the state's economic and intellectual engine. With an annual operating budget of $3.8 billion, 26,000 employees, large student population, and research centers and health care services, the University has an annual statewide economic impact of $8.6 billion. As Minnesota's sixth largest employer, the UMN's impact translates into jobs and economic activity statewide. The University grants roughly 16,000 degrees each year. In Minnesota alone, more than 225,000 U of M graduates go to work as community leaders; health professionals; teachers and counselors; scientists and researchers, business and legal analysts and experts; designers, artists, and architects; executives and entrepreneurs; engineers and builders. Because of this skilled workforce, Minnesota is home to 19 Fortune 500 companies—per capita, that's second in the nation. As one of the few major public research universities situated in a major metropolitan area, the campus also has unparalleled opportunities for collaboration and partnerships.

As one of an elite few land-, sea-, and space-grant universities that also are world-class research institutions, and one of few major land-grant research institutions situated in a major metropolitan area, the University consistently has advanced its mission with exceptional vigor—distinguished by a comprehensive commitment to integrating public engagement deeply into teaching and learning, research and discovery. The University also strongly embraces equity and diversity as foundational values, and has made both engagement and diversity central to strategic planning across the system and for the institution as a whole. Students on the Twin Cities campus include 0.4% American Indian and native Hawaiian students, 19.5% students of color, and 12.2% international students. The University ranks ninth nationally for students learning abroad, and offers programs in more than 70 countries. In 2017, the University of Minnesota Twin Cities received the Higher Education Excellence in Diversity Award from *Insight into Diversity* for the seventh year in a row. The University is ranked by *Forbes* as one of the country's 20 best educational employers.

Undergraduate Education

The University of Minnesota enrolls over 41,000 undergraduate students. Undergraduate education at U of M strives to provide a distinctive, transformative educational experience of the highest quality within a research university that cares deeply about the quality of teaching and learning, to prepare students for challenging and productive careers, positions of leadership in society, graduate or professional education, and lifelong learning. A complete list of undergraduate majors and colleges may be found here.

More information about undergraduate education may be found on the Office of the Vice Provost and Dean of Undergraduate Education, here. Priority initiatives focus on developing excellence in arenas that will help U of M attract and retain the best students, while creating a distinctive educational program that will graduate students who can solve problems, communicate effectively, think critically, and have the knowledge and skills to be productive life-long learners, leaders, and global citizens.

Graduate and Professional Education

There are more than 16,000 graduate and professional students enrolled at the University of Minnesota, including 12,000-plus in more than 130 research-based master's and doctoral programs and more than 4,000 in professional degree programs in law, education, dentistry, medicine, nursing, pharmacy, public health, social work, and veterinary medicine. A complete list

of graduate programs, certificates, and professional degrees can be found here. The University of Minnesota Twin Cities has a geographically diverse graduate and professional enrollment and ranks 21st as a destination for international students in the United States, with 7,212 such students from over 130 countries.

The University has Minnesota's only veterinary, pharmacy, public health, and dental colleges and produces over 70 percent of the state's new physicians. In 2015, administrative support for graduate and professional education was realigned to recognize the distinct educational mission of each postbaccalaureate community. Detailed information on the new organizational structure can be found here.

Research and Scholarship

The more than 4,000 faculty at U of M include members of the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine, plus the American Academy of Arts and Sciences, among other prestigious bodies. Current and former faculty have won Guggenheim Fellowships, MacArthur Fellowships, and Nobel Prizes. The UMN ranks 8th among public universities in research spending, with just under $1 billion in research expenditures. In 2018, researchers at the U of M were awarded a record $793 million in external research funding – the highest amount in the University's history.

The institution is a patent powerhouse – U of M faculty led Forbes magazine to name Minneapolis one of the top 10 innovative cities in the USA. The University launched 13 startups in 2018 and signed a record 230 new licensing deals and 85 Minnesota Innovation Partnership agreements.

The University long has been a hub for research collaborations with private and public partners from across many sectors, and has placed major emphasis on leveraging its breadth and depth toward transdisciplinary research collaborations. University and industrial researchers have joined forces to tackle challenges including securing a sustainable global food supply, finding new treatments for brain diseases, advancing robotic technology, purifying waters affected by mining and agricultural runoff, and cancer treatment and prevention. Studies in such areas as animal behavior and ecology, anthropology and archaeology, and physics and astronomy take faculty and students to every corner of the globe.

As a strategic planning priority, the University is implementing new strategies to engage interdisciplinary teams of faculty, students, and community partners in collaborative research addressing the most significant problems of Minnesota and the world. Through the Provost's Grand Challenges Research Initiative, the University has made internal investments to seed and foster high-potential collaborations in five grand challenges areas of special focus. An overarching goal is to build new institutional pathways and mechanisms for transdisciplinary research, deepening engagement with communities and leading to innovative solutions. Ongoing support for ambitious, high-impact research also ensures that the University brings to Minnesota the best and most productive researchers and scholars across fields of study.

Budget

A detailed overview of the University's annual operating budget of $3.8 billion can be found online here. Roughly half the U of M budget either goes to sponsored research and educational activities or is self-funding. Operations funding is less than half the U of M budget. Operations funding goes to core U of M education, research, and public engagement and has two primary sources: tuition and state appropriations. To produce efficiencies that advance academic excellence, in 2014 the U of M set a six-year goal to cut administrative costs by $90 million and reinvest those savings

directly into core mission activities, and that goal was successfully met in 2019.

About President Joan Gabel

Joan T. A. Gabel was named the University of Minnesota's 17th president by unanimous vote of the UMN Board of Regents in December 2018. She will assume the office on July 1, 2019 and will be the first woman president in the University's 167-year history.

Gabel comes to Minnesota after serving as the executive vice president for academic affairs and provost at the University of South Carolina since 2015. As the chief academic officer, she had system responsibilities and oversaw the schools and colleges of USC Columbia. Previously, she served as dean of the University of Missouri's Trulaske College of Business for five years. While at Missouri, Gabel was named a "shining star" by the Wall Street Journal and is the recipient of numerous awards, including the Bunche, Kemper and Holmes-Cardozo awards for excellence in research.

Minneapolis/St. Paul

The University's flagship Twin Cities campus is in the heart of a dynamic metro area that is a global economic leader, a hub for education and culture, and renowned for its abundant cultural and natural resources. The Minneapolis-St. Paul metro is home to the 4th-largest concentration of Fortune 500 companies in the country as well as thriving entrepreneurial and small-business sectors. Ranked as one of the country's leading "creative economy" communities, the Twin Cities is renowned for its arts and nonprofit sectors, as well as its many lakes and parks and wealth of recreational and entertainment opportunities. Spanning locations in both Minneapolis and St. Paul, the UMN-Twin Cities straddles the Mississippi River and adjoins a national park.

The University is an anchor institution for a globally competitive region and state with notable strengths in areas critical to today's knowledge economy—including biosciences, medical devices, and agriculture and food production. The campus is also located in an increasingly diverse region at the heart of an increasingly global Midwest, with eleven federally-recognized tribal nations, the largest urban Native American population in the country, and growing African American, Latino and Chicano, and Asian American populations. The links between Minnesota communities and communities around the world are notable: The Twin Cities now has the largest number of people of Somali descent outside of Somalia and the nation's largest urban Hmong-American population.

The region's internationally engaged businesses, small and large arts organizations, non-profits, and multifaceted communities provide unparalleled learning and career opportunities for students, opening windows onto diverse cultures and perspectives and to the intersections between local and global issues.

Greater Minnesota

Economic vitality and richness and diversity of natural resources extend throughout the State. Forests, fresh waters, and minerals are in abundance, and Minnesota ranks fifth in the country in terms of agricultural receipts. Growing knowledge centers with important regional economies across Minnesota include Rochester and Duluth. The University of Minnesota serves a crucial role in economic development (contributing to a growing GDP) as well as environmental protection across this diverse landscape.

KEY OPPORTUNITIES AND CHALLENGES FOR THE EVPP

Capitalize on the breadth of UMN research and curricular strengths to sustain and enhance areas of excellence

- Inspire and support aspirations for core disciplinary and interdisciplinary research and teaching through targeted funding, institutional policies and practices
- Fully engage the social sciences, arts, and humanities, as well as science and engineering and the professional schools, in addressing critical challenges of the state and society
- Support and advocate for collaborative resource development aligned with exceptional competitive strengths
- Recognize value of fully collaborative research and teaching efforts, as well as individual excellence, in promotion and tenure processes and decisions
- Identify and provide impetus for signal research and educational strengths
- Promote a culture of innovation, exploration, and collaboration

Advance a 21st-century land-, sea-, and space-grant mission; leverage multi-campus strengths, locational advantages and responsibilities

- Promote a culture of reciprocal engagement with urban and rural communities of Minnesota
- Inspire global engagement
- Foster appropriate and strategic public/private partnerships
- Enhance the distinctive regional contributions made possible by the UMN multi-campus system

Meet challenges of changing demographics and educational models

- Help initiate and develop college pathways: vigorous efforts to address MN opportunity gaps and strengthen college readiness and access
- Develop and implement a system-wide enrollment management plan, with clarified transfer policies and simplified processes
- Convey effectively the value proposition of the University of Minnesota
- Develop a more coherent approach to online education, both for the TC campus and for the system
- Enhance educational outreach, professional development, and service through a variety of appropriate non-degree options and bundled short courses

Recruit and retain outstanding faculty

- Attract, develop, support, and retain a diverse faculty of field-shaping researchers and teachers
- Identify and embrace opportunities to increase strength in areas of identified institutional excellence
- Provide robust opportunities for faculty development and leadership
- Promote whole-person well-being as foundational to faculty success and foster corresponding support systems to realize that goal

Enhance student experience on all University campuses and support student success

- Engage undergraduates in the University's research and discovery mission and provide service opportunities
- Expand systemwide support for student mental health and well-being
- Assure local and global engagement, diversity, equity, and inclusion
- Complete and implement revision of general education requirements on TC campus and

articulate with MN State and UMN system

Foster collaborative leadership to support vibrant academic culture and climate

- Sustain excellence in collaborative academic planning and governance
- Embrace productive discussion of critical issues in higher education and society relevant to the values, ideals, and responsibilities of the University as a research university, land-, sea-, and space-grant institution, and teaching and learning community
- Enable processes for collegiate and central academic leadership searches that lead to strong and diverse candidate pools and the hiring of outstanding leaders

REPORTING STRUCTURE

The University of Minnesota EVPP encompasses the following reporting units:

Central Academic Leadership Vice Provost Units

- Faculty and Academic Affairs
- Graduate Education
- Undergraduate Education
- Student Affairs

Central Academic Units

- Academic Health Sciences
- Extension
- Global Programs & Strategy Alliance
- Institute for Advanced Study
- Northrop
- Public Engagement
- University Libraries
- Weisman Art Museum

Twin Cities Campus Colleges and Schools

- College of Biological Sciences
- College of Continuing and Professional Studies
- School of Dentistry
- College of Design
- College of Education and Human Development
- College of Food, Agricultural and Natural Resource Sciences
- Law School
- College of Liberal Arts
- Carlson School of Management
- Medical School (the vice president/dean reports to the president)
- School of Nursing
- College of Pharmacy
- Humphrey School of Public Affairs
- School of Public Health
- College of Science and Engineering
- College of Veterinary Medicine

KEY RESPONSIBILITIES

The EVPP will be expected to:

In coordination with the University's senior leadership team, provide academic leadership for the broader University system in the following areas:

- Academic planning and budgeting, including institutional capital planning
- Academic technology planning
- Institutional advancement and fundraising
- Legislative relations

Provide academic leadership for the Twin Cities campus, including:

- Oversee and manage academic policy issues
- Develop and oversee academic policy
- Ensure faculty development, including promotion, tenure, and recognition (as modified in some instances for faculty represented by bargaining units)
- Oversee graduate and professional education
- Manage priorities of the academic units through the strategic planning and budgeting process
- Recruit and retain outstanding faculty
- Champion a campus climate that fosters the pursuit of diversity, equity, inclusion, and belonging
- Support, articulate and advocate for the values of academic freedom across University constituencies
- Oversee assessment of collegiate performance
- Ensure administrative leadership of academic programs
- Oversee student assessment and program evaluation
- Coordinate academic programs and academic support units with business and administrative systems
- Manage and support undergraduate, graduate, and professional education initiatives and programs
- Hire and review deans
- Facilitate, nurture, coordinate, and enable the efforts of deans, faculty, staff, and students to meet institutional goals and priorities
- Ensure that policies and programs are in place to set and achieve academic goals
- Develop and maintain national and international eminence in education and research
- Promote and lead the University's academic agenda
- Communicate the value and return on investment that the University provides to students, families, and to the economic engine of Minnesota
- Strengthen student access, experiences, and support
- Facilitate, nurture, and support outreach and engagement advancing and building upon the land-, sea-, and space-grant mission; continue to strengthen culture supporting reciprocal public engagement
- Nurture and support a strong faculty
- Plan and maintain the academic infrastructure necessary to achieve the University's academic priorities
- Support and promote exchange and collaboration that leverage interdisciplinary strengths and opportunities while also supporting continued excellence of focused disciplinary work

Develop and manage Board of Regents and administrative policies related to matters that fall within the EVPP's area of responsibility

Perform other responsibilities or duties as assigned by the President

PROFESSIONAL EXPERIENCE / QUALIFICATIONS

The successful candidate will be a scholar and leader with a recognized reputation that includes a demonstrated record of collaborative, successful, and exemplary administrative leadership. The University of Minnesota seeks the next EVPP with the following qualifications:

- A visionary academic leader and experienced administrator who can thrive in a highly diverse and dynamic environment and who shares and reinforces the University's commitment to excellence in teaching, research, and engaged scholarship
- An engaging individual with outstanding interpersonal skills and the ability to work positively and effectively with University officials, faculty, staff, students, legislators, corporate partners, community leaders, and the public to build quality academic programs and establish sound policy
- An energetic, strategic, and visionary leader with a demonstrated commitment to academic excellence and a proven record of inspiring and leading faculty, staff, and students
- A champion for shared governance, academic freedom, tenure, and other academic values as well as an appreciation for the value brought by diverse perspectives
- An effective communicator capable of forging strong working relationships with diverse groups in the interest of advancing the University's strategic objectives
- A demonstrated promoter of diversity, inclusion, and equity who can work effectively with a culturally diverse student body, faculty, staff, and diverse alumni and stakeholder communities
- A leader who champions the importance of teaching and maintains a key focus on the student experience being a central institutional priority
- An advocate for the land-, sea-, and space-grant mission who is committed to supporting first-generation students and to maximizing the combination of student access and success
- A leader with a broad understanding of multiple and diverse fields across the American research university and the complexity of issues within them, as well as a deep knowledge of the higher education environment in the United States and its evolution in response to emerging knowledge and new technologies
- A thought leader around academic freedom, liberal education, research and scholarship, inclusion and diversity, and other issues in higher education
- An innovative administrator who fosters transformational processes and delegates effectively to achieve solutions
- An inspiring communicator who will express the value of higher education, tenure, and research to audiences who do not have a lived experience or close relationship with the academy
- An administrator with demonstrated financial acuity and professional and personal integrity

EDUCATION

The EVPP should possess an earned doctorate or equivalent and have distinction as a scholar, researcher, and teacher. The EVPP should also possess academic credentials for an appointment as a full professor at the University of Minnesota commensurate with expectations for a major research university.

COMPENSATION

The University of Minnesota offers an attractive compensation and benefits package, commensurate with the successful candidate's background and experience.

NOMINATIONS AND APPLICATIONS

The priority deadline for the submission of applications is **Friday, July 12, 2019**. Review of applications for the position will commence immediately and continue until the position is filled. Applications should include 1) a detailed CV and 2) a letter of interest that addresses the responsibilities and requirements described above, as well as the applicant's motivation to apply. PDF is the preferred version of submission of documents. To ensure full consideration, inquiries, nominations, and applications should be submitted electronically, **in strict confidence**, to:

Josh.Ward@KornFerry.com

KORN FERRY CONTACTS

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The University provides equal access to and opportunity in its programs, facilities, and employment without regard to race, color, creed, religion, national origin, gender, age, marital status, familial status, disability, public assistance status, membership or activity in a local commission created for the purpose of dealing with discrimination, veteran status, sexual orientation, gender identity, or gender expression.

Finance & Operations Committee
Board of Regents Meeting
Consent Report
December 12, 2019

Personnel Appointment

Pending approval by the Board of Regents, Lisa A. German will be appointed University Librarian and Dean of Libraries, effective February 28, 2020.

Position Overview

As University Librarian and Dean of Libraries, Lisa A. German will serve as the executive, administrative, and strategic leader for the University of Minnesota Libraries, the large and critically acclaimed research library system that has a vital and comprehensive role at the center of the University's academic mission with a dual role as the state's research library. She will oversee programs and services that support the tri-partite mission of the University of Minnesota including support for campus curriculum and student success as well as researcher productivity and the advancement of knowledge. She will work across the entire academic enterprise to anticipate opportunities and new directions for the Libraries and for the University and to position the Libraries for accessible, effective, and efficient service to faculty, students, and staff in a rapidly evolving academic and research environment.

She will lead the collaborative development and execution of a strategic plan to further the excellence of the Libraries for the University, state, and diverse users and communities, in support of the University's mission and systemwide strategic planning priorities and recognizing the role of the Libraries as a service provider and problem-solver for the state through Minitex and other collaborations. She will oversee development, innovation, and effective stewardship of resources across all aspects of Libraries programs and operations, including leadership for user services, collections and resources, infrastructure and space management, partnerships and public engagement, diversity and inclusion. She will oversee efforts to identify resource development opportunities and to increase philanthropic support and will oversee the recruitment and retention of librarian professionals with expectations for research/scholarship, education, and service, and with continuous appointments defined as similar to tenure.

As University Librarian and Dean of Libraries, she will report to the Executive Vice President and Provost and will be a member of the Council of Twin Cities Deans, playing a collaborative leadership role in campus-wide and system-wide academic planning.

Appointee's Background and Qualifications

Lisa A. German has over 25 years of experience in academic leadership of research libraries and has been a national leader in advancing innovation and collaboration among research libraries nationally. She has been Dean of Libraries and Elizabeth D. Rockwell Chair, University of Houston Libraries since 2015, and previously served in academic leadership positions in research libraries at Penn State University as well as the University of Illinois at Urbana-Champaign. She has a strong record of accomplishment as an innovative strategic leader with proven experience managing a large and complex organization, a demonstrated commitment to advancing diversity and inclusion, and a long record of scholarship and significant regional and national leadership advancing innovation, inclusive excellence,

and collaboration among academic research universities in higher education. She holds the master of library science degree (University of Illinois Urbana-Champaign), the highest terminal professional degree in the field and the academic credential appropriate to the leadership of a contemporary academic research library. She is active in professional service at the university, regional, and national levels, and has widely published and presented in the areas of library collections, management, planning, policy development, implementation, and assessment. Her appointment is the result of a competitive national search.

Recommended Salary and Appointment Type

Lisa A. German's annual salary will be $274,000. Her appointment as University Librarian and Dean of Libraries is a 100%-time, 12-month appointment in the academic professional and administrative personnel classification who serves as an at-will employee reporting to and serving at the pleasure of the Executive Vice President and Provost. The full employment agreement between the University of Minnesota and Lisa German 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

The University of Minnesota's Annual Report on Senior Leader Compensation, presented to the Board in May 2019, provides market data from the Sibson-CUPA 2018 administrative salary surveys for a broad range of participant institutions including both private and public institutions. The combined average base salary data* from the surveys (aged to July 2019) for the position of dean of libraries is as follows:

Lowest - $183,300
25th percentile - $218,800
50th percentile - $253,600
75th percentile - $273,000
Highest - $308,700

Lisa A. German's salary falls *at the low end* among the base salaries for deans of libraries at the largest U.S. university research libraries belonging to the Association of Research Libraries. The University of Minnesota is ranked 10th in the ARL Index ranking. Salaries for other highly ranked ARL public institutions include University of Michigan ($458,600), University of California Berkeley ($315,000), University of Washington ($290,000); the lowest publicly reported salary is University of Illinois at Urbana Champaign ($265,000).

Lisa A. German's appointment as dean will also allow her participation in consulting activities consistent with the University's policies.

Recommendation

The President recommends the appointment of Lisa A. German as University Librarian and Dean of Libraries at the University of Minnesota.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 25 day of November, 2019, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Lisa A. German ("Lisa German," "you").

WHEREAS, the University wishes to employ Lisa German as University Librarian and Dean of Libraries and Lisa German wishes to accept employment as University Librarian and Dean of Libraries;

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 Lisa German 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 Lisa German as University Librarian and Dean of Libraries and she agrees to be so employed by the University for a term commencing on February 28, 2020. The University Librarian and Dean is a 100-percent time, 12-month, L appointment in the academic professional and administrative personnel classification who serves as an at-will employee at the pleasure of the Executive Vice President and Provost. As such, you report to and serve at the pleasure of the Executive Vice President and Provost and your appointment may be terminated at any time without advance notification.

II. DUTIES

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

A. Providing visionary and collaborative leadership for, administrative oversight of, and accountability for, the University of Minnesota Libraries;

B. Overseeing the responsible planning, stewardship, and management of fiscal, capital, and human resources of the University of Minnesota Libraries;

C. Enhancing the profile, quality, reputation, stature, and aspirational goals of the Libraries in support of the University's academic mission at the state and national level;

D. Providing leadership in, and align resources with, the recruitment and retention of distinguished librarian professionals and high performing staff;

E. Overseeing programs and services that support the tripartite mission of the University of Minnesota, including support for campus curriculum, student success, researcher productivity, advancement of knowledge, and outreach, innovation and impact.

F. Promoting and representing the University Libraries in a positive fashion in private and public forums;

G. Developing and expanding efforts to further the excellence of the Libraries for the University, state, and communities in support of the University's mission and role of the Libraries as a service provider and problem solver for the State;

H. Integrating the University Libraries and its many vital resources and functions into the broader community – locally, nationally, and globally;

I. Playing a major leadership role in fundraising for the Libraries, leading efforts to secure philanthropic support for its mission, user services, collections, and programs;

J. Garnering support for University Libraries from both internal and external stakeholders; and

K. Performing 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. ACADEMIC PROFESSIONAL CONTINUOUS APPOINTMENT

In addition to your administrative appointment as University Librarian and Dean of Libraries, you will also hold continuous appointment in the Libraries, subject to University Policy and *Administrative Guidelines, Criteria, and Procedures for Review of Academic Professionals considered for Continuous Appointment*. Your continuous appointment in the Libraries requires approval as well by the Board of Regents. During the time you serve in your senior administrative position as University Librarian and Dean of Libraries, you will not receive any compensation for your continuous appointment, but a salary for this appointment will be established by the University, and increased annually based on the average increase of your same-ranked peers in the Library. In the event you no longer are employed as University Librarian and Dean of Libraries, and retain this continuous appointment, this will be your established academic professional salary.

V. COMPENSATION

A. Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall pay you an annual salary of Two Hundred Seventy Four and No/100 Dollars ($274,000).

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

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

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

VI. BENEFITS

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

VII. RELOCATION

The University will pay for relocation costs associated with your move by means of a lump sum equivalent to one month's salary [$22,833], in accordance with the University's Relocation Policy (http://policy/umn.edu/finance/employeerelocation).

VIII. SEPARATION

A. Your appointment as University Librarian and Dean of Libraries 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. At the end of your administrative appointment, you may return to your academic professional appointment at your established continuous appointment salary level.

IX. UNIVERSITY POLICIES AND GENERAL CONDITIONS

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

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

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

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

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

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

X. BOARD OF REGENTS APPROVAL

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: Lisa A. German
Lisa A. German

REGENTS OF THE UNIVERSITY OF MINNESOTA

By: Karen Hanson
Karen Hanson
Executive Vice President and Provost

Approved as to Form and Execution

By: _____
Douglas R. Peterson
General Counsel

UNIVERSITY
OF MINNESOTA
Driven to Discover®

University Librarian and Dean of Libraries
University of Minnesota
Minneapolis-St. Paul, MN

The University of Minnesota, the public land-grant research university of the State of Minnesota, seeks a bold and strategic leader to serve as its next University Librarian and Dean of Libraries. The award-winning University of Minnesota Libraries is one of the University's and the state's greatest intellectual assets. It provides critical services and resources to faculty, students, staff, and residents throughout Minnesota and the surrounding region and to scholars worldwide.

The University of Minnesota is one of the most comprehensive public universities in the United States and ranks among the most prestigious public and research institutions in the world. The UMN system comprises five campuses that carry out its mission of research and discovery, teaching and learning, and outreach and public service. The University of Minnesota Twin Cities, the flagship R1 research and land-grant campus, is a globally engaged research institution and is one of the few major public research campuses located in a major metropolitan area. It is part of a dynamic metro area that is a global economic leader, a hub for education and culture, and renowned for its cultural and natural resources.

Consistently ranked among the top 25 academic research libraries by the ARL Investment Index, the UMN Libraries integrally supports the tri-partite mission of the institution, including support for campus curriculum and student success, researcher productivity, and the advancement of knowledge. The Libraries system encompasses 12 libraries on the Twin Cities campus, rich collections, and a broad portfolio of innovative services and programs. It is a nationally recognized leader in technology development, research data services, affordable content initiatives, open-access publishing, and multi-level scholarly collaborations. The Libraries has a distinctive dual role, directly supporting the UMN academic mission while also serving as a vital resource, problem solver, and service provider for the state and beyond, with nearly 2 million user visits and over 3 million web sessions annually.

In 2017, the Libraries received the National Medal for Museum and Library Service from the Institute for Museum and Library Services, only the third academic library in 23 years to receive this national honor recognizing exemplary programs and contributions to communities. In 2009 the Libraries received the Excellence in Academic Libraries award from the Association of College and Research Libraries.

THE OPPORTUNITY

As executive, administrative, and strategic leader for the Libraries, the University Librarian and Dean of Libraries oversees and manages a large research library system that has a vital and comprehensive role at the center of the University's academic mission. Reporting to the Executive Vice President and Provost, the U Librarian and Dean of Libraries will lead a critically acclaimed library system; develop a strategic vision that builds on a record of excellence and the signal strengths of the University of Minnesota; steward a rich and growing collection of materials; and position the Libraries for accessible, effective, and efficient service to faculty, students, and staff in a rapidly evolving academic and research environment. The U Librarian and Dean of Libraries will astutely manage the Libraries' resources and bolster them through direct fundraising efforts, and will lead a talented, dedicated, service-oriented staff committed to excellence and the success of its many and diverse users.

The successful candidate will bring a demonstrated record of innovative and inspiring leadership, with proven experience managing a large and complex organization and a demonstrated commitment to advancing diversity and inclusion. The next Libraries leader will chart a course for continued success in a changing library landscape, developing and supporting traditional and innovative services and collections through collaborations across and beyond the campus. The search committee seeks talented candidates from a variety of backgrounds with experience in and understanding of academic research libraries. The selected individual will possess academic credentials appropriate to the leadership of a contemporary research library; a doctorate, MLS, or equivalent terminal degree is required. A full description of required and desired qualities and attributes is provided later in this document.

THE UNIVERSITY OF MINNESOTA LIBRARIES

The Libraries system is the central library organization for the comprehensive research campus in the Twin Cities, providing extensive resources, expertise, and leadership that directly support academic teaching, learning, and research. Additionally, the Libraries provides enterprise-level infrastructure and service support to the system campuses in Crookston, Duluth, Morris, and Rochester. More broadly, the Libraries is a principal service provider and innovative problem-solver for the State of Minnesota and for diverse communities spanning local to global.

In its primary academic role, the Libraries serves the 51,000 students and 4,000 faculty of the Twin Cities campus across 17 colleges and schools. The academic focus of the Libraries provides intellectual leadership and expertise in areas associated with the full life cycle of knowledge resources, from creation to curation. An active partner in knowledge production, the Libraries develops and supports traditional and innovative services and collections and has a notable record of partnerships across and beyond the campus that draw on the Libraries' breadth of resources. The 12 libraries within the system hold over 7.6 million volumes and 114,000 e-journals, and rich digital collections that are made widely accessible. The globally engaged system ranks as the 22nd largest library in the United States by volumes held (American Library Association). The Libraries leverages its extensive collections, technologies, facilities toward a broad portfolio and a strong service orientation, connecting users with the resources they need to be effective teachers, researchers, learners, and scholars.

In addition to its primary mission of serving UMN faculty, students, and staff, the Libraries system also functions as Minnesota's official research library. It serves communities statewide and regionally through Minitex, an innovative resource-sharing program of the University and the MN Office of Higher Education. The Libraries also serves as a regional Federal Depository Library, a State of Minnesota Depository Library, and United Nations Depository Library. Among research institutions, the Libraries maintains one of the largest collections of government documents in North America, and consistently ranks at the top of North American research libraries for the volume of lending beyond the University.

For more information about the Libraries, visit: https://www.lib.umn.edu.

Teaching and Learning

The UMN Libraries has a record of creative and engaging programs that strengthen teaching and learning and support student success. A pioneer in developing a subject-liaison model, the Libraries provides specialized expertise in wide-ranging areas to support and enrich instruction across all disciplines, along with course-integrated content services, collaboration studios, and makerspaces for faculty and students. Additional outstanding programs include the SMART Learning Commons that delivers individualized services to students, including consultations from student peers trained in information literacy, tutoring, and cultural competency skills. Through research conducted with the UMN Office of Institutional Research, the Libraries has documented positive correlations between student usage of library services and a number of student success metrics.

The Libraries is a key partner in the University's Unizin membership to support innovation and excellence in digital teaching and learning. The Libraries also has been a leader among research libraries in making course materials more affordable for students. The Libraries' Partnership for Affordable Content program assists faculty in locating high-quality, low-cost texts and journals for use in their classrooms; this has resulted in an estimated $3.5 million in savings for students over the last two years. The Libraries also offers library web pages for each of the 6,000 courses offered on the TC campus.

Research and Scholarship

Increasingly, academic libraries are developing new services and tools to assist researchers in their work, and the Libraries has been a leader in this area. The Libraries' Research Support Services include:

Research Data Services. The Libraries is recognized as a national leader in developing research data management and curation services that help students, faculty, and staff organize and preserve all forms of data across the research workflow. The Libraries' data management workshops and boot camps consistently reach a large number of graduate students early in their careers as researchers. Multidisciplinary data curation services are provided in collaboration with other University units and with institutional partners via the Data Curation Network. The Libraries' Data Repository for the University of Minnesota (DRUM) provides digital access, preservation, and dissemination services for research datasets of all types and from all disciplines.

Scholarly Communications and Publishing Services. The University Digital Conservancy provides open repository services for scholarly publications by UMN faculty, researchers, and students, and serves as the digital arm of the University Archives for publication and preservation of institutional records. The Libraries also offers publishing and hosting services that now include 15 open-access journals and monograph series and 30 open textbooks. The Libraries assists faculty and graduate students with copyright and publication issues, including the evaluation of author's rights and publishing agreements.

Research Information Management. The Experts@Minnesota service creates web-accessible scholarship profiles of over 7,500 University faculty and researchers, as well as profiles of research centers. This Libraries-managed resource expands access to the University's expertise, connects scholars for interdisciplinary collaboration, and is used by the Office of Undergraduate Education to link students with faculty mentors and research projects. It is a valuable analytics tool for evaluating productivity and impact metrics and also supports research output reporting to funding partners and other stakeholders. Related services help faculty and graduate students to develop their scholarly online profiles (including use of ORCID) and to understand how impact measures are applied to their scholarship.

Digital Scholarship. The Digital Arts, Sciences, & Humanities (DASH) program supports collaborative work to develop new research methodologies and digital tools. An alliance between the Libraries and four UMN academic and support units, DASH offers consultations for faculty, researchers, and students on use of digital technologies in scholarship and creative work, teaching with technology, and web hosting. The cross-disciplinary program offers project support, workshops, and customized training in areas such as digital storytelling, text mining, 3D printing, virtual reality, crowdsourcing for data collection (as in citizen science), and wearable technology. The innovative Research Sprints initiative partners faculty members with teams of expert librarians for intensive collaborative focus on pedagogical or research projects.

Health Sciences. A new UMN Health Sciences Education Center will open next year, anchored by an innovative Health Sciences Library that will build on the current Biomedical Library and the world-renowned Wangensteen Historical Library of Biology and Medicine. The Libraries' technology-rich education program will be integrated into the curriculum and will include virtual and augmented reality, data visualization, "One Button" video recording studios, a makerspace to advance innovation and problem-based learning, and a faculty commons to support instructors as they transition to an active learning environment. In this new teaching and learning space, health sciences librarians will continue to apply their pedagogical expertise and deep understanding of the knowledge life cycle in over 250 courses per year, teach evidence-based practice, collaborate with researchers on systematic reviews, and offer a wide range of other research services, including a public policy and media impact program.

Archives and Special Collections

The Libraries' Department of Archives and Special Collections collects and preserves an exceptionally varied array of materials that support research and scholarship in many areas. The holdings encompass 15 notable specialized and distinctive collections. These include the world's largest assembly of materials on Sherlock Holmes and author Sir Arthur Conan Doyle; the Children's Literature Research Collections; the James Ford Bell Library of rare maps, books, and manuscripts; the Givens Collection of African American Literature; the Kautz Family YMCA Archives; the Performing Arts Archives; the Jean-Nikolaus Tretter Collection in Gay, Lesbian, Bisexual and Transgender Studies; the Social Welfare History Archives; and the Immigration History Research Center Archives.

The collections are used by nearly 15,000 scholars annually; several hundred collections are available digitally through the Libraries' UMedia system. Archivists and curators partner with faculty in teaching nearly 300 class sessions a year, and the department has an active exhibition and programming schedule. Archives and special collections are housed in the Elmer L. Andersen Library and held in two state-of-the-art climate-controlled caverns beneath the building along the Mississippi River. Altogether, 1.5 million volumes and over 120,000 cubic feet of archival materials are preserved and stored in Andersen Library, which also houses the Digital Library Services unit along with classroom and exhibition space.

MINITEX

Minitex is a publicly supported network of academic, public, school, state government, and special libraries working cooperatively to improve library service for users in Minnesota, North Dakota, and South Dakota. It also practices reciprocity with Wisconsin libraries. As an innovative extension service linking libraries across the region, Minitex's overriding mission is to foster and sustain vibrant collaboration that expands information access and resource sharing. Through Minitex, the Libraries opens its collections to the public and leverages University expertise to inform and educate. Funded by the Minnesota Legislature through the MN Office of Higher Education, with additional contracts and grants, Minitex operates within the Libraries, which coordinates its programs spanning resource sharing, interlibrary loan, licensing for statewide database and e-resource access, gateway infrastructure to support single-point of access to library resources, publishing, cooperative purchasing, professional development, and more. In 2018, Minitex delivered over 1 million requests from 800 libraries statewide. An estimated 20 percent of the Libraries' users come from outside the University. Minitex sponsors many continuing education conferences, webinars, and workshops across the state and region.

Minitex is the home of the Minnesota Digital Library, providing digitization, metadata, access, and preservation services for digital collections from nearly 200 cultural heritage organizations across the state. In this role, Minitex was selected to be one of the inaugural service hubs of the Digital Public Library of America, and continues to be among its leading statewide contributors. Minitex also offers publishing services to libraries, as well as online publishing tools and training to support independent authors and small publishers. Community colleges are one major user of Minitex publishing services, publishing texts for student use, which aids in textbook affordability.

The director of Minitex reports to the University Librarian and Dean of Libraries and functions as a member of the Libraries' leadership senior administrative team. A Minitex advisory committee is composed of member-library representatives from across the state.

Partnerships and Grants

Like all strong academic research libraries today, the UMN Libraries is involved in a wide variety of partnerships with other libraries and varied organizations across the country. The Libraries is consistently recognized as a trailblazing service provider and an engagement leader among research libraries, with collaborations across campus, around the state, and throughout the world. The Libraries is a charter member of the HathiTrust Digital Library partnership and serves as the lead institution in national initiatives including the Big Ten Academic Alliance Geoportal project; the Data Curation Network; and

UmbraSearch African American History, through which the Libraries brings together resources from 1,000 partnering libraries and cultural organizations.

The Libraries has received $4.8 million of grant funding in the past decade for a wide range of initiatives related to digitization, data curation and management, preservation and access to archival materials, open-source software and search tools, oral history projects, and other innovative projects. Funding sources include foundations (among them Andrew W. Mellon, Knight, and Alfred P. Sloan); government agencies (including the Institute for Museum and Library Services, the National Endowment for the Humanities, the Minnesota Arts & Cultural Heritage Fund, and the City of Minneapolis); and other relevant partners, such as the Council on Library and Information Resources.

For more information, visit: https://www.lib.umn.edu/about/partnerships#grants

Friends of the Libraries
The Libraries has the support of a large and active Friends of the Library organization, which engages the community in public events. Attendance for its Friends Forum: A Series for Curious Minds has grown dramatically in the past several years; the events draw new awareness to the Libraries and its collections and resources. The Friends of the Libraries non-fiduciary board of directors is comprised of corporate and non-profit leaders, entrepreneurs, and University faculty.

The Minnesota Institute
For over 20 years, the Libraries has offered the widely praised biannual Institute for Early Career Librarians from Underrepresented Groups. Aimed at developing and supporting emerging library leaders from diverse backgrounds, the Institute brings together college and university librarians from across North America for a two-week professional development program that includes focus on a variety of topics relevant to current and changing realities of academic librarianship. Its 200-plus graduates include individuals who have gone on to become presidents of the American Library Association and the Association of College and Research Libraries and deans and directors of several university libraries.

THE UNIVERSITY LIBRARIAN AND DEAN OF LIBRARIES

The University Librarian and Dean of Libraries has responsibility for the strategic and administrative leadership of the Libraries, overseeing user services, collections and resources, infrastructure and space management, partnerships and public engagement, diversity and inclusion, funding, and staffing. The U Librarian and Dean of Libraries reports to the Executive Vice President and Provost and is a member of the Council of Twin Cities Deans, playing a collaborative leadership role in campus academic planning.

The University Librarian and Dean of Libraries communicates the vision for the Libraries' significance and role as an academic research library and oversees development, innovation, and effective stewardship of resources across all aspects of Libraries programs and operations. Working across the entire academic enterprise, the U Librarian and Dean of Libraries will anticipate opportunities and new directions for the Libraries and for the University. This individual leads the collaborative development and execution of a strategic plan in support of the University's mission and strategic priorities; engages campus-wide partners and external stakeholders to further the excellence of the Libraries for the University, state, and diverse users and communities; and oversees efforts to identify resource development opportunities and to increase philanthropic support. The U Librarian and Dean of Libraries regularly represents UMN and plays a leadership role in regional, national, and international discussions relating to academic libraries.

The University Librarian and Dean of Libraries will thoughtfully support knowledge resources in all formats for teaching and research, guiding the continuing evolution and adoption of digital technology while concurrently preserving access to print and other scholarly materials. The role requires a leader who

is highly attuned to emerging developments and capabilities in information technology and the diverse and evolving needs of scholars, students, teachers, and users more broadly.

The University Librarian and Dean of Libraries oversees a budget of over $44 million (excluding Minitex and sponsored projects) and a staff team of over 300, including librarians, technologists, domain and functional specialists, operations staff (including 60 Minitex staff), plus over 450 student workers.

OPPORTUNITIES AND CHALLENGES

The University Librarian and Dean of Libraries will provide leadership in addressing the following key opportunities and challenges:

Provide visionary leadership for the Libraries

The Libraries has been a recognized leader in defining the role of a 21st-century academic research library amid rapid transformation of the information management landscape. The U Librarian and Dean of Libraries will provide visionary leadership that continues to position the Libraries for excellence as an innovative and forward-looking academic library serving diverse users and communities—anticipating and responding to pivotal challenges including shifts in the nature of scholarly communication and the economics of publishing; changes in the mechanisms of information storage and retrieval; evolving expectations of users seeking information; and changes in the design and use of library buildings for purposes including instruction, learning, collaboration, and community building.

In collaboration with the Libraries staff and constituents, the U Librarian and Dean of Libraries will develop both a vision and a strategic plan for the Libraries, anticipating future developments of consequence for academic libraries. The plan will articulate goals, policies, and actionable steps that will advance the University's mission and continue the Libraries' reputation as an innovative leader in the scholarly information environment. The U Librarian and Dean of Libraries will ensure that this planning reflects deep understanding of the strategic resources—people, expertise, information, technology, and facilities, as well as funding—necessary to ensure long-term success.

Represent the Libraries and forge partnerships across and outside the University

As a distinguished research university, the University of Minnesota conducts teaching and research spanning a wide range of academic offerings and fields of inquiry. With the Libraries playing an integral role in advancing academic mission, the University Librarian and Dean of Libraries will work closely with colleges, centers, and supporting unit across the campus to respond to teaching, research, and engagement priorities. Coordination with deans and faculty will be critical in the face of fundamental transformations in such areas as scholarly publishing, data management, preservation, and access.

The University Librarian and Dean of Libraries also will facilitate and strengthen collaboration among all UMN system campuses related to library services and shared systems, including infrastructure, physical space, technology, and digital resources.

Beyond the University, the Libraries has a strong presence nationally and internationally. The U Librarian and Dean of Libraries will support the continued engagement of the Libraries as a collaborative partner and leader in the sphere of research libraries and in higher education more broadly. As the strategic and executive leader of the Libraries, the U Librarian and Dean of Libraries will be strongly engaged with local, national, and international consortia and associations and will leverage collaborative opportunities to amplify the Libraries' influence, impact, and reputation, including collaborations through the Association for Research Libraries, the Big Ten Academic Alliance, and HathiTrust.

Manage and bolster the resources and capacity of the Libraries

The University Librarian and Dean of Libraries will carefully and creatively deploy the financial and human capital available to the Libraries, advocating for the necessary resources that allow it to remain at

the forefront of academic research libraries nationwide. The U Librarian and Dean of Libraries will coordinate closely with staff to optimize services, technologies, and resources for a wide range of users, attentive to both traditional and innovative services and collections; carefully allocate physical space to preserve and maintain access to the Libraries' rich collections; support creative and collaborative space; and tackle pressing priorities such as storage and publishing costs.

The University Librarian and Dean of Libraries will also explore new avenues to advance the Libraries' capacity and support. Opportunities exist to tap previously unsought philanthropic sources in corporations and foundations, as well as from individual benefactors interested in the mission of the nationally recognized academic research library and its exemplary programs and activities across and beyond the campus. The Libraries is more than halfway toward its goal of $18 million as part of the University's *Driven* campaign, and has the support of a robust and active Friends of the Library group.

Develop, lead, and inspire a dedicated, ambitious, service-oriented staff

The energy, motivation, and dedication of its staff is a major asset for the Libraries. The staff of over 300 (which includes over 100 with academic professional appointments as librarians, associate librarians, and assistant librarians), is highly collaborative and an ongoing catalyst for innovation and problem solving. The University Librarian and Dean of Libraries will continue to foster this dynamic culture while also helping staff to evaluate and discern activities that will lead to the greatest success in the libraries, determining which can reasonably be developed and pursued without spreading efforts too thin. Providing leadership to prioritize goals and steward resources effectively will be important.

The University Librarian and Dean of Libraries will establish and lead programs and policies that facilitate professional development and growth of staff, including mentorship and training that positions staff members for individual and team success and that develops the next generation of leaders in the field, attentive to diversity as a strategic priority for the Libraries and University. The U Librarian and Dean of Libraries will provide leadership for recruitment and retention; staff development and retraining aligned with evolving needs; and succession planning. As Libraries leader, the U Librarian and Dean of Libraries will champion and celebrate the valuable contributions of the Libraries' staff and foster an inclusive and supportive working environment in which staff can do their best work.

Advance efforts on diversity, equity, and inclusion

The University Librarian and Dean of Libraries will strongly support diversity and engagement as priorities for the Libraries and the University, and will actively work to make the Libraries more diverse, equitable, and inclusive for its users and its staff. Building on existing priority efforts, the U Librarian and Dean of Libraries will work to build and support a diverse staff and to foster a welcoming and inclusive culture that reflects and serves the Libraries' many different user communities. The U Librarian and Dean of Libraries will lead collaborative efforts to ensure that diversity and inclusion are reflected in every element of the Libraries' operations, from collections to programming to design and use of space.

Continue the strong relationship and support of Minitex

Minitex is an invaluable resource for University faculty, researchers, and students and more broadly for all residents of Minnesota and the surrounding region. The University Librarian and Dean of Libraries will provide support to ensure that Minitex continues to provide critical services to state and regional partners and will collaborate to explore opportunities for expanded access. Emergent areas include support for publishing and collaborative software development to simplify e-book access and interfaces; the organization has just begun to mine its potential in this area.

QUALIFICATIONS

The University Librarian and Dean of Libraries presents an exceptional opportunity for a leader to head a field-shaping and award-winning research library at a premier research and land-grant institution. The

successful candidate will bring a proven record of innovative and inspiring leadership, with demonstrated experience overcoming complex challenges and productively embracing new opportunities. The U Librarian and Dean of Libraries will build on the Libraries' excellence and distinctive strengths to chart a course for continued success amid a rapidly evolving period of social and technological change. The successful candidate will have the ability to play a senior administrative and strategic leadership role within a large, complex research university.

Experience in and understanding of academic research libraries is expected. A doctorate, MLS, or equivalent terminal degree is required, along with academic credentials appropriate to the leadership of a contemporary research-intensive library, including a record of scholarly and professional achievement.

Successful candidates will also possess most, if not all, of the following attributes and credentials:

- Inspired direction and leadership toward the academic research library's central mission of delivering high-quality content, services, and instruction in support of world-class research, teaching, and learning;
- A keen understanding of the major challenges facing academic research libraries and the ability to engage key actors and peer organizations in new and emerging developments and technology;
- Engagement with critical trends and issues in teaching and research, including open access and scholarly publishing;
- A proven aptitude for managing budgets and resources, including personnel and physical infrastructure;
- An ability to champion, empower, and inspire staff at all levels and in all roles;
- Evidence of success in promoting and supporting diversity and inclusion and in fostering a welcoming and inclusive environment;
- A commitment to transparent communication that clearly delineates decision-making processes and offers forums for input and shared governance;
- Deep understanding of the value of, and relationship between, print and digital collections, as well as the wide-ranging needs and preferences of users;
- A commitment to preserving and safeguarding assets spanning diverse media, collections, cultures, and histories;
- A record of innovation and continued openness to fresh and new approaches, coupled with wise decision-making on when to engage and when to forgo new services and whether and how to embrace opportunities for cross-institutional stewardship;
- Respect for the importance of community and public engagement for the benefit of all Minnesotans;
- The ability to break down silos and promote collaboration across units and institutions, to continue the Libraries' record of generous partnership in research and teaching activities;
- Demonstrated or potential success in fundraising, donor cultivation, and public relations;
- A successful history of staff recruitment, development, and team building;
- Unimpeachable ethics and integrity.

Finance & Operations Committee
Board of Regents Meeting
Consent Report
December 12, 2019

Personnel Appointment

In May 2018, Dr. Mostafa Kaveh was approved by the Board of Regents for a two-year term as Dean of the College of Science and Engineering, through June 30, 2020. Pending approval by the Board of Regents, Mostafa Kaveh's appointment as dean will be extended for one year, from June 30, 2020 to June 30, 2021.

Position Overview

As Dean of the College of Science and Engineering (CSE), Mostafa Kaveh serves as the chief academic and administrative officer of the College, overseeing 12 academic departments that consistently rank among the very best in the nation. Research and education programs at CSE span the physical, mathematical, and computational sciences and engineering with an emphasis on scientific discoveries, as well as finding real world applications of novel materials, nanotechnology, and information technology in diverse areas such as biomedicine, renewable and sustainable energy and other resources, and energy-efficient computer architectures. Few universities match the College of Science and Engineering's research capabilities, and fewer still have its remarkable potential. CSE offers 20 undergraduate majors, 24 master's degree programs, and 17 doctoral degree programs (which includes one program shared with the Medical School). The college is one of the largest at the University of Minnesota, with more than 5,500 undergraduates, 95 percent of whom rank among the top 25 percent of their high school graduating classes.

The Dean is responsible for overseeing and managing the college, including but not limited to: recruiting and retaining distinguished scholars and outstanding students; managing the allocation of the college's fiscal, human, and capital resources, including space planning and the successful completion of the current capital plan; setting direction and structure for the college's curricular and scholarly efforts to foster and promote exceptional academic degree programs and research pursuits; planning, evaluating and overseeing academic programs; managing promotion and tenure guidelines for faculty; garnering support from college alumni and from internal and external stakeholders, including non-profit and for-profit sectors, government, and educational organizations; and leading efforts to secure philanthropic support, cultivating development opportunities with a broad array of constituents.

This one-year extension, through June 2021, will allow Dean Kaveh to provide continued leadership that advances critical initiatives, optimally positioning the College of Science and Engineering (CSE) to initiate a national dean search in fall of 2020. Dean Kaveh's extensive experience in CSE and his ongoing leadership of key initiatives continue to command the respect of the College and its external constituencies. First, as part of the University's capital campaign, CSE is in the final stages of raising $285 million, and the campaign will benefit from the stability in leadership that Dean Kaveh can uniquely provide. In addition, the college is engaged in an intensive planning effort to better align itself with the needs of the State of Minnesota, in both the size and the scope of CSE academic offerings. CSE educates and trains the state's engineers, scientists, innovators, technical workforce, and leaders of the technology-based economy. It attracts and retains students from groups under-represented in science and engineering, with significant success in the case of women in STEM. Finally, CSE is in the final

planning and construction stages for several major capital building projects that are critical to several CSE disciplines, including chemistry, robotics, computer science, and industrial and systems engineering. All of these factors are relevant to the plan to recruit optimally for the next dean of CSE in a national search.

Appointee's Background and Qualifications

Prior to beginning service as dean in 2018, Mostafa Kaveh had, since 2005, served as associate dean for research and planning, and he was head of the Department of Electrical and Computer Engineering from 1990-2005. He joined the faculty in 1975 and holds a Ph.D. in electrical engineering from Purdue University, a Master's degree in electrical engineering from the University of California, Berkeley, and a Bachelor's degree in electrical engineering from Purdue. He is a Fellow of IEEE and AAAS, and he has received Society and meritorious service awards from the IEEE Signal Processing Society as well as an Outstanding Electrical and Computer Engineer Award from Purdue University. He continues to play campus-wide leadership roles, including serving as vice chair of the Twin Cities Council of Deans (2019-20) and chair of the Council for the coming year.

Recommended Salary and Appointment Type

Mostafa Kaveh's FY 20 annual salary is $363,875. His appointment as Dean of the College of Science and Engineering is a 100%-time, A-term (12-month) L-type (limited) appointment in the academic professional and administrative personnel classification who serves as an at-will employee reporting to and serving at the pleasure of the Executive Vice President and Provost. The full employment agreement between the University of Minnesota and Mostafa Kaveh 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

The University of Minnesota's Annual Report on Senior Leader Compensation, presented to the Board in May 2019, provides market data from the Sibson-CUPA 2018 administrative salary surveys for a broad range of participant institutions, which includes both public and private institutions. The combined average base salary data from the surveys (aged to July 2019) for the position of dean of science and engineering is as follows:

Lowest - $330,300
25th percentile - $351,400
50th percentile - $378,000
75th percentile - $398,000
Highest - $473,400

Mostafa Kaveh's appointment as dean will also allow him participation in consulting activities consistent with the University's policies.

Recommendation
The President recommends the extended appointment of Mostafa Kaveh as Dean of the College of Science and Engineering at the University of Minnesota through June 30, 2021.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 2nd day of December, 2019, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Dr. Mostafa Kaveh ("Mostafa Kaveh," "you").

WHEREAS, the University wishes to extend the term appointment of Mostafa Kaveh as the Dean of the College of Science and Engineering at the University of Minnesota and Mostafa Kaveh wishes to accept extension of employment as Dean of the College of Science and Engineering;

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 of Minnesota and Mostafa Kaveh 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 extends the appointment of Mostafa Kaveh as the Dean of the College of Science and Engineering and he agrees to be so employed by the University from the date of last signature below and continuing through June 30, 2021, or until such time as the University is able to complete a national search and a new dean is in place. The Dean of the College of Science and Engineering is a 100-percent time, 12-month "L" appointment in the professional and academic personnel classification who serves as an at will employee at the pleasure of the Executive Vice President and Provost. As such, you report to and serve at the pleasure of the Executive Vice President and Provost and your appointment may be terminated at any time without advance notification.

II. DUTIES

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

A. Developing innovative strategies that support the highest aspirations of colleges and programs;

B. Provide administrative oversight of the College of Science and Engineering;

C. Overseeing planning and stewardship and management of fiscal, capital, and human resources of the College of Science and Engineering;

D. Promoting and representing the College of Science and Engineering in private and public forums;

E. Integrating the College and its many resources and functions into the broader community – locally, nationally, and globally;

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

G. Garnering support for the College from both internal and external stakeholders; and

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

III. PERFORMANCE

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

IV. COMPENSATION

A. Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall continue to pay you for FY20 an annual salary of Three Hundred Sixty Three Thousand, Eight Hundred Seventy Five and No/100 Dollars ($363,875).

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 Dean of the College of Science and Engineering is an "L" appointment, which means you serve at the pleasure of your appointing authority. Your appointment may be terminated without any required notice period.

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

C. As a tenured 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. If the Board of Regents does not approve this agreement, then the parties' current agreement will remain in place, and the parties' relationship will continue to be governed by that agreement.

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

By: _____
Mostafa Kaveh

REGENTS OF THE UNIVERSITY OF MINNESOTA

By: _____
Karen Hanson
Executive Vice President and Provost

Approved as to Form and Execution

By: _____
Douglas R. Peterson
General Counsel

Dean, College of Science and Engineering
University of Minnesota
Twin Cities campus

OVERVIEW

The Dean oversees 12 academic departments and 439 tenured and tenure-track faculty that together account for over $140M in annual sponsored research expenditures. CSE has an operating budget of over $250M, and the college educates more than 8,000 undergraduate and graduate students. The Dean empowers the faculty to achieve prominence in scholarly research in the sciences and engineering, and sustains a tradition of innovative teaching in the college. The Dean is an experienced and decisive leader who will champion the transformative power of the sciences and engineering in advancing scientific discoveries and technology for the benefit of the citizens of Minnesota, the nation, and the world. The Dean is an effective steward of resources and a collaborator across the University of Minnesota and reports directly to the Executive Vice President and Provost, Dr. Karen Hanson.

THE COLLEGE OF SCIENCE AND ENGINEERING

The college's 12 academic departments consistently rank among the very best in the nation, with many placing in the top 20, and a top five chemical engineering program. Research and education programs at CSE span the physical, mathematical, and computational sciences and engineering with an emphasis on ground-breaking scientific discoveries, as well as finding real world applications of novel materials, nanotechnology, and information technology in diverse areas such as biomedicine, renewable and sustainable energy and other resources, and energy-efficient computer architectures. Few universities match the College of Science and Engineering's research capabilities, and fewer still have its remarkable potential.

CSE offers 20 undergraduate majors, 24 master's degree programs, and 17 doctoral degree programs (which includes one program shared with the Medical School). The college is one of the largest at the University of Minnesota, with 5,506 undergraduates, 95 percent of whom rank among the top 25 percent of their high school graduating classes.

THE ROLE OF THE DEAN

As its chief executive and academic officer, the Dean works collaboratively both within CSE and across other colleges to create a unified vision for the college and to provide strategic leadership to advance its overall quality, reputation, stature, and aspirational goals.

The Dean is responsible for overseeing and managing the college, including but not limited to: recruiting and retaining distinguished scholars and outstanding students; managing the allocation of the college's fiscal, human, and capital resources, including space planning and the successful completion of the current capital plan; setting direction and structure for the college's curricular and scholarly efforts to

foster and promote exceptional academic degree programs and research pursuits; planning, evaluating and overseeing academic programs; managing promotion and tenure guidelines for faculty; garnering support from college alumni and from internal and external stakeholders, including non-profit and for-profit sectors, government, and educational organizations; and leading energetic efforts to secure philanthropic support, cultivating development opportunities with a broad array of constituents. Importantly, the College of Science and Engineering is focused on expanding the diversity profile of both its students and its faculty, a mission that the next Dean will promote broadly and intentionally.

As an institutional leader of the second largest college at the University of Minnesota, the Dean will advocate for the College of Science and Engineering in University-level discussions and strategic initiatives to secure further support and promotion of its academic and research agendas while protecting and advancing the significant gains made in the last decade. The Dean works with other collegiate deans as a member of the Twin Cities Deans Council to advance the educational mission of the University and to develop joint educational and research activities. At the same time, the Dean serves as a strong advocate for the college and its students to the Provost, the President, the Regents, and the citizens of the state of Minnesota, balancing the interests of CSE with those of the University as a whole. The Dean provides leadership both for the college and the University community, protecting strengths, nurturing emerging areas, and inspiring new intellectual ideas.

KEY OPPORTUNITIES

- Sustain and promote the impressive physical, scholarly, and educational growth of the College of Science and Engineering and enhance key thematic areas with an eye toward collaboration and application.

- Advocate for and champion the College of Science and Engineering at the University and beyond, increasing its recognition regionally, and its great impact and tremendous potential nationally.

- Encourage, promote, and enrich student, faculty, and staff diversity at CSE.

- Continue to support the undergraduate and graduate educational and research missions of the College of Science and Engineering in alignment with the University's land-grant charge.

- Partner with collaborators across the University of Minnesota, particularly with the Medical School; the College of Liberal Arts; the College of Food, Agricultural, and Natural Resource Sciences; The Carlson School of Management; and the College of Biological Sciences.

- Build relationships with industry, the legislature, the federal government, and other external partners to ensure continued support for the college's academic and scholarly agenda.

- Support the College of Science and Engineering through fundraising and community engagement, leveraging the College's deep industry ties and its large and active alumni base.

QUALIFICATIONS

Essential

- An earned doctorate in sciences or engineering
- A distinguished scholarly reputation and strong record of academic accomplishment commensurate with appointment as a tenured full professor at the University of Minnesota
- A strong record of achievement in research, and the ability to energize and inspire faculty across diverse array of disciplines to pursue innovative avenues of research
- Strong academic administrative experience in a complex, highly matrixed organization
- Financial and budgetary acumen, including evidence of fiscally responsible management practices and a record of fiduciary transparency and accountability
- A deep, demonstrable appreciation for, and understanding of, collaboration between the sciences and engineering in addressing and solving grand challenges and an understanding of the wide variety of disciplines represented by CSE
- Demonstrated ability to lead, empower, and delegate to a strong management team
- A demonstrated commitment to the value of diversity in students, faculty, and staff; cultural awareness and an aptitude for navigating cultural differences
- Proven success in academic leadership in the context of powerful shared governance models and a deeply held commitment to, and belief in, the value of collaborative decision-making
- Strong and persuasive communication skills and the ability to advocate for the sciences and engineering to a variety of audiences
- Demonstrated success in building effective working relationships and partnerships with internal and external stakeholders, and gaining support for current and future scholarly and educational initiatives
- Demonstrated success in development and advancement; the clear ability to engage and garner external support for projects of value
- Understanding of academic knowledge production, the current higher education landscape, and national trends in the sciences and engineering

Preferred

- Demonstrated success in establishing and executing a vision or strategic plan
- An entrepreneurial mindset, and a history of encouraging entrepreneurial action amongst faculty, staff, and students
- Experience in building collaborations involving public- and private-sector organizations, systems of higher education, and leaders and organizations in the community, region, state, nation, and world
- Understanding of, and appreciation for, the historic role a public land-grant research university plays in the vitality of the surrounding community, the nation, and the world

The University of Minnesota shall provide equal access to and opportunity in its programs, facilities, and employment without regard to race, color, creed, religion, national origin, gender, age, marital status, disability, public assistance status, veteran status, sexual orientation, gender identity, or gender expression.

LEASE FOR A NINE-YEAR TERM FOR A CHILD WELFARE TRAINING ACADEMY, ROSEWOOD OFFICE PLAZA, ROSEVILLE, MN (TWIN CITIES CAMPUS)

Draft for Review by President Gabel. Final leasehold improvement estimate to be identified prior to submittal to the Board Office

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to execute a nine- year lease with two successive five-year renewal options for 22,173 rentable square feet (RSF) of office and training room space located at Rosewood Office Plaza, Roseville, MN for occupancy by the Center of Advanced Studies in Child Welfare.

2. Description of Leased Premises

The leased premises will consist of 22,173 rentable square feet (RSF) of space to be used for general office, training rooms, simulation and computer labs and multipurpose space (Child Welfare teaching laboratory purposes) on the first, second and a portion of the third floor and provide for the use of 116 parking stalls at the Rosewood Office Plaza North Building located at 1711 West County Road B, Roseville, MN (see attached map)

3. Basis for Request

In May 2019, the Minnesota Legislature authorized funds to create a State/University partnership in order to create the Child Welfare Training Academy to take the place of the State's Minnesota Child Welfare Training System, which has been in place since 1994. The funding covers all costs associated with the creation and ongoing support of the Child Welfare Training Academy. This includes but is not limited to staffing, development of curriculum and technology, ongoing lease costs as well as the initial one-time capital costs for leasehold improvements and the procurement of furniture and equipment. The Minnesota Department of Human Services and the Regents of the University of Minnesota's (on behalf of the University's Center for Advanced Studies in Child Welfare) entered a Joint Powers Agreement (JPA) on September 19, 2019 to fulfill this legislative mandate.

In order to further fulfill this mandate, dedicated office and training space must be secured. This space will allow for on-going face-to-face and remote training of hundreds of state, county, and tribal child welfare professionals. Training space to support the legislated training activities does not currently exist and funds were allocated specifically for the development of this Child Welfare Training Academy in the 2019 Session. While this space serves to house the training activities described above, it also serves as the administrative offices to more than fifty training academy staff. The funding for the training academy lease development was approved in the 91st Minnesota Legislative Session (2019-2021) and provides for ongoing State funding throughout the term of the lease. The exercise of any renewal options will be based upon a commitment of future State funding.

4. Details of Transaction

The subject lease for 22,173 RSF will commence July 1, 2020 and continue for a nine-year period (through June 30, 2029), with two successive five-year renewal options thereafter (potentially through June 30, 2039).

The lease costs will consist of base rent, CAM/Operating Expenses & Taxes (common area maintenance costs, janitorial, repairs/maintenance and property taxes). Additional facilities costs will include the University's telephone/data services for the leased premises, and also will be funded by the State.

5. Lease Costs

The base rent for the leased premises for year one will be $11.00 per rentable square foot (RSF), or $243,903. Rent will increase 3% per year during the initial term. The total base rent for this lease over the initial term is $2,477,836.

The University will also pay as additional rent its pro-rata share of common area maintenance costs (CAM), operating expenses and property taxes for the building. These costs are estimated to be $7.86 per RSF or approximately $174,200 in the first year of the term.

The Landlord will be completing leasehold improvements to renovate the leased premises for occupancy by the University at an estimated cost of $1.5 million. The project consists of a complete renovation of the leased premises. Of the total leasehold improvement cost, the Landlord's contribution is $887,000 and the balance will be paid by the University through funding being provided by the State (see Source of Funds below). The $1.5 million leasehold improvement projects cost includes design and construction of the leased premises.

The total cost of the lease over the initial term including the University's upfront leasehold improvement funding is approximately $4.95 million

6. Source of Funds

The funding for the training academy lease development was approved in the 91st Minnesota Legislative Session (2019-2021) and provides for ongoing State funding. In the Joint Powers Agreement (JPA), referenced above, the University receives funding to cover the cost of leasehold improvements and the ongoing lease costs via the Minnesota Legislature, passed through by the Minnesota Department of Human Services. The JPA guarantees lease funding for the duration of the lease term.

7. Recommendations

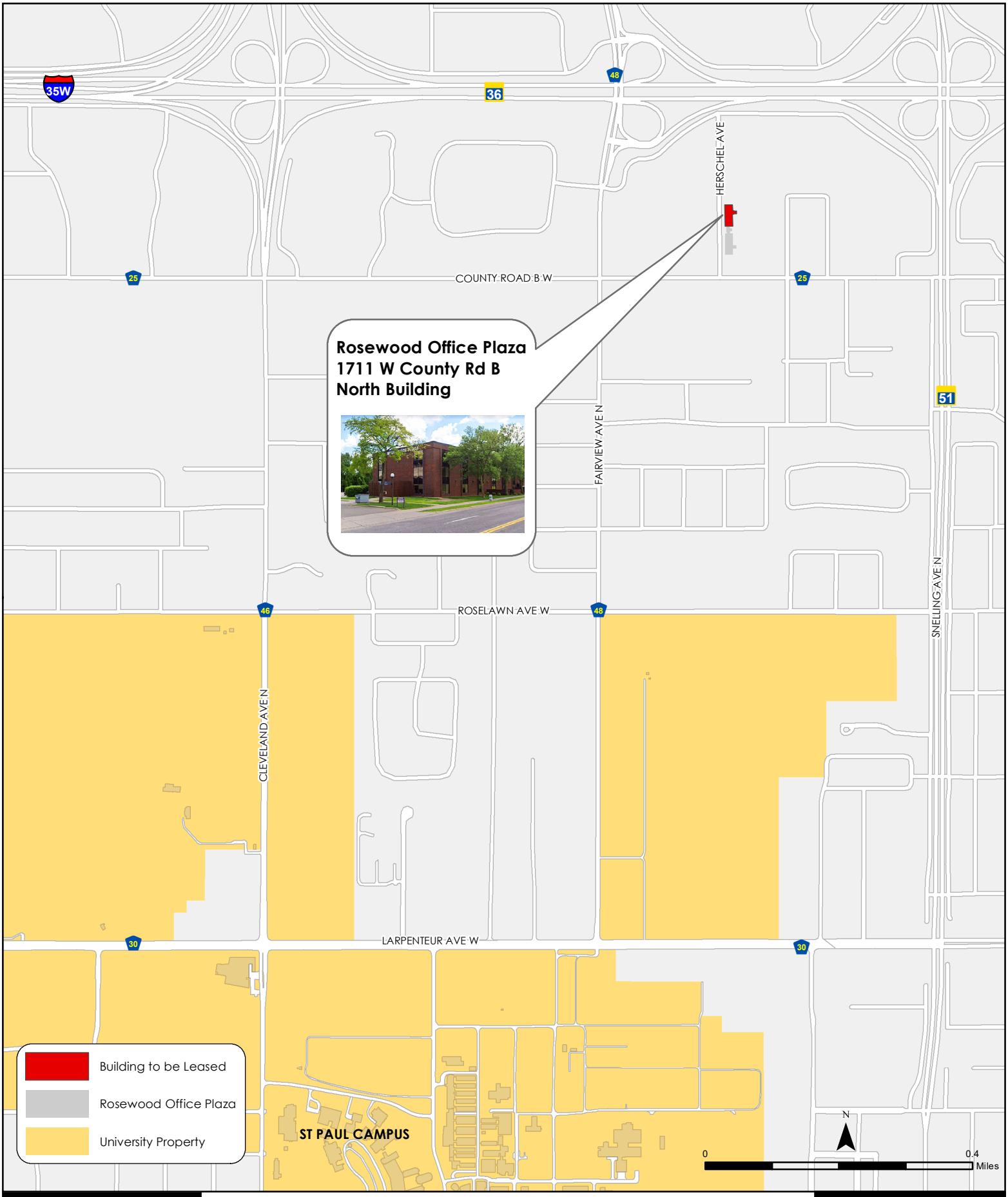
The above-described real estate transaction is appropriate:

_____

Karen Hanson, Executive Vice President and Provost

_____

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



PLANNING, SPACE, AND REAL ESTATE

UNIVERSITY OF MINNESOTA
Driven to Discover®

Lease for a Nine-Year Term for a Child Welfare Training Academy Rosewood Office Plaza, Roseville

This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Base Data: Real Estate Office
UServices Enterprise GIS
Met Council

11/18/2019

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Issuance of Debt

WHEREAS, Otto Bremer Trust, a nonprofit organization that provides grants and loans to organizations that meet the social return focus of its mission, has proposed to lend up to $4,500,000 to the University to help finance a capital project; and

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the execution of a promissory note in the amount of up to $4,500,000 with Otto Bremer Trust (the "Debt"), the proceeds of which are to be used to provide financing for a University capital project which may include purchases of land and buildings, construction and remodeling expenses, and/or the acquisition and installation of equipment; and

WHEREAS, the Debt will be incurred pursuant to a signed promissory note which will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal of, and interest on such Debt; and

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 some or all of a portion of a University capital project which may include purchases of land and buildings, construction and remodeling expenses and/or the acquisition and installation of equipment, the Board hereby authorizes entering into the Debt obligation.

2. The capital project to be financed by the proceeds of the Debt shall be so designated by the Board or by the Treasurer as part of the University's capital planning process.

3. The Treasurer is authorized to negotiate and approve the terms and conditions of the appropriate agreement or agreements, including a promissory note, with Otto Bremer Trust, including the terms and conditions upon which the Debt will be issued and repaid. Such agreements shall be in the form and contain such rights, obligations, covenants,

agreements, representations and warranties of the University as are approved by the Treasurer and the General Counsel.

4. 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 entering into the Debt obligation.

5. The Secretary and other officials of the University are authorized and directed to prepare and furnish to Otto Bremer Trust 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 the Debt 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.

6. The execution of any document by the appropriate University officers 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 document to be executed by the President or Treasurer in connection with the Debt may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.

Proposed Amendment to the Civil Service Employment Rules

Date: 11/7/2019

Reason:

To clarify the language for the use of sick leave for Civil Service employees when unscheduled child care is needed.

Proposed Language:

11.5.10 Approved sick leave may be used to care for or arrange care for an employee's child, including medical and dental appointments. Approved sick leave to care for an employee's sick child is not limited. Up to two (2) days per incident of approved sick leave may be used to care for an employee's child in case of an unscheduled school or day care closing. Employee's child as used in this portion includes adoptive, biological, step-child, or foster child of the employee or employee's spouse or domestic partner.

Scenarios (Incidents)

Local schools/daycares close preemptively the night before a storm, but the storm doesn't materialize/isn't as bad as expected, and the University remains open.

Local schools/daycares close early the morning of a storm, and the University waits to close until part-way through the day.

K-12 schools are closed all day due to a storm and the University has a late start.

A power outage causes closure of a school or daycare (for a few hours, a day, a week), but the University remains open.

The daycare provider is unable to provide care due to a personal emergency or health situation.

The daycare provider closes without notice (loses license, has a house fire, etc).

School/daycare are often closed with a day-to-day notice. School/daycare is closed on Monday, then closed again on Tuesday, then closed on Wednesday. Each notice of closure is considered an incident.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **December 12, 2019**

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

A. Commercial Paper Facility Update
B. Semi-annual Capital Project Management Report
C. Debt Management Advisory Committee Update
D. Investment Advisory Committee Update
E. Quarterly Asset Management Report
F. Quarterly Purchasing Report
G. Saint Paul Strategic Facilities Plan Update
H. Annual Report on Targeted Business, Urban Community Economic Development, and Small Business Programs

Commercial Paper Facility Update

The purpose of this item is to provide a brief summary of the uses and benefits related to the University's commercial paper lending activities (commercial paper facility). In October 2017 the Board authorized an increase in the size of the University's existing commercial paper facility, up to $400 million. This update provides information on the CP facility for FY 2019. Highlights include:

- As of June 30, 2019 total CP debt outstanding was $249,920,000
- The projected CP balance outstanding through December 2019 is $216,993,000
- During FY 2019, interest rates on CP varied from 1.18% to 2.03%, with a weighted average interest rate of 1.395%
- The University's estimated incremental earnings during FY 2019 attributable to the additional investable cash balances was $1,900,000

Semi-annual Capital Project Management Report

This report includes projects in process that have been approved in the annual capital improvement budget and for which the Board is required to approve the schematic design. The report highlights progress and challenges in delivering the project scope of work within the

approved budget and schedule. The report is presented in the summer and in the winter to provide performance information to the Board.

Debt Management Advisory Committee Update

The purpose of this item is to provide a summary of the meeting of the Debt Management Advisory Committee held on October 9, 2019. The agenda for the meeting included:

- A discussion of the refunding opportunities related to the Special Purpose Revenue Bonds (State Supported Biomedical Science Research Facilities Funding Program)
- A discussion of debt issuance strategies for future capital funding

Investment Advisory Committee Update

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

- Portfolio Performance Review
- Co-Investment Program Update
- Manager Recommendation: Volpi Capital Fund II – Approved
- Manager Recommendation: DWS RREEF Real Assets Fund – Approved
- Manager Recommendation: Orchard Capital Partners IV – Approved
- Discussion: Role of Liquid Fixed Income (ex-Stability)

Quarterly Asset Management Report

The purpose of this item is to report on the performance results for assets managed by the Office of Investments & Banking (OIB) for the period ending September 30, 2019. OIB prepares this report, as required by Board policy, for review by the Board of Regents.

- The invested assets of the University totaled approximately $2.89 billion on September 30, 2019.
- The Consolidated Endowment Fund (CEF) value increased by $5 million to $1.48 billion and distributed $15.4 million to the University during the quarter. The total investment return for CEF during the quarter was 1.5 percent, compared to its short-term benchmark at 1.1 percent.

The market value of the Short-term Reserves (TIP) was $1.25 billion as of September 30, 2019. The total return on the portfolio over the quarter was 0.8 percent compared to a benchmark return of 0.6 percent. The change in market value of during the quarter was largely due to the timing of cash flows as part of the University's normal business cycle.

Quarterly Purchasing Report

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

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to Competitive Process
- Purchases made as Preapproved Exceptions to Competitive Process
- Regents Purchasing Policy Violations

Saint Paul Strategic Facilities Plan Update

A draft Strategic Facilities Plan was presented to the Board of Regents in September 2018 as the work neared completion. Soon after that date, the Plan was presented and discussed in community meetings and among many stakeholders. Final changes were made to the document in winter 2019. The final draft document is included in the docket.

The plan relied on broad engagement from colleges and members of the campus community. Deans from every college with a presence on the campus (CBS, CFANS, Extension, CVM, CEHD, CDes, CCAPS) as well as student affairs and support units (housing, dining, transportation, and facilities) were engaged in the process.

The purpose of the Saint Paul Strategic Facilities Plan was to define the academic and physical future of the campus, consistent with a financially and operationally sustainable model. Collegiate and administrative leadership defined a shared vision for the identity of the campus. Analysis of existing conditions, available resources, and facility needs illustrated potential for change. Final recommendations addressed the potential for physical change, in the near term (approximately 5 years) and long term (approximately 25 years).

Staff expect this document will contribute significantly to the anticipated Twin Cities campus master planning effort that will be underway in 2020. The programmatic and facility details outlined in the Saint Paul Strategic Facility Plan final draft will be an important resource for the comprehensive and future-looking Twin Cities campus master planning process.

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

This report provides a statistical overview of the University's expenditures with Targeted Businesses.

The University of Minnesota's Targeted Businesses (TGB) are made up of certified Woman, Minority and Disabled Owned Business Enterprises (WMDBE's). TGB spend is comprised of two categories, Construction and Goods & Services.

Total targeted spend percentage in FY19 was 12.2 percent. This was a 1.69 percent increase above the FY18 total of 10.51 percent.

The Goods & Services spend goal is set at 6 percent. In FY19 the University achieved 5.9 percent in Goods & Services TGB spend. This is .1 percent shy of the goal and is an improvement over the FY18 total of 4.89 percent.

The Construction spend goal is set at 13 percent. In FY19 the University achieved 26.1 percent in Construction spend. Although the FY19 achievement is below the FY18 achievement of 30.13 percent, it still substantially exceeds the 13 percent Construction goal.

In FY19 overall University base spend was down by 23.33%, or $203,889,446.

Overall Spend

		FY17-FY19 TGB SPEND COMPARISION			
Combined TGB Spend	**$81,475,725**	**$91,717,137**	13%	**$82,010,564**	-11%
Targeted Group	**FY17 Adjusted**	**FY18 Adjusted**	**FY17-FY18 % Change**	**FY19**	**FY18-FY19 % Change**
Women	$56,682,923	47,055,988	-17%	$36,523,810	-22.38%
Native American	$8,690,513	28,033,611	223%	$28,490,369	1.63%
Asian	$8,151,371	7,672,586	-6%	$5,717,274	-25.48%
Hispanics	$4,937,303	5,143,983	4%	$7,030,643	36.68%
African American	$3,010,385	3,810,659	27%	$3,753,274	-1.51%
Disabled	$3,230	311	-90%	$495,195	>1,000%

Goods and Services TGB Spend

Targeted Group	**FY17 Adjusted**	**FY18 Adjusted**	**FY17-FY18 % Change**	**FY19**	**FY18-FY19 % Change**
Women	$21,005,084	22,665,712	8%	$18,737,155	-17.33%
Native American	$1,033,071	2,271,918	120%	$1,005,699	-55.73%
Asian	$1,246,625	5,841,083	369%	$4,550,889	-22.09%
Hispanics	$684,877	891,557	30%	$713,100	-20.02%
African American	$582,535	1,382,809	137%	$1,690,163	22.23%
Disabled	$3,230	311	-90%	$272,460	>1,000%

Construction TGB Spend*

Targeted Group	**FY17**	**FY18**	**FY17-FY18 % Change**	**FY19**	**FY18-FY19 % Change**
Women	$35,677,839	$24,390,276	-31.64%	$17,786,655	-27.07%
Native American	$7,657,442	$25,761,693	236.43%	$27,484,670	6.69%
Asian	$6,904,746	$1,831,503	-73.47%	$1,166,385	-36.32%
Hispanics	$804,605	$4,252,426	428.51%	$6,317,543	48.56%
African American	$5,176,494	$2,427,850	-53.10%	$2,063,111	-15.02%
Disabled	$0	$0	0.00%	$222,735	100.00%

*There were no adjustments in Construction TGB Spend due to exclusion code changes.

Total University Base Spend – 3 Year Comparison

Fiscal Year	**FY17**	**FY18**	**FY17-FY18 Base % Change**	**FY19**	**FY18-FY19 Base % Change**
Total UMN Base Spend	$902,028,052	$873,763,017	-3.13%	$669,873,571	-23.33%

Note: "Adjusted" is defined as totals recalculated based on the new reporting process.

Increase in Disability Spend

The University realized an increase in spend with disabled owned businesses due to the addition of Disability:IN™ as a recognized certification agency. The addition of Disability:IN™ directly resulted in a TGB spend increase of $495,195. This increase is comprised of a $222,735 increase in Construction spend and a $272,460 increase in Goods & Services spend.

New Reporting Process

In FY19 The Office for Business & Community Economic Development (OBCED) transitioned to a new reporting process. In FY18 and all prior years, the OBCED reported spend included pending payments. In FY19, reported spend only includes dollars from completed transactions (real spend).

Spend Exemption List

In FY19 OBCED, Purchasing Services and Central Finance agreed on an updated exemption list, which included 1 additional account code. In addition, OBCED, Purchasing Services and Central Finance created an exempt vendor list to more accurately capture excluded spend.

Exempt Vendors are defined as: single source providers, including but not limited to non-profit and government agencies, hospitals, utility companies, educational institutions, etc. The Exempt Vendor list is designed to capture exempt spend that does not otherwise fall under an exempt account code.

Recommendations for Continued Supplier Diversity Growth

- OBCED and Procurement create a strategic sourcing plan for increasing the utilization of Minority Suppliers. Focus on inclusion opportunities for African American and Disabled-owned businesses.
- Implement formal Supplier Diversity Training for all individuals with purchasing responsibilities within the University.
- Partner with the disability certification networks to identify certified businesses owned by persons with disabilities.
- Reintroduce the Awards Incentive and Recognition (AIR) Program.

Update on Commercial Paper Facility
Finance and Operations Committee
December 12, 2019

Executive Summary

- The University has a **$400 million** commercial paper (CP) credit capacity, pursuant to Board of Regents authorization in October, 2017
- As of June 30, 2019 total CP debt outstanding was **$249,920,000**
- The projected CP balance outstanding through December 2019 is **$216,993,000**
- During FY 2019, interest rates on CP varied from 1.18% to 2.03%, with a weighted average interest rate of **1.395%**
- The University's estimated incremental earnings during FY 2019 attributable to the additional investable cash balances was **$1,900,000**

Background

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. Per Board policy, CP is only issued for capital projects (i.e, not operations). It is backed by the full faith and credit of the University and supported by the University's self-liquidity by using the Temporary Investment Pool ("TIP") as the vehicle for self-liquidity.

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.

External rating agencies rate the entire CP program 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 current rating of the $400 million facility is P-1 by Moody's Investors Service and A-1+ by S&P Global Ratings, both the highest short-term rating possible from each rating agency.

Inherent risk in programs such as these include:

- Self-liquidity Risk: A larger CP program may require a larger balance in the assets supporting the CP to maintain acceptable asset to liability ratios. The University manages this risk through daily and weekly maturity limitations of $50 million and $175 million, respectively. If a dealer is unable to remarket the CP, only a portion of the total CP outstanding needs to be covered. The University also will consider using external standby lines of credit or similar vehicles to augment liquidity if needed.

- 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. We have mitigated this risk by utilizing a second dealer for the sale and remarketing of new notes to spread counter-party risk across dealers.

Commercial Paper Activity During FY 2019

A summary of the CP activity since the facility was approved to the current date is summarized in the following table *(000s omitted)*:

Date	Activity	Series A, B, C, E, F	Series D	Series G	Series H	Series I	Total
6/1/18	Balance	$ 224,220	$ 14,300	0	0	0	$ 238,520
6/21/18	Initial issuance			$ 32,000			
7/1/18	Paydowns	(24,800)	(1,000)				(25,800)
7/10/18	Initial issuance				$ 20,000		20,000
Aug 2018	Issuance			1,100	6,400		7,500
Sept 2018	Issuance				5,263		5,263
Oct 2018	Issuance				1,189		1,189
Nov 2018	Initial issuance					$ 16,000	16,000
Dec 2018	Issuance				1,438		1,438
Jan 2019	Issuance Paydown		(100)	272	8,175		8,447 (100)
Feb 2019	Issuance				7,711		7,711
Mar 2019	Issuance				7,451		7,451
Apr 2019							
May 2019	Paydowns		(1,072)		(57,627)	(11,000)	(69,699)
6/30/19	**Balance O/S**	**199,420**	**12,128**	**33,372**	**0**	**5,000**	**249,920**
July 2019		(26,800)					(26,800)
Aug 2019				(2,553)			(2,553)
Sept 2019							
Oct 2019				(3,574)			(3,574)
Nov 2019							
Dec 2019	**Balance O/S**	**$ 172,620**	**$ 12,128**	**$ 27,245**	**$ 0**	**$ 5,000**	**$216,993**

Series A, B, C, E, F – The prior notes were issued up to a maximum of 25 years, with annual scheduled paydowns each July 1. Final payment on Series A occurs on July 1, 2021, and Series F matures on February 1, 2042.

Series D – $25 million Issued for TCF Bank Stadium as a bridging loan for pledged gifts. As the gifts are received, the CP is paid down. Final maturity is December 31, 2029.

Series G – A total of $33.4 million issued Athletes Village as a bridging loan for pledged gifts. A total of $6.1 million has been applied as paydowns on the outstanding CP in FY20.

Series H & I – CP was issued during construction for six identified projects during FY19, and to fund three property purchases. The monthly issuances were based on the previous months' spending on the identified project. The University chose to refinance the CP as long-term debt in May 2019 due to the timing of the current refunding of other tax-exempt debt, rather than leave the CP outstanding for another six months.

The projects funded with Series H and I CP included *(000s omitted)*:

Project	Series H	Series I
Health Science Education Center	$ 11,428	
Pioneer Hall	32,509	$ 11,000
Moos Tower Chiller	801	
Chemical and Materials Science Bldg, UMD	11,354	
Plant Growth Research Facility – CBS	500	
Biological Sciences 3rd & 4th floor Renovations	880	
1014,1018 Fulton St; 614 Huron	0	5,000
Costs of Issuance	155	
Total	**$ 57,627**	**$ 16,000**

FY 2019 CP Interest Rates

Interest rates on CP fluctuated noticeably during FY 19. Rates and maturities for the CP currently outstanding is as follows:

Series	Balance Outstanding	Rate	Maturity Date
Series A	$ 38,000,000	1.4%	12/6/2019
Series B	21,700,000	1.20%	1/16/2020
Series C	26,000,000	1.42%	12/15/2019
Series D	1,000,000	1.18%	1/16/2020
	11,128,000	1.18%	2/5/2020
Series E	20,000,000	1.69%	1/7/2020
	22,820,000	1.70%	1/8/2020
Series F	44,100,000	1.21%	2/6/2020
Series G	9,500,000	1.42%	12/5/2019
	17,745,000	1.21%	2/5/2020
Series H	0		
Series I	5,000,000	2.03%	12/12/2019
Total	**$216,993,000**	**1.395%**	**Weighted Avg**

FY 2019 Net Investment Earnings

Because of its flexibility and low interest cost, CP can be used to finance construction projects rather than use University cash. This in turn allows the University to retain and invest surplus cash, thereby earning incremental income in excess of the cost of CP borrowings. The following table provides an

estimate of the incremental investment income earned for FY 2019, by CP Series *(note – dollars are rounded to the nearest thousand)*:

CP Series	TIP Return	CP Cost	Net Earnings
2005B	$ 1,221,828	$ 797,412	$ 424,416
2007B	547,254	345,202	202,051
2007C	680,104	441,953	238,151
2009D	297,895	188,008	109,887
2014E	886,156	812,028	74,128
2017F	834,281	546,637	287,644
2018G	799,570	542,020	257,550
2018H	862,266	557,765	304,501
2018I	225,547	209,907	15,640
Total	**$ 6,354,902**	**$ 4,440,933**	**$ 1,913,969**

Future Plans

There are a number of projects underway that will likely be funded with CP during the construction period. Spending is being monitored to determine the appropriate time for issuance. These projects include Pillsbury Hall Renovation, CMRR-MDT Optical Imaging Renovation and Addition, UMM Blakely Hall Instructional Classroom Improvements, UMC Owen Hall Repurpose Garage Warehouse to Lab Space, UMC Dowell Hall Lab space Reconfiguration, and the UMD Dining and Housing projects.

Capital Project Management

Semi-Annual Report

December 2019

Projects	Scope	Schedule	Budget	Project Budget	Est. Design Completion	Est. Substantial Completion
Projects in Design						
Lab School-Child Development Center (CDC) Unified Building Project, Twin Cities	🟢	🟢	🟢	$ 11,000,000	June 2020	August 2021
Dowell Hall Lab Space Reconfigurations, Crookston	🟢	🟢	🟢	$ 2,700,000	June 2019	August 2020
Institute of Child Development, Twin Cities	🟢	🟢	🟢	$ 43,800,000	September 2020	July 2022
New Student Housing, Duluth	🟢	🟢	🟢	$ 50,000,000	March 2020	June 2021
Residence Dining Center Addition, Duluth	🟢	🟢	🟢	$ 20,000,000	March 2020	June 2021
Owen Hall Repurpose Garage Warehouse into Lab Space, Crookston	🟢	🟢	🟢	$ 2,100,000	September 2019	May 2020
UMMC Resident Fellow Health and Rest Suite, Twin Cities	🟢	🟢	🟢	$ 3,972,000	April 2020	December 2020
Projects in Construction						
3M Arena at Mariucci Weight Room and Office Renovation, Twin Cities	🟢	🟢	🟢	$ 1,970,000	November 2019	July 2020
Blakely Hall Instructional Classroom Improvements, Morris	🟢	🟢	🟢	$ 2,600,000	May 2019	January 2020
CMRR MDT Optical Imaging Renovation and Addition, Twin Cities	🟢	🟢	🟢	$ 16,200,000	May 2019	April 2021
Health Sciences Education Center, Twin Cities	🟢	🟢	🟢	$ 105,068,000	October 2017	January 2020
Horticulture and Operations Headquarters, Arboretum	🟢	🟢	🟢	$ 5,650,000	May 2019	March 2020
Knoll Area Infrastructure Improvements, Twin Cities	🟢	🟢	🟢	$ 11,962,000	May 2019	September 2020
Moos Tower 2nd Floor Cancer Center Lab Expansion, Twin Cities	🟢	🟡	🟢	$ 3,521,000	February 2019	January 2020
Ordean Court Renovation, Duluth	🟢	🟡	🟢	$ 2,500,000	March 2019	June 2020
Pillsbury Hall Rehabilitation, Twin Cities	🟢	🟢	🟢	$ 36,480,000	October 2019	June 2021

Capital Project Management

Semi-Annual Report

December 2019

Projects	Scope	Schedule	Budget	Project Budget	Est. Design Completion	Est. Substantial Completion
Completed Projects						
Aquatics Center HVAC Improvements, Twin Cities	●	●	●	$ 12,604,000	November 2018	July 2019
Biological Sciences 3rd and 4th Floor Renovation, Twin Cities	●	●	●	$ 7,588,000	August 2018	July 2019
Bost Red Barn Renovation, Arboretum	●	●	●	$ 1,987,000	November 2018	September 2019
Eastcliff Infrastructure Improvements	●	●	●	$ 1,120,000	May 2019	August 2019
Field House Exterior Envelope and Flooring, Twin Cities	●	●	●	$ 7,981,000	January 2019	November 2019
Humanities Instructional Classroom Improvements, Morris	●	●	●	$ 2,200,000	May 2019	August 2019
Maturi Pavilion Volleyball Performance Center, Twin Cities	●	●	●	$ 4,000,000	February 2019	August 2019
Pioneer Hall Renovation, Twin Cities	●	●	●	$ 103,560,000	December 2017	June 2019
Plant Growth Research Facility, Twin Cities	●	●	●	$ 6,600,000	September 2018	June 2019
Public Safety Facility, Twin Cities	●	●	●	$ 9,044,000	October 2018	October 2019
				$ 476,207,000		

Lab School-Child Development Center (CDC) Unified Building Project, Twin Cities

Description

The project will renovate the existing facility of 18,700 GSF and provide a new 12,000 GSF addition to combine the relocated Lab School and the Child Development Center into a unified program.

Status We are proceeding with a Design-Build RFP; construction is scheduled to start in July 2020 with substantial completion by August 2021.

Scope Schedule Budget

Dowell Hall Lab Space Reconfigurations, Crookston

Description

The project will remodel existing Chemistry, Physics, Biology, and Anatomy science classrooms on Dowell's third floor; collaboration spaces will be created in the third floor corridor. The project will also remodel an existing second floor computer room.

Status The design was completed in June 2019. Construction will begin May 2020 with substantial completion August 2020.

Scope Schedule Budget

Institute of Child Development, Twin Cities

Description

This project involves the renovation of an existing 1913 building, demolition of its 1968 addition, and construction of a new addition. Total renovation and new addition to be approximately 74,000 GSF.

Status Schematic Design review from the Board of Regents is anticipated in the Spring of 2020.

Scope Schedule Budget

PROJECTS IN DESIGN

New Student Housing, Duluth

Description

This project is a new 10-story, 351 bed traditional style dorm connected to the existing Griggs Hall circulation system. The building is approximately 113,000 GSF.

Status Design completion is expected in late Spring 2020; construction substantial completion is expected in June 2021.

Scope Schedule Budget

Residence Dining Center Addition, Duluth

Description

An addition to the current Residence Dining Center, this project is a new 26,000 GSF dining facility that adds approximately 280 new seats on campus.

Status Design completion is expected in late Spring 2020; construction substantial completion is expected in June 2021.

Scope Schedule Budget

Owen Hall: Repurpose Garage Warehouse into Lab Space, Crookston

Description

The project will repurpose existing high-bay space in Owen Hall for a chemistry and biology research laboratory. The space will be expanded by constructing a new second floor for additional research.

Status The design was completed in September 2019; construction is anticipated to start January 2020 with substantial completion May 2020.

Scope Schedule Budget

UMMC Resident Fellow Health and Rest Suite, Twin Cities

Description

This project will renovate 8,200 sq ft on the First Floor of the Phillips Wangensteen Building (PWB) into an on-call suite serving UMMC residents and fellows previously located in Mayo. The design includes sleeping rooms and hygiene, nutrition, and fitness amenities, with direct tunnel access to the hospital and adjacent buildings.

Status Design completion is expected in Spring 2020; renovation construction is expected to begin in Summer 2020, with substantial completion in December 2020.

Scope Schedule Budget

PROJECTS IN CONSTRUCTION

3M Arena at Mariucci Arena Weight Room and Office Renovations, Twin Cities

Description

This project will construct a state-of-the art space in 3M Arena at Mariucci for the men's and women's hockey programs, its coaches, and its supporters by updating the existing strength training area, men's hockey offices, and a new M-Club alumni room.

Status Design was completed in November 2019; renovation construction is expected to be substantially complete in July 2020.

Scope Schedule Budget

Blakely Hall Instructional Classrooms, Morris

Description

The Ground floor of Blakely will be remodeled to provide three new technology-rich classrooms, and support and collaboration space.

Status Construction began in July 2019 and will be complete by January 2020.

Scope Schedule Budget

CMRR MDT Optical Imaging Renovation and Addition, Twin Cities

Description

This project will renovate and add to the existing CMRR facility to create space for the MDT (Minnesota Discovery Team) Optical Imaging program. Additional space will house a new magnet to enhance magnetic resonance research.

Status Construction began in July 2019 and will be substantially complete April 2021.

Scope Schedule Budget

PROJECTS IN CONSTRUCTION

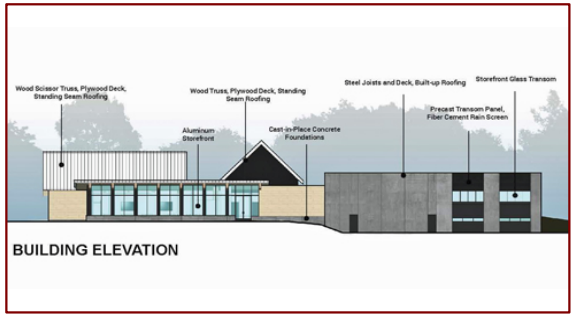
Health Sciences Education Center, Twin Cities

Description

This project involves building demolition, existing (PWB) renovation, and new construction for a 202,000 SF interdisciplinary health sciences education center on the East Bank Campus.

Status Construction completion expected in January 2020. Audio visual systems, furniture and equipment have begun installation with completion expected in March 2020; building occupancy to begin in April 2020.

Scope Schedule Budget



Horticulture and Operations Headquarters, Landscape Arboretum

Description

This project will provide enclosed maintenance bays and shop space for ongoing repairs, and maintenance of grounds machinery and vehicles onsite. The project will also include office and support space for staff, and lockers/breakroom for the grounds crew and horticulturalists. In addition to the new building, the project will make required upgrades to deficient septic systems and site infrastructure.

Status Construction began in June 2019, and will be substantially complete by March 2020.

Scope Schedule Budget

Knoll Area Infrastructure Improvements, Twin Cities

Description

This project integrates several utility and roadway improvement needs into one coordinated construction effort. The scope of work includes chilled water, sewer, steam and telecommunications infrastructure, as well as road reconstruction. Due to the complexity, the project will be completed in two phases: Summer 2019 and Summer 2020.

Status Phase I construction was completed in October 2019. Phase II will be completed Summer 2020.

Scope Schedule Budget

PROJECTS IN CONSTRUCTION

Moos Tower 2nd Floor Cancer Center Lab Expansion, Twin Cities

Description

This project involves renovation and modifications to HVAC systems to accommodate current BSL2 lab requirements. Additional upgrades to mechanical & electrical systems were required for lab equipment, energy efficiency, and code compliance.

Status Project began construction in June 2019 with substantial completion by January 2020. Project schedule extended 3 months due to extensive above-ceiling abatement and re-insulation/fireproofing.

Scope Schedule Budget

Ordean Court Renovation, Duluth

Description

Ordean Court is the primary welcoming area and the face of UMD for off-campus visitors. The project includes roughly 25,000 SF of concrete sidewalk removal, 26,000 SF of landscape removal and limited asphalt pavement mill and overlay. Site electrical and lighting will also be upgraded.

Status Project in construction, hard surfaces nearing completion; final landscape scheduled for Spring 2020 (project delayed because of excessive rain this fall).

Scope Schedule Budget

Pillsbury Hall Rehabilitation, Twin Cities

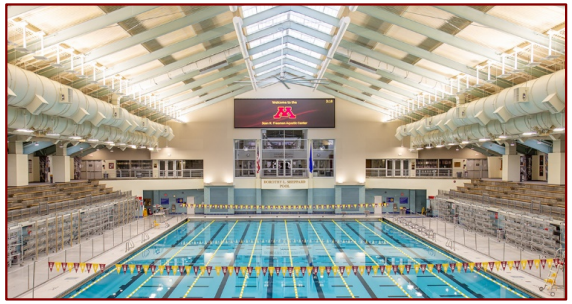
Description

This 60,100 SF project will renovate one of the Twin Cities campus' oldest and most iconic buildings to provide modern teaching, learning, and research spaces, promote collaborative learning, and bolster undergraduate education for more than 6,000 students.

Status Construction began in November 2019, with substantial completion scheduled for June 2021.

Scope Schedule Budget

COMPLETED PROJECTS



Aquatic Center HVAC Improvements, Twin Cities

Description

This project constructed a new mechanical room and replaced the HVAC system in the University Aquatic Center.

Status Construction started in January 2019 and was substantially complete in July 2019.

Biological Sciences 3rd & 4th Floor Renovation, Twin Cities

Description

This project involves the renovation of 14,000 SF on the 3rd and 4th floors of the Biological Sciences Center. Open-plan research labs and offices were created in existing, underutilized space to support up to four research teams; outdated research labs on the third floor were renovated to provide new active learning laboratories.

Status Phase 1 (4th floor) and 2 (3rd floor) and HVAC infrastructure upgrades were substantial complete in July 2019.

Bost Red Barn Renovation, Landscape Arboretum

Description

Through donor support, the Arboretum renovated the original Red Barn into public space. This project addressed structural deficiencies, accessibility, fire suppression, and lighting. Restoration efforts maintained the overall character of the barn, while providing assembly, public restroom, and mechanical/support space.

Status Renovation began in November 2018; construction was substantially completed September 2019.

COMPLETED PROJECTS

Eastcliff Infrastructure Improvements, Twin Cities

Description

This project addressed outdated mechanical and electrical infrastructure throughout the property, and made provisions for an event lawn space.

Status Construction was substantially completed in October 2019.

Field House Exterior Envelope and Flooring, Twin Cities

Description

This project addressed ongoing maintenance and facility performance issues, abated the existing Cemesto (asbestos) exterior panel system, enhanced the visual and pedestrian experience along University Avenue and Pillsbury Drive, and provided new track and turf flooring. New fire protection system and emergency structural repairs were also included.

Status Construction started in April 2019, with substantial completion in November, 2019; during construction, deficiencies were found in existing trusses that required additional repair.

Humanities Instructional Classroom Improvements, Morris

Description

The project remodeled all eight classrooms in the three story Humanities Building, as well as collaboration spaces in the corridors.

Status The construction started May 2019 and was substantially complete August 2019.

COMPLETED PROJECTS

Maturi Pavilion Volleyball Performance Center, Twin Cities

Description

The Athletic Department remodeled the current space assigned to the Gopher Women's Volleyball team in Maturi Pavilion to help recruit top student-athletes and compete for National Championships on a consistent basis.

Status The project was substantially completed in September 2019.

Pioneer Hall Renovation, Twin Cities

Description

This project involved the renovation and expansion of Pioneer Hall to accommodate approximately 756 beds, as well as a new consolidated 850 seat dining facility serving the four superblock residence halls.

Status Construction was substantially completed in August 2019.

Plant Growth Research Facility, Twin Cities

Description

This project constructed a new 12,090 gross sf greenhouse addition to the Plant Growth Facilities on the St Paul Campus. Four biome environments were created to include conservatory space for student, research, and public access.

Status Construction was substantially completed June 2019.

Public Safety Facility, Twin Cities

Description

This project consolidated three departments dedicated to campus safety within the existing Transportation and Safety Building on the East Bank Campus. 19,700 gross sf were renovated and a new 3,600 gross sf addition constructed.

Status Construction was substantially completed October 2019.

Quarterly Asset Management Report

For the period ending September 30, 2019

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

Stuart Mason, Associate Vice President, Chief Investment Officer

Finance & Operations Committee

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

Office of Investments & Banking

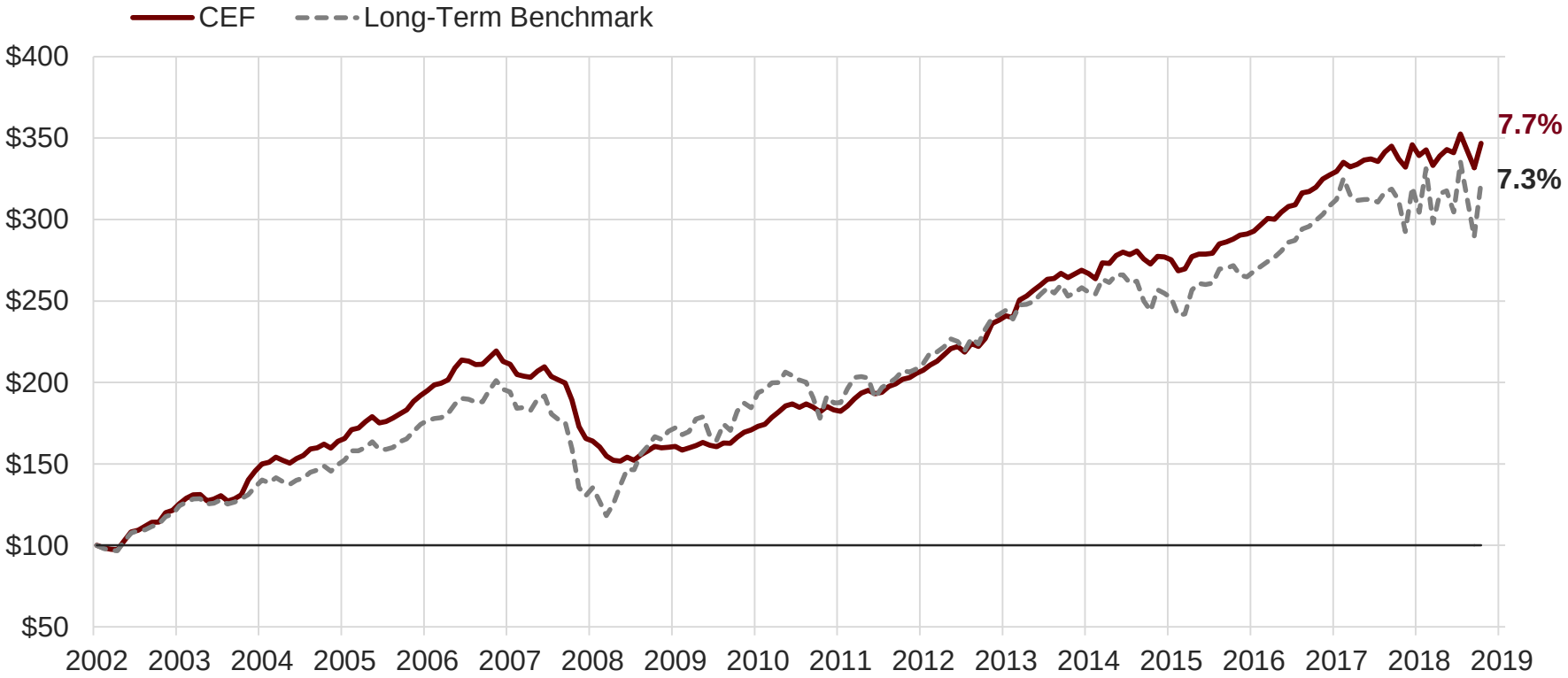
University of Minnesota

University Investment Funds

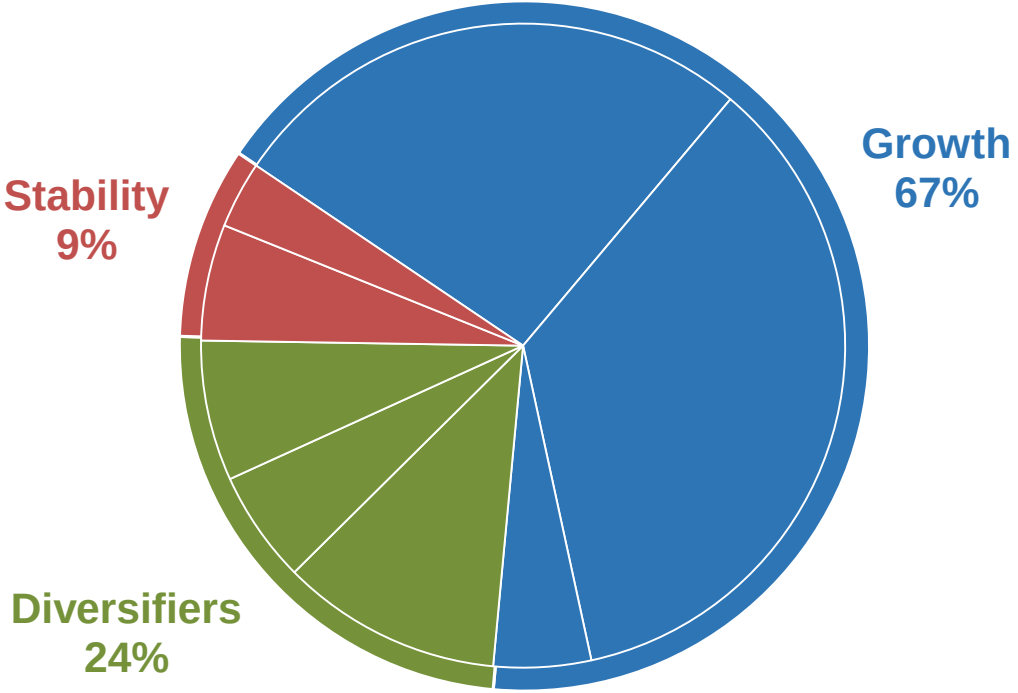
OIB Managed Funds ($ millions)	Q3 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Consolidated Endowment Fund (CEF)	$ 1,481.9	$ 1,414.9	$ 1,414.9	$ 1,351.8	$ 1,258.0	$ 1,293.6
Long-Term Reserves (GIP)	66.7	70.8	70.8	71.3	65.8	52.7
Short-Term Reserves (TIP)	1,255.1	1,068.3	1,068.3	1,113.4	1,101.0	1,050.0
RUMINCO Ltd.	51.7	48.4	48.4	45.3	40.6	39.6
Invested Assets Related to Indebtedness	41.9	25.4	25.4	48.9	100.9	148.3
Total Managed Assets	**2,897.3**	**2,627.8**	**2,627.8**	**2,630.7**	**2,566.3**	**2,584.2**

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

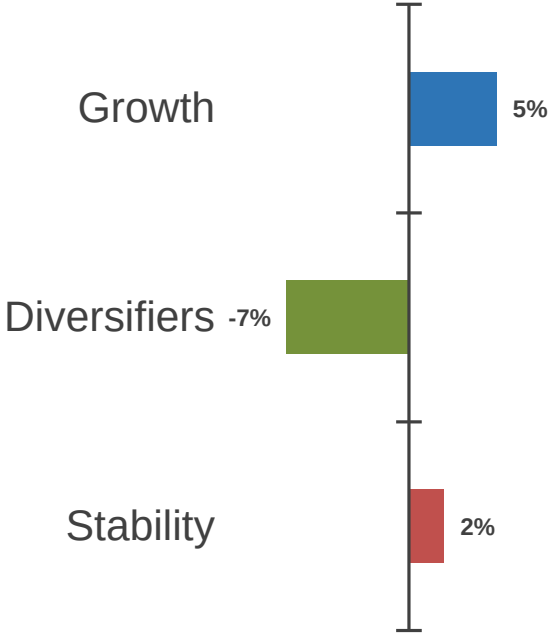
Growth of $100



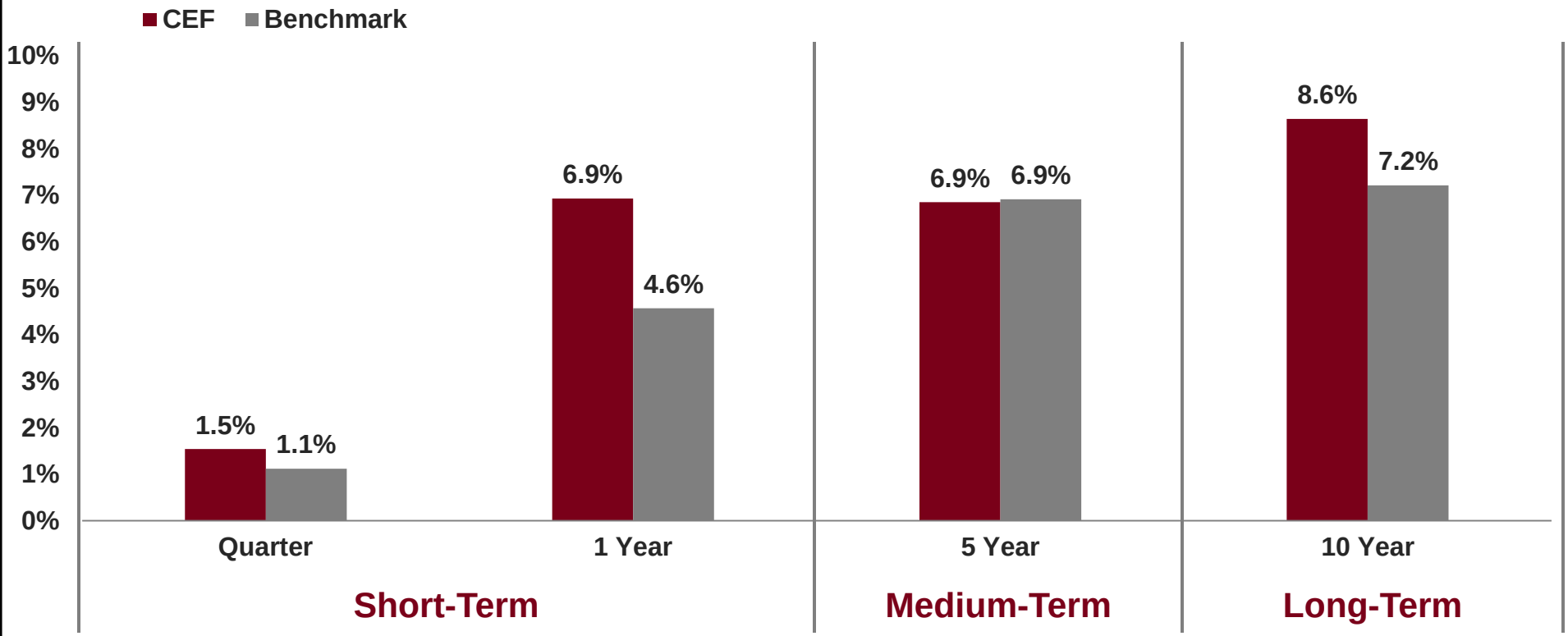
CEF Asset Allocation



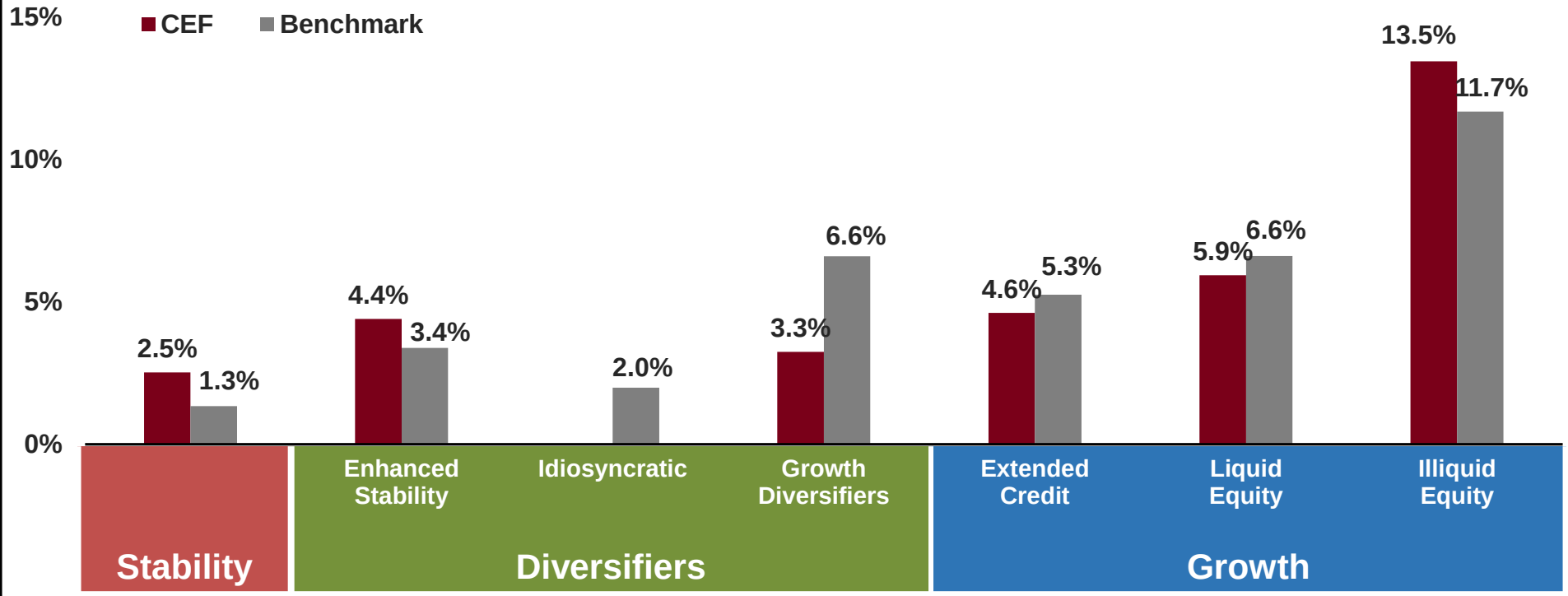
Over/Under Weight vs. Strategic Targets



CEF Performance Summary

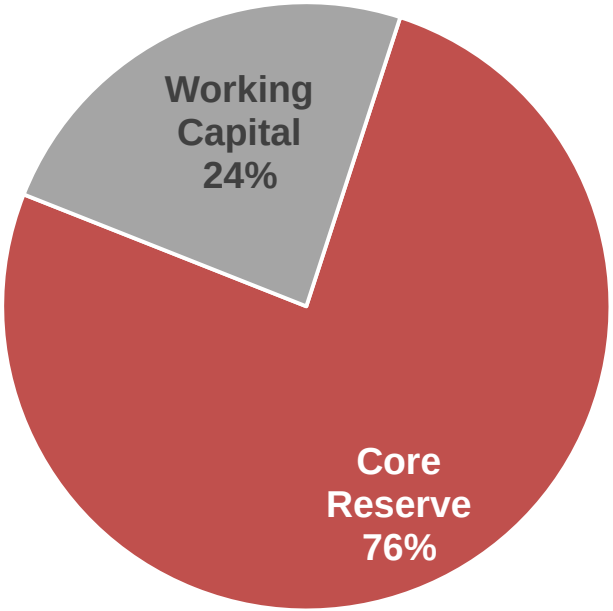


5-Year Returns for CEF Asset Classes vs. Medium-Term Objectives

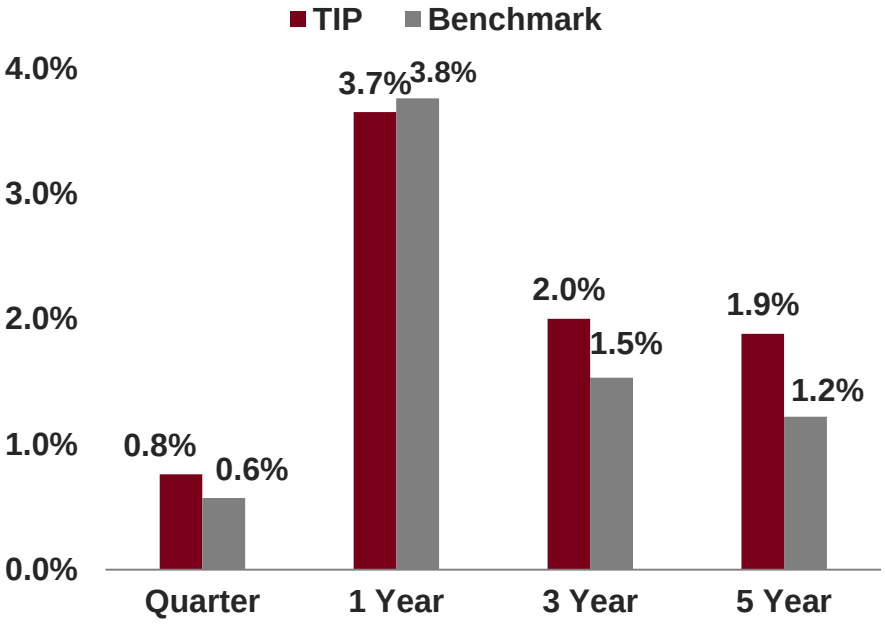


Short-Term Reserves (TIP)

Asset Allocation

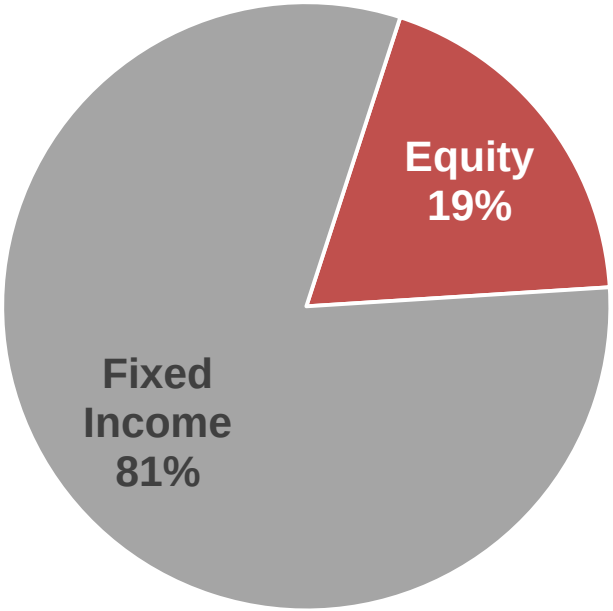


Performance Summary

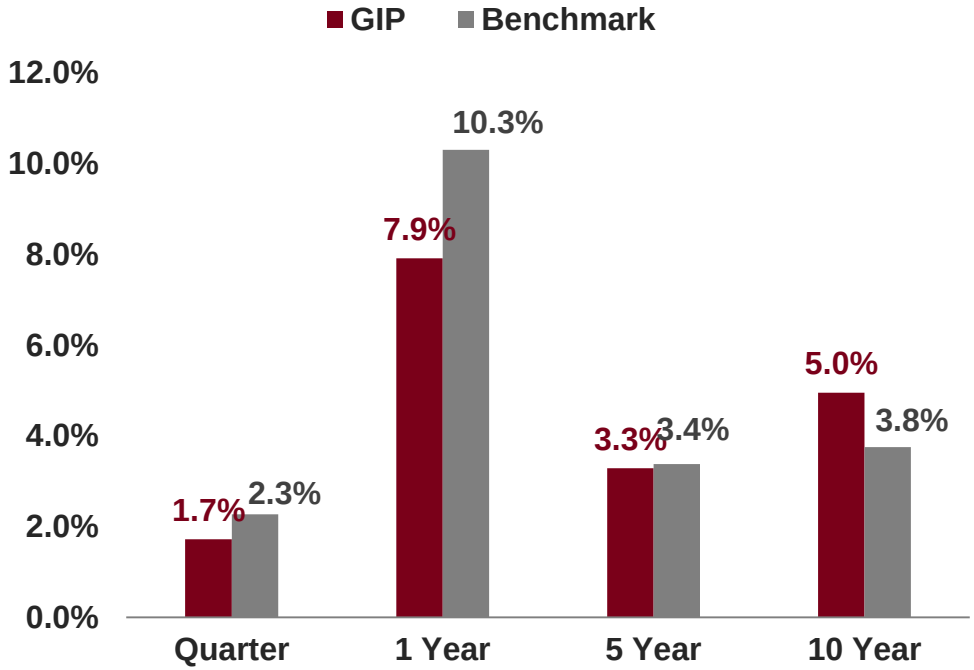


Long-Term Reserves (GIP)

Asset Allocation

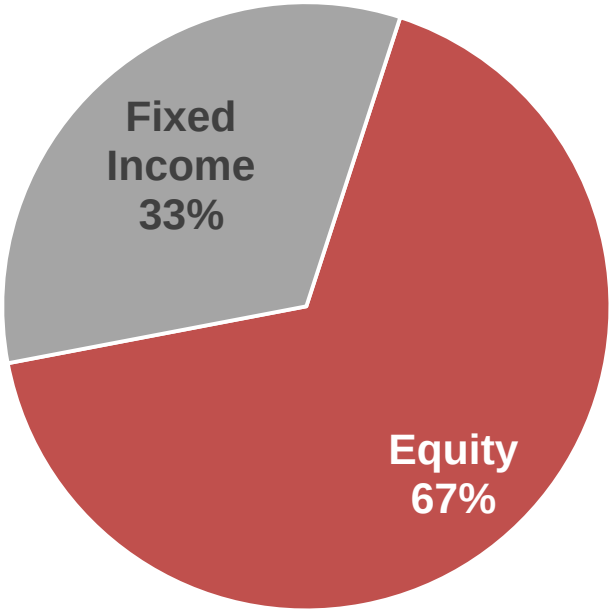


Performance Summary

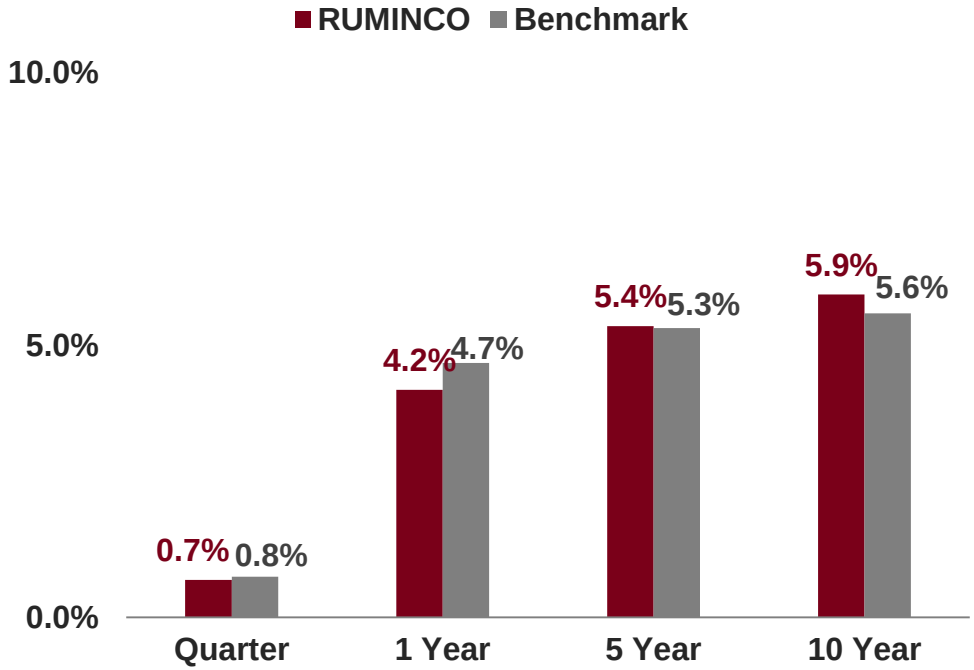


RUMINCO Ltd.

Asset Allocation



Performance Summary



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UNIVERSITY OF MINNESOTA

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

December 12, 2019

The Honorable David McMillan, Chair, Finance & Operations Committee
The Honorable Richard Beeson, Vice Chair, Finance & Operations Committee
The Honorable Thomas Anderson
The Honorable Michael Hsu
The Honorable Kendall Powell
The Honorable Darrin Rosha
The Honorable Randy Simonson
The Honorable Steven Sviggum
The Honorable Mary Davenport
The Honorable Kao Ly Llean Her
The Honorable Mike Kenyanya
The Honorable Janie Mayeron

Committee Members:

Enclosed are Purchasing Services' reports on purchasing activity for the first quarter, fiscal year '20. Regents policy requires that purchasing activity, including exceptions to competitive purchases, be reported to the Board of Regents. This letter provides explanatory background and brief analysis of the report and attachments that follow.

Background

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

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

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

"Approved Exceptions" refers to purchases where, following proper protocol, the supplier was not selected through a Request for Bid or Request for Proposal process. All of the approved exceptions were justified in writing by the requisitioning department, with the justification reviewed and approved by the Director of Purchasing before the purchase took place. Additionally, the appropriate Vice President and the University Controller approved all exceptions of $250,000 and over, except pre-approved exceptions. Section II provides a listing of the transactions that followed this process and were approved as exceptions.

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

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

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

First Quarter:

- Total Q1 FY20 Purchasing Activity tracked very closely to previous fiscal quarters.
- Total exception dollars were down significantly because of the following purchases which both received Board of Regents approval in Q1 FY 19.
    - $16,000,000 for manufactured reagents and instrumentation service agreements from Illumina
    - $10,930,000 for the continuation of the Metropass, U-Pass and Campus Zone programs from Metropolitan Council
- There were no Regents Purchasing Policy Violations in the first quarter of FY20.

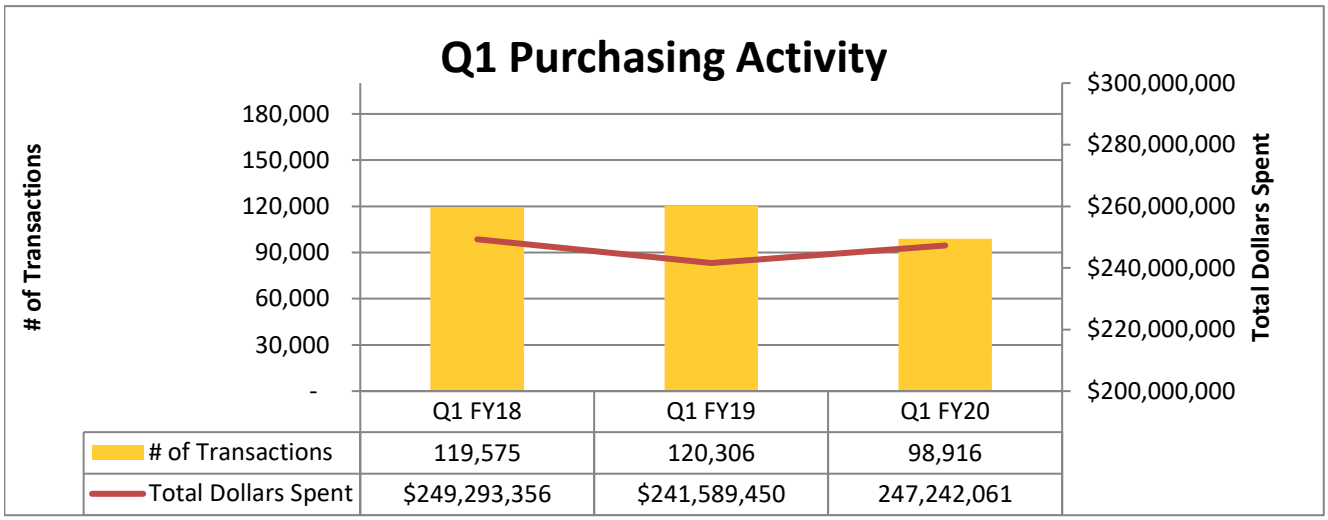
If you have any questions on the report, please do not hesitate to contact Beth Tapp, Director of Purchasing, or me.

Sincerely,

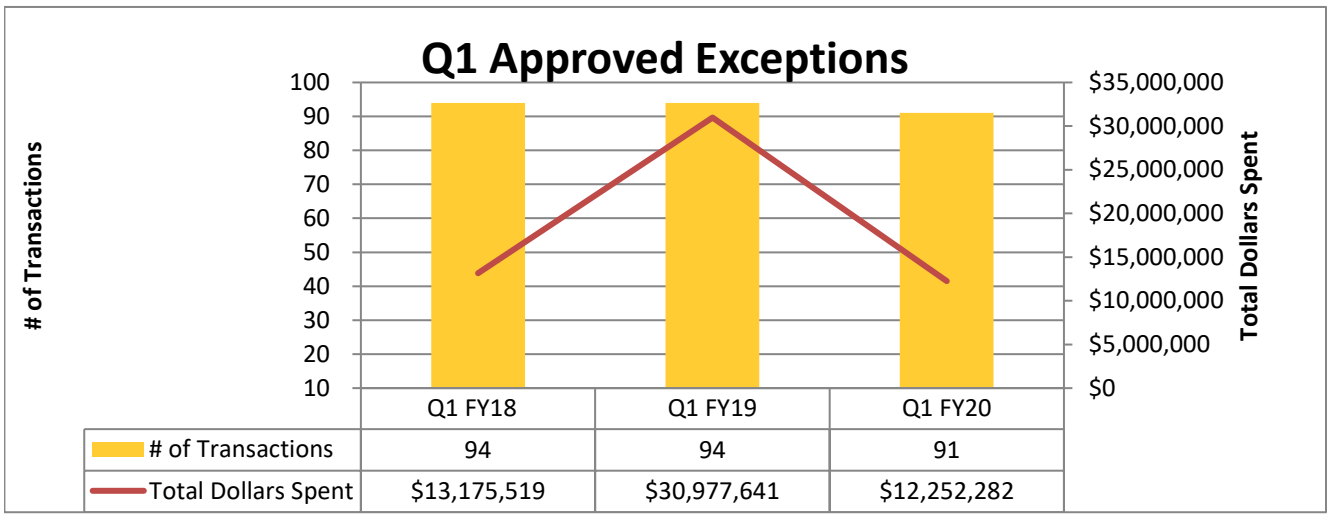
Suzanne Paulson
Controller

Cc: Michael Volna, Associate Vice President and Assistant Chief Financial Officer
Brian Steeves, Executive Director and Corporate Secretary, Board of Regents
Beth Tapp, Director, Purchasing Services

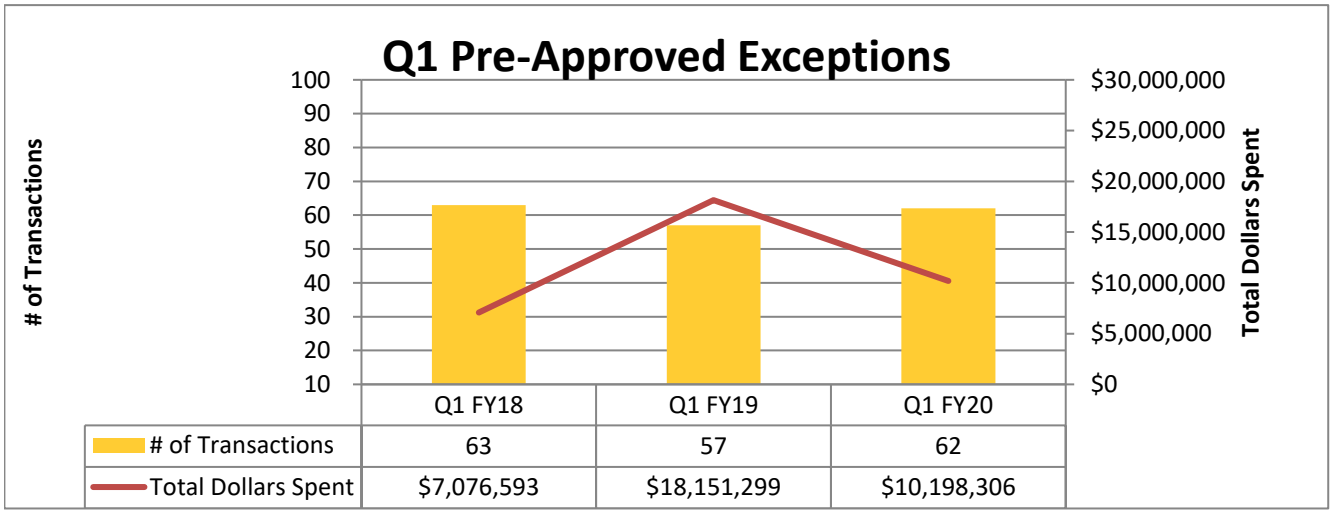
I. Summary of Purchasing Activity for Q1 FY20



	Q1 FY18	Q1 FY19	Q1 FY20
# of Transactions	119,575	120,306	98,916
Total Dollars Spent	$249,293,356	$241,589,450	247,242,061



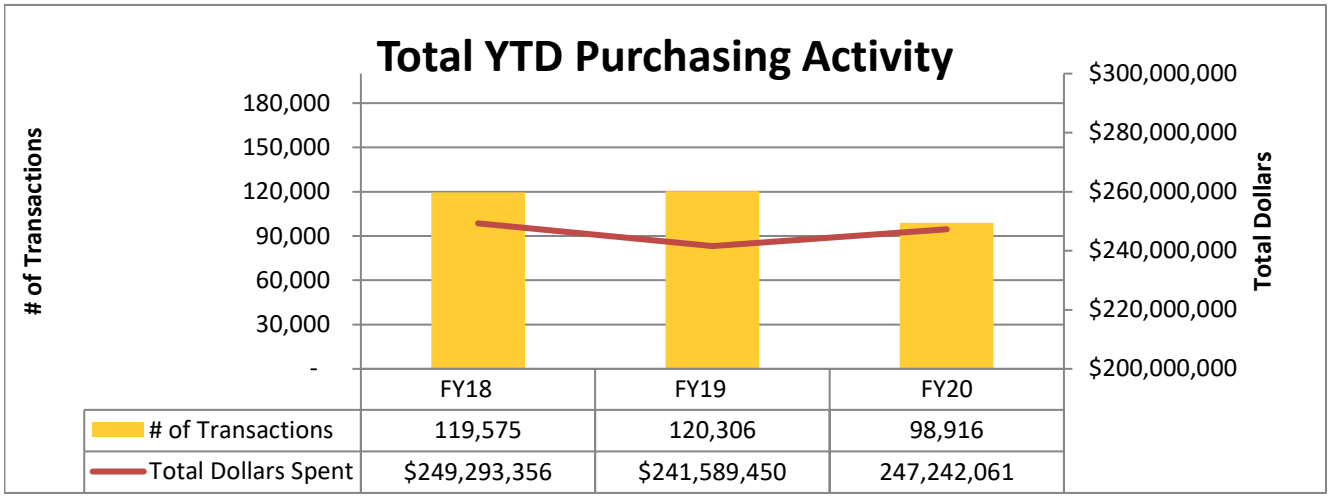
	Q1 FY18	Q1 FY19	Q1 FY20
# of Transactions	94	94	91
Total Dollars Spent	$13,175,519	$30,977,641	$12,252,282



	Q1 FY18	Q1 FY19	Q1 FY20
# of Transactions	63	57	62
Total Dollars Spent	$7,076,593	$18,151,299	$10,198,306

Q1 Exceptions	157	151	153
Q1 Exception Dollars	$20,252,112	$49,128,940	$22,450,588

Summary of Purchasing Activity YTD FY20



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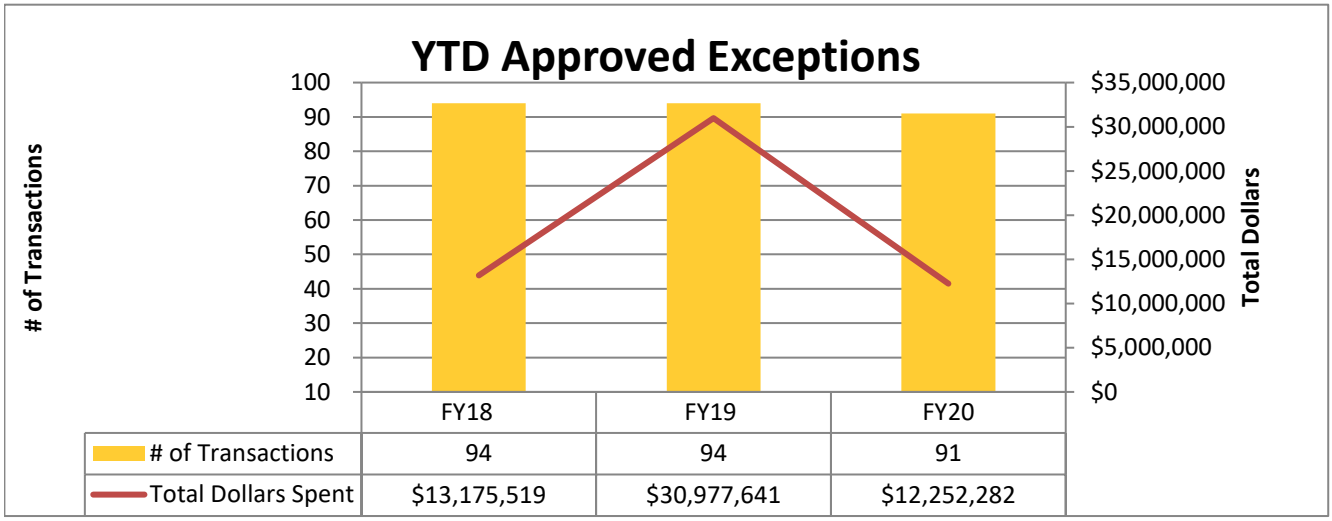

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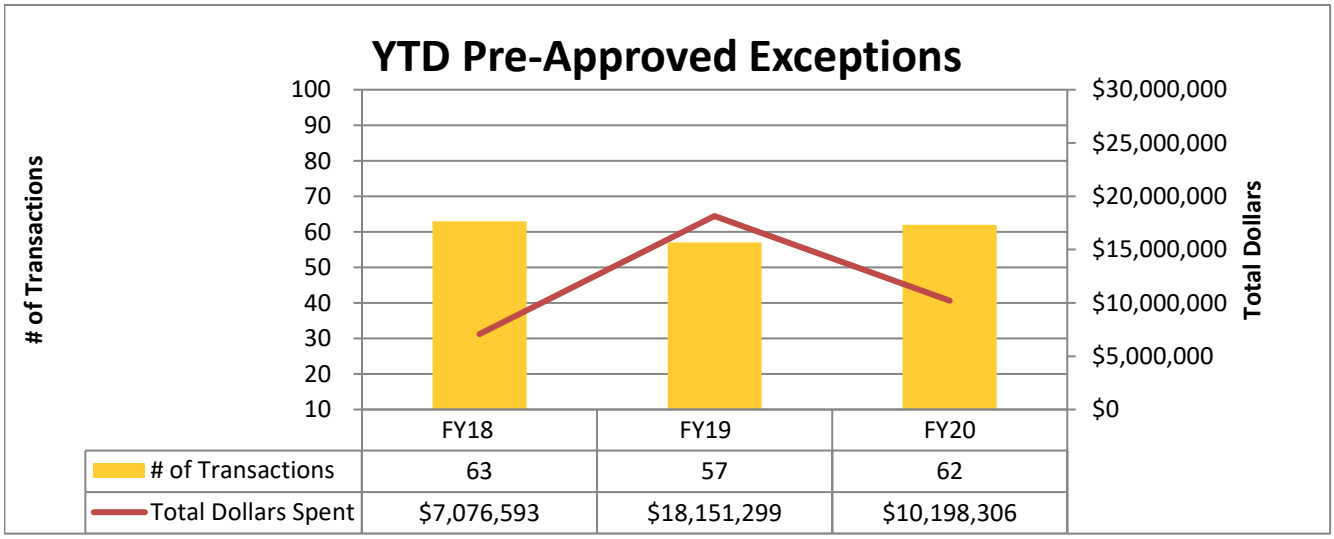


	FY18	FY19	FY20
# of Transactions	63	57	62
Total Dollars Spent	$7,076,593	$18,151,299	$10,198,306

YTD Exceptions	157	151	153
YTD Exception Dollars	$20,252,112	$49,128,940	$22,450,588

II. Purchases made as Approved Exceptions to Competitive Purchasing Process Q1FY20

Exception #1:	Total # of Exceptions	Total Dollars
Purchasing of research products (animal feed, serum, test equip/supplies) for clinical trials. Also purchasing from a previous supplier to ensure consistency of research results.	10	$1,123,452

Exception #2:	Total # of Exceptions	Total Dollars
Equipment that requires brand compatibility with existing equipment and is available only from manufacturer or sole source authorized distributor.	31	$4,355,103

Exception #3:	Total # of Exceptions	Total Dollars
Funding source or granting agency specified a single supplier.	4	$509,987

Exception #4:	Total # of Exceptions	Total Dollars
Other	45	$6,189,400

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

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

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

Emergency Exception #4:	Total # of Exceptions	Total Dollars
Emergency equipment repairs and parts or emergency facility repairs and parts under $100,000.	1	$74,340

TOTAL Approved Exceptions	**91**	**$12,252,282**

III. Pre-Approved Exceptions to Competitive Purchasing — Q1FY20

Exception #1:	Total # of Exceptions	Total Dollars
Lodging, travel (does not include group airfare or charter air).	1	$100,516

Exception #2:	Total # of Exceptions	Total Dollars
Media advertising, purchase or access to uniquely compiled database information.	8	$1,212,350

Exception #3:	Total # of Exceptions	Total Dollars
Farm commodities such as grain or livestock.	4	$410,128

Exception #4:	Total # of Exceptions	Total Dollars
Closeout of used items which requestor or Purchasing has verified to be at least 30% below comparable new equipment (does not include refurbished or remanufactured furniture).	1	$108,500

Exception #5:	Total # of Exceptions	Total Dollars
Subcontractors previously arranged by Sponsored Projects Administration (SPA).	1	$100,000

Exception #6:	Total # of Exceptions	Total Dollars
Service (1) available only from another governmental agency or public entity or (2) required by law to be provided by another governmental entity.	10	$1,663,344

Exception #7:	Total # of Exceptions	Total Dollars
Service/maintenance agreements with the original manufacturer/ developer for equipment and software.	5	$439,090

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

Exception #9:	Total # of Exceptions	Total Dollars
Software license renewals and software upgrades available only from developer. This includes adding licenses to an existing license agreement.	11	$4,190,477

Exception #10:	Total # of Exceptions	Total Dollars
Development, design and/or creation of original artwork.	0	$0

Exception #11:	Total # of Exceptions	Total Dollars
Fairview purchases related to research projects.	5	$502,678

Exception #12:	Total # of Exceptions	Total Dollars
Entertainers, lecturers, speakers and honoraria.	5	$502,000

Exception #13:	Total # of Exceptions	Total Dollars
Purchases from University Physicians that are not part of sponsored research activities.	3	$292,085

Exception #14:	Total # of Exceptions	Total Dollars
Study Abroad Administrators (Does not include group airfares).	4	$348,139

Exception #15:	Total # of Exceptions	Total Dollars
Legal Services for the Office of General Counsel.	3	$246,000

Exception #16:	Total # of Exceptions	Total Dollars
Search Firms that have met pre-defined criteria.	1	$83,000

TOTAL Approved Exceptions	**62**	**$**	**10,198,306**

IV. Regents Policy Violations — Q1FY20

There are no Regents Policy Violations to report.

2019

University of Minnesota

St. Paul Campus Strategic Facilities Plan - **Final DRAFT**

UMN Campus in Spring

Contents

Aerial View of Campus

Figures

Aerial View of Fields on Campus

1: Executive Summary

Vision

The St. Paul campus will be a visible and visionary link between the University's land grant mission, the community, the state of Minnesota and the world.*

The St. Paul campus will serve faculty, staff, graduate and undergraduate students, private partners, those needing animal medical care, and other visitors with a personal or professional affiliation to the St. Paul campus. The St. Paul campus serves as the home to a diverse community of students, scholars, practitioners, and the general public interested in all aspects of the environment and life sciences, including the personal, economic, social and scientific.

*Source: St. Paul Strategic Facilities Plan Vision Statement

The St. Paul campus evokes wonder and embraces sustainable growth. Spaces like the Raptor Center and the Planetarium dazzle the mind, while only a few yards away agriculture scientists and researchers devise solutions for feeding our planet. And yet, when you really step back and take in the whole campus, you see that this near-palpable experience of wonder and growth is mixed with a sense of the profoundly familiar and relatable.

There's a sense of forward momentum here; the people that frequent this campus bring with them profound curiosity, big-picture ideas, and an appetite to learn and innovate. The momentum comes not only from the collection of academic pursuits but also from the physical motion of runners, dog walkers, lifelong learners and cyclists that populate the paths and sidewalks. There's a pervasive sense of wellness here, evident in the overarching ecosystem of the campus.

The campus is a hub of activity and a constant exchange of ideas that happens around the clock, from the early morning hours in a research lab into the evening at the bustling conference center. It's a confluence of voices that range from students to local residents, from industry partners to researchers. The confluence extends beyond the limits of the campus to the state at large.

Everywhere you look, you notice something that intrigues and energizes. There are open lawns, thriving fields of crops, native plants and flowers, and towering trees. The buildings themselves are designed, constructed and operated as sustainable assets, reflecting leading practices in the industry. However, the modern facades do not intimidate. Rather, they seem to invite campus visitors inside to find out more, to ask a question, to get involved. This extended invitation is for all members of the community to partner with us as we grapple with the social, economic and environmental challenges within our communities. This is the promise and potential of the St. Paul campus.

Purpose of the St. Paul Campus Strategic Facilities Plan

The strategic facilities plan is a framework for future growth and change. It will be adapted over time in response to strategic decisions and the mission-driven needs of the University. The plan is intended to accomplish the following:

- Support academic functions and sustain the financial health of the University of Minnesota
- Identify near- and long-term land use and required campus support facilities.
- Guide future capital investment decision-making. with the building blocks that can and will adapt to future academic research planning.
- Define development guidelines to influence function, design of future campus construction projects, transportation, and other infrastructure needs.
- Demonstrate to partners and neighbors the University's intent to influence an orderly evolution of the campus' character related to the use of the land and facilities
- Inform where the capus is best suited to grow or contract, in repsonse to future program changes.

At a Glance

- Nearly 1 in 5 Twin Cities campus undergraduate students attend class in St. Paul each semester.
- More than 4,000 FYE undergraduate, graduate, professional and non-degree students are enrolled at St. Paul.
- The campus encompasses 700 acres of land.
- The campus contains 4 million square feet of buildings.
- 3,000 people are on campus each day.

Key Ideas

Growth

- The overall population of the St. Paul campus of undergraduate and graduate students will remain approximately the same. While enrollment across colleges is anticipated to increase marginally through 2023, no significantly new population is anticipated on either the St. Paul or Minneapolis locations of the Twin Cities campus.
- There is potential for the St. Paul campus to accommodate increased activity. The campus can accommodate modest increases, no more than five percent of current population based on capacity markers (underutilization by schedule and seat count) for classroom, teaching lab, office, and some specialized spaces.

Facilities Needs and Efficiencies

- St. Paul has some of the worst building condition rankings in the University of Minnesota system. Reinvestment should target improved facilities to support the mission. There is little rationale to support net new growth.

Research-protected Land

- The extent and utilization of research lands is right-sized and an invaluable resource to the mission of the St. Paul campus.

Opportunities for Change

Campus Core

- St. Paul Student Center
- Buford Avenue Streetscape
- Continuing Education and Conference Center
- The Lawn and Outreach Facilities

Upper Campus

- Academic Spine
- Research Facility Renovation and New Construction

Lower Campus

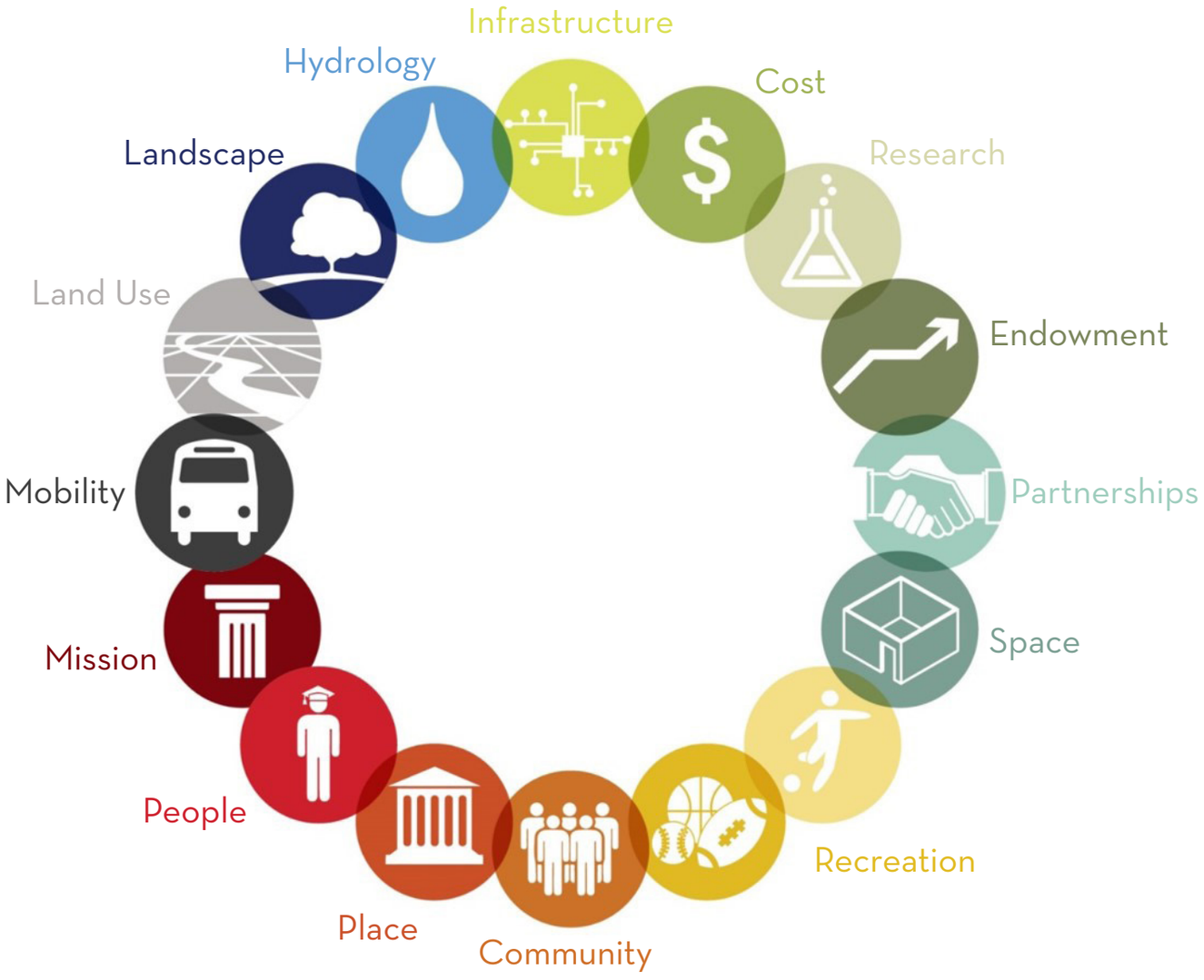
- Academic Spine
- Veterinary Medicine Renewal

Northeast District

- Production and Processing Facilities
- Crop-based Ornamental Landscapes
- Parking Facility

South Campus

- Affordable Housing for Students w Families
- Other Mixed-use Development
- Parking Facilities


Infrastructure
Cost
Research
Endowment
Partnerships
Space
Recreation
Community
Place
People
Mission
Mobility
Land Use
Landscape
Hydrology

2: Overview

Vision

The vision for the campus defines what it should be as succinctly as possible.

The St. Paul campus will be a visible and visionary link between the University's land grant mission, the community, the state of Minnesota, and the world. It will proudly demonstrate the sustainable intersections of urban and rural environments, natural ecosystems and technology, and applied knowledge and academic discovery in a culture where all individuals are valued, respected, provided an opportunity to flourish, and unobstructed in their pursuit of excellence.

Field School

Mission / Themes

The mission statement addresses the question of why we exist. It is an action-oriented formulation of the function of the campus, and clarifies its reason for existence.

The St. Paul campus is a hub between the University and the world. It acts as a knowledge resource at the porous boundaries between academic disciplines and the community, with specific focus on all stages of research and discovery, teaching and learning, and outreach and public service in the areas of food, agriculture, environment, human development and service professions across multiple disciplines in their pursuit of excellence.

Distinctive Focus Area

St. Paul will be a campus that works towards the challenge of feeding a growing global population of 10 billion people a safe and nutritious diet while conserving and enriching our water, soil, forest, wetland, and prairie resources. These solutions must do so while confronting countervailing pressures of climate change, depleting non-renewable energy and earth minerals and chemicals, the status of our renewable resources, and land availability. The social justice challenges that flow from food as a basic human right are core to all subsequent social, artistic, educational, and industrial outcomes and a focus of the mission. On the St. Paul campus, this work will be done through advanced biological, social, physical, and engineering sciences in an ecosystem of goals aligned with the people and the plants we depend on for human and animal life, animals, soils, and our natural biomes.

Complex questions within these focus areas encourage engagement that crosses traditional boundaries between disciplines and community. The campus is-and will continue to be-a resource for teaching and learning in these specific areas for the Twin Cities campus, across all stages of learning and research activity.

Land-grant Mission

The University's land-grant mission responds to social, environmental, and economic challenges occurring at local, national, and global scales. Community interests as articulated to the University influence the intellectual agenda and make a compelling case for St. Paul to act as an interconnected hub between the University and the broader world.

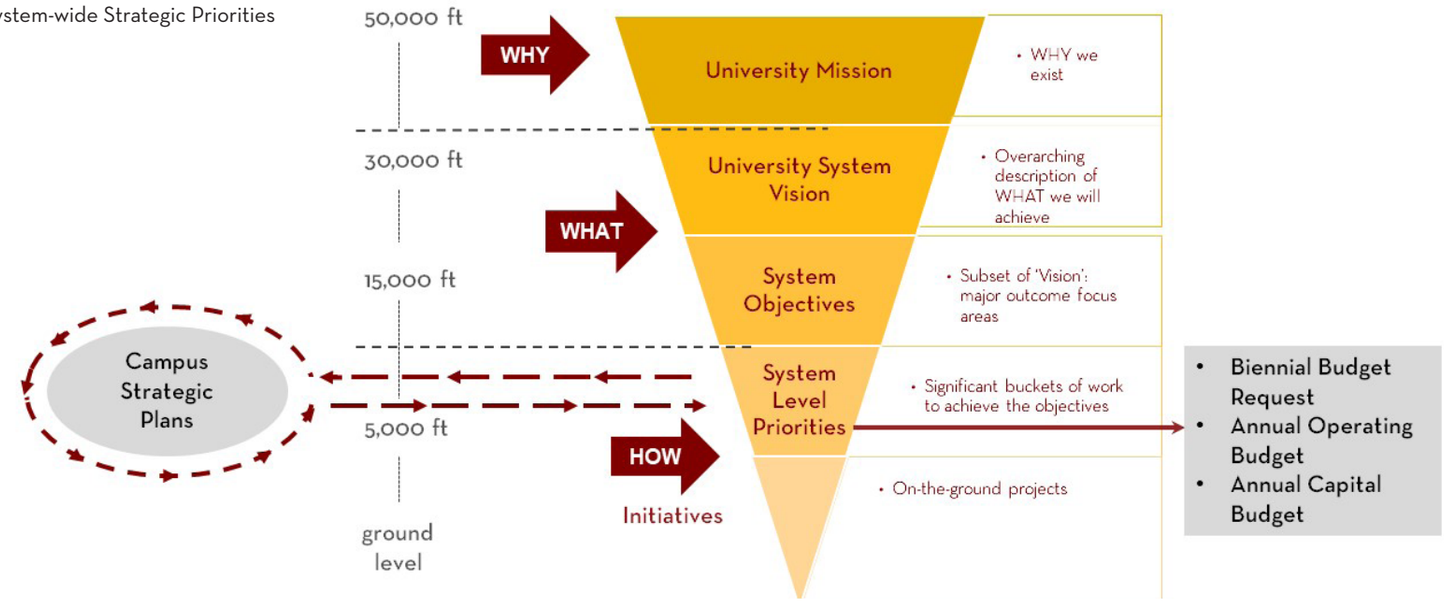
The plan embraces the University's land-grant vision to promote education to all members of society and align efforts to solve grand challenges through the function and operation of the campus environment. The plan supports teaching, community outreach and extension programming to ensure the campus is a living land grant where the people of Minnesota can partner to address those grand challenges.

Partnerships and Consortium Efforts

The plan calls for investments in St. Paul's unique activity and knowledge base that reflect the University's interest in supporting partnerships and consortium efforts with parties in industry, not-for profit organizations, and other entities. Partnerships will be pursued in order to maximize capacity in research, teaching, or mission support activity and advance aligned interests for the institution and its local and state-wide community.

Farming on Campus

Figure 1: System-wide Strategic Priorities



System-wide Strategic Priorities

The 2018 System-wide Strategic Plan outlines a set of system-wide objectives, which are reflected in this plan document, particularly in the vision and mission sections of the plan. Notably, the Strategic Facilities Plan recommendations align under the System-wide Strategic Plan's objectives of the following:

Teaching and Learning

The Strategic Faclities Plan promotes a welcoming campus climate and learning environment for all University community members.

Research and Discovery

Renewed vitality within colleges and supported by facilities in St. Paul will help attract and retain talent to advance research in issues of importance to Minnesota and beyond.

Outreach and Public Service

The St. Paul campus is uniquely positioned to apply the University's strength as a land-grant research institution to enhance teaching and learning, as well as research.

Medicine and Health

The Strategic Facilities Plan recommends investments in veterinary science that will advance high-quality education, leading-edge research, and innovative veterinary services within the College of Veterinary Medicine.

Support the Mission

Recommendations for renewal, new construction, and responsiveness to needs will optimize the use of facilities and financial resources. The prioirities include optimizing the use of facilities and financial resources.

Two important system-level priorities identified in the System-wide Strategic Plan are reflected in the St. Paul Strategic Facilities Plan, specifically as follows :

Research and Discovery, SLP 1-Build Upon, Enhance- and Activate Research:

The System-wide Strategic Plan priorities include pursuing research partnership zones to support startups and research initiatives, and to increase interactions with business and private organizations.

Teaching and Learning-Deliver Education Across Distinct Campuses:

The plan's focus on renewing existing classrooms focused on traditional students as well as serving as the home base for many experiential and lifelong learning opportunities recommits the St. Paul campus to a leading role in this regard.

The System-wide Strategic Plan priorities note the importance of establishing campus-level priorities for capital investments, and operational objectives. The priorities and concepts will inform future Six Year Plans and Annual Capital Budgets.

Plan Purpose

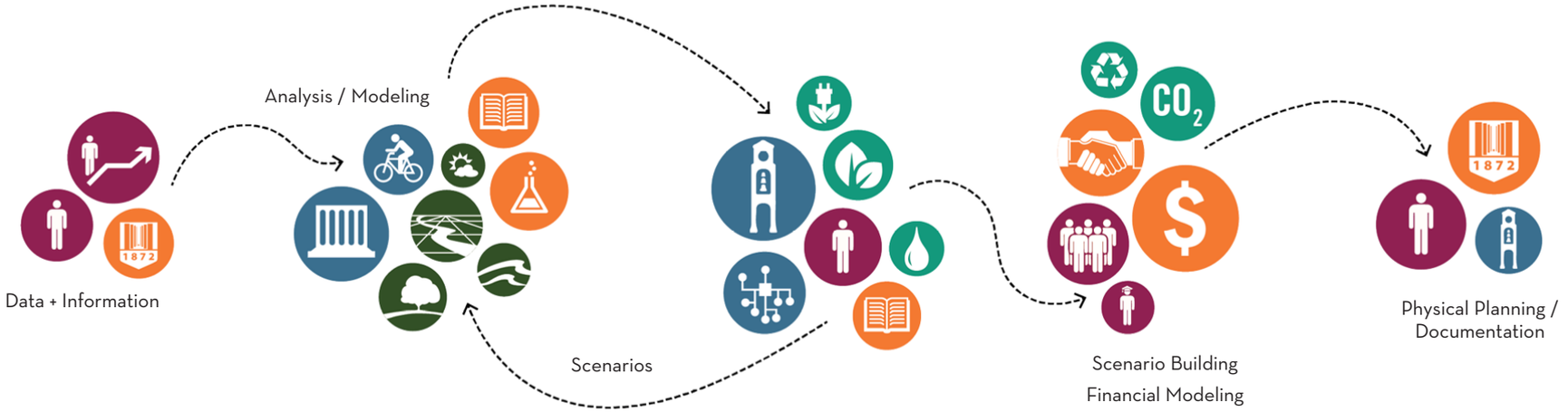
The Strategic Facilities Plan was developed in order to respond to a long-standing desire to articulate the future of the St. Paul campus. In June of 2017, President Kaler, Provost Hanson, and Senior Vice President Burnett charged the deans of the St. Paul colleges to work with University Services and define the future of the campus to meet the following three outcomes:

Spur the experiential impact of the St. Paul campus by investing in vibrancy, activity, unique features, and facilities to support the vision of the campus's future.

Demonstrate a cohesive vision for campus that can be shared to consolidate support at the legislature and throughout the state, to resolve uncertainty, to support partnership interests, and to showcase applied research and services on the campus.

Identify priorities and targets for reinvestment that directly align with each college's commitment to teaching and research, address deferred capital renewal, and enliven campus activity by supporting variety and efficiency in goods and services.

Figure 2: Plan Process



Plan Process

The Strategic Facilities Plan was developed over the last year with direct involvement of students, faculty, and collegiate leadership.

Stakeholder groups composed of collegiate representatives and support units, including Undergraduate Education, Housing and Residential Life, as well as, Student Unions and Activities, met regularly, on a near-monthly basis, between September 2017 and August 2018. Details of meeting dates and participants can be found in Appendix 9 of this report.

A survey was distributed to the entire Twin Cities campus through institutional channels so that individuals could have direct input on current conditions and opportunities for change on the St. Paul campus. Approximately 2000 responses were collected with this survey tool.

A second survey targeted to researchers within the colleges and other academic research units focused on details of research collaboration that is currently occurring on campus. Details of both survey results have been published, and are available in Appendices 4 and 5 of this report.

A project website was in use between April 2018 and December 2018, making material available digitally and offering channels for feedback and comment. A summary of comments received from all sources is included in Appendix 10 of this report.

Plan Drivers

Three questions drove the approach and recommendations emerging from the planning process:

1. What is the academic future of the St. Paul campus? Which **academic programs** will be active on the St. Paul campus over the next 30 years?

2. Which academic facilities (current and future) can be shared and managed as **common resources** on the St. Paul campus?

3. What are the resulting **administrative and student services** needed to support campus life over this horizon?

Source: 2017 Charge Letter for the St. Paul Campus Strategic Facility Plan

Academic Programs

After considering enrollment trends and relationships to East Bank and West Bank activity, as well as the profiles for each of the St. Paul colleges, the working group of stakeholders concluded that while a few changes in academic program presence were anticipated, the overall population of the St. Paul campus related to undergraduate and graduate students would remain approximately the same.

While overall enrollment is anticipated to increase marginally through 2023, no significantly new population is anticipated on either the St. Paul or Minneapolis locations of the Twin Cities campus.

As future discussions of growth in teaching, learning, or research programs occur, the baseline analysis of 2017-2018 conditions showed there is potential for the St. Paul campus to accommodate increased activity. While current planning does not indicate growth, analysis suggests that current facilities could accommodate modest increases, no more than five percent of current population based on capacity markers (underutilization by schedule and seat count) for classroom, teaching lab, office, and some specialized spaces.

Optimization of Common Resources

The charge letter emphasized the need to optimize the alignment of campus building and land resources with the academic programs and research activities.

An investigation of existing building use and conditions revealed opportunities to improve overall utilization across campus facilities. While some buildings are underutilized, others are obsolete, or no longer meet the needs of the programs they accommodate. As future improvements and renovations are planned, the highest and best use of each facility should be considered, recognizing that it may make sense to downcycle or decommission facilities that do not meet the current or anticipated needs. Shared use of certain resources, such as research labs and core facilities, has the potential to reduce duplication, and support interdisciplinary engagement.

The preservation of agricultural land for teaching and research activity is central to the University's land-grant mission. An analysis of campus land examined landscape and open space typologies, current research activity, and characteristics such as plot sizes, soil conditions, topography, and hydrology patterns. The conclusion of this analysis is that research lands are being used at capacity, given standard practices in crop rotation and maintenance of soil integrity. The analysis provides data that will facilitate decisions concerning the optimal use of campus lands, including the calibration of agricultural plots with specialized research activity.

Services to Support Campus Life

Delivery of campus services is operationally challenging due to relative extensive land area that the campus occupies and the relatively small population. Existing services are not convenient to all parts of campus, but returning to the Minneapolis campus creates a travel-time penalty. The staffing and facility costs to operate duplicative services on both campuses to serve the same population who is mobile between sites creates a greater economic burden.

The working group identified improved campus life services as a priority to recruit and retain students and faculty. Potential strategies discussed in the planning process include the following:

- Increasing the size of the daily population on the St. Paul campus. There is little rationale to support net new growth in campus facilities for University programs. Opportunities for partnership may define future facilities requirements, as needed.
- Investing to improve amenities, such as the St. Paul Student Center and retail and dining options
- Repositioning housing to align with St. Paul student demographics, especially to undergraduates in their junior and senior years
- Concentrating amenities and programs to create a critical mass of activity at the campus core

Dusk on Campus

Graduation Day

3: Conditions & Assumptions

Population Baseline

More then 9,000-approximately 1 in 5-University of Minnesota, Twin Cities undergraduate,graduate, professional, and non-degree seeking students attend class in St. Paul each semester.

Student Population

Among the University of Minnesota, Twin Cities population, student experience of the St. Paul campus varies greatly by college, degree program, and year of study. Many students will complete only a single course in St. Paul throughout their academic career. Others, such as doctoral students in veterinary medicine or upper division students in the Colleges of Biological Sciences; Food, Agricultural and Natural Resources Sciences; or education and human development CBS, CFANS or CEHD, will be in St. Paul near full time.

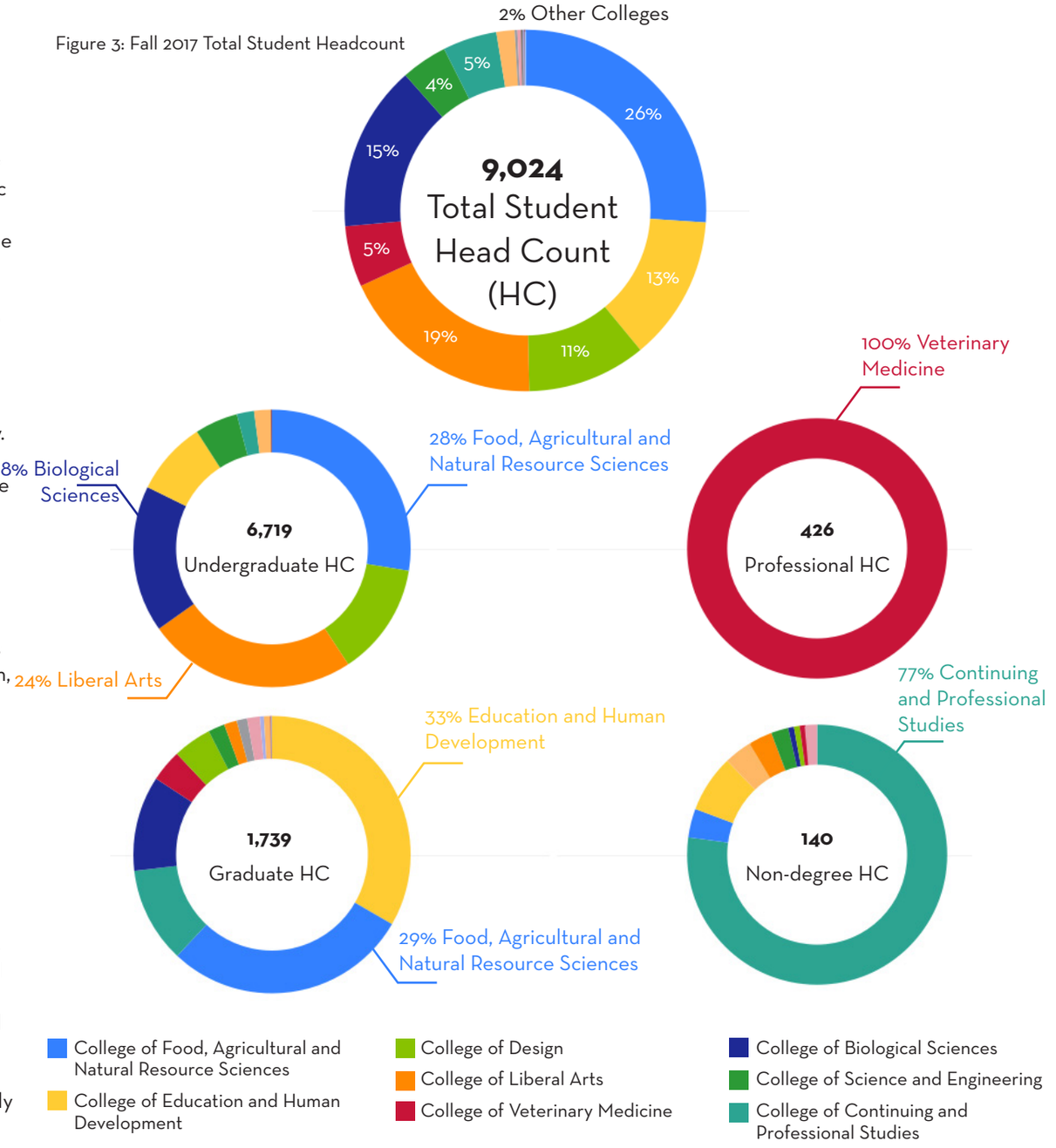
The plan considered three metrics to measure student population at the St. Paul Campus- college enrollment, student headcount, and student activity. The plan considered student headcount, measured by the number of students taking at least one course per semester on the St Paul campus, and student activity, measured by the number of contact hours completed in St Paul, to define the population of st

Student Headcount

Student headcount informs the demand for campus services and systems such as parking, transportation, dining, and retail. Using fall 2017 data, more than 9,000 students register for at least one class on the St. Paul campus. For the past three years the fall semester headcount has held constant, with a variation of fewer than 100 students. Spring semester enrollment is typically lower than fall enrollment by three to six percent, regardless of campus location.

As may be expected, the largest share of St. Paul campus students are registered in degree programs within the College of Food, Agricultural and Natural Resources Sciences (26 percent). However, nearly as many students are admitted to College of Liberal Arts degree programs (19 percent) and collectively, students admitted to colleges typically associated with the Minneapolis campus make up approximately one quarter of the student headcount.

Figure 3: Fall 2017 Total Student Headcount



Student Activity

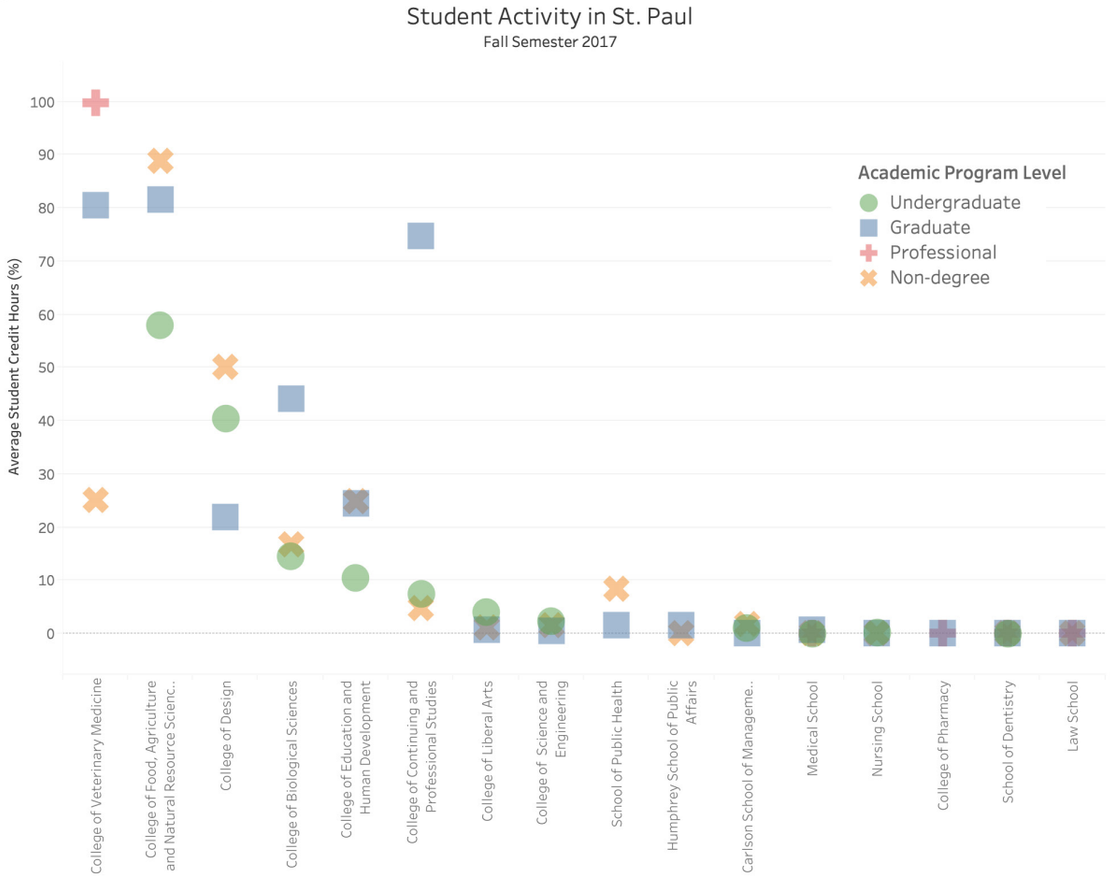
FYE students are estimated based on a standard number of contact hours completed on the St. Paul campus. For undergraduate students, it is assumed that 15 credits represent one FYE. For graduate students, the assumption is 12 credits.

FYE informs demand for classroom space, study areas, teaching labs, as well as daily population student services, dining, retail, and housing.

The difference between headcount and FYE in St. Paul is attributable to the percent of time (credit hours) each student spends in St. Paul. There is wide variation by college, program, and year of study.

Few students in their first year as an undergraduate spend more than one third of their time in St. Paul. Students enrolled in programs based on the St. Paul campus typically show increased time in St. Paul as they advance in their academic career.

Figure 4: Student Activity in St. Paul



Staff and Faculty

Precise office or workplace locations are not readily available for all faculty and staff at the University. For the purposes of the Strategic Facilities Plan, population estimates have been determined based on the primary office location of University departments. Staff and faculty within departments located in St. Paul are assumed to represent the regular, daily population of the St. Paul Campus.

The estimated population of the St. Paul campus is 2,174 staff FTE and 520 faculty FTE.

Residents

Total standard capacity in Bailey Hall is 505 beds, with a total room count of 241. Approximately 97 percent of students living in Bailey Hall are new incoming first-year students.

Graduate students are housed on campus at Commonwealth Terrace Cooperative, which has 464 units, the majority being two-or three-bedrooms housing, for a population of approximately 1100 to 1500 adults and children.

Off-campus housing data are not available at this time to determine numbers of students living off-campus within immediate vicinity of the campus (less than a five minute walk).

Visitors

St. Paul is uniquely positioned to support outreach that has a broad impact across Minnesota. Influential K-12 programs as well as extension learning are based in St. Paul. Other cultural and scientific destinations are accessible to the general public as well.

- Bell Museum (1)-Since opening in July, the Bell has welcomed over 1,000 visitors daily. Total attendance through October is approximately 100,000-roughly double the total annual attendance in the old building. The museum has hosted over 100 external events bringing 7,000 additional visitors to campus who might not have otherwise come.
- Veterinary Medical Center (16)-the College of Veterinary Medicine has served the community by providing care to large and small animals in Minnesota with 45,000 patient visits per year.
- Raptor Center (15)-The Raptor Center reaches approximately 150,000 people annually through its unique public education programs and events.

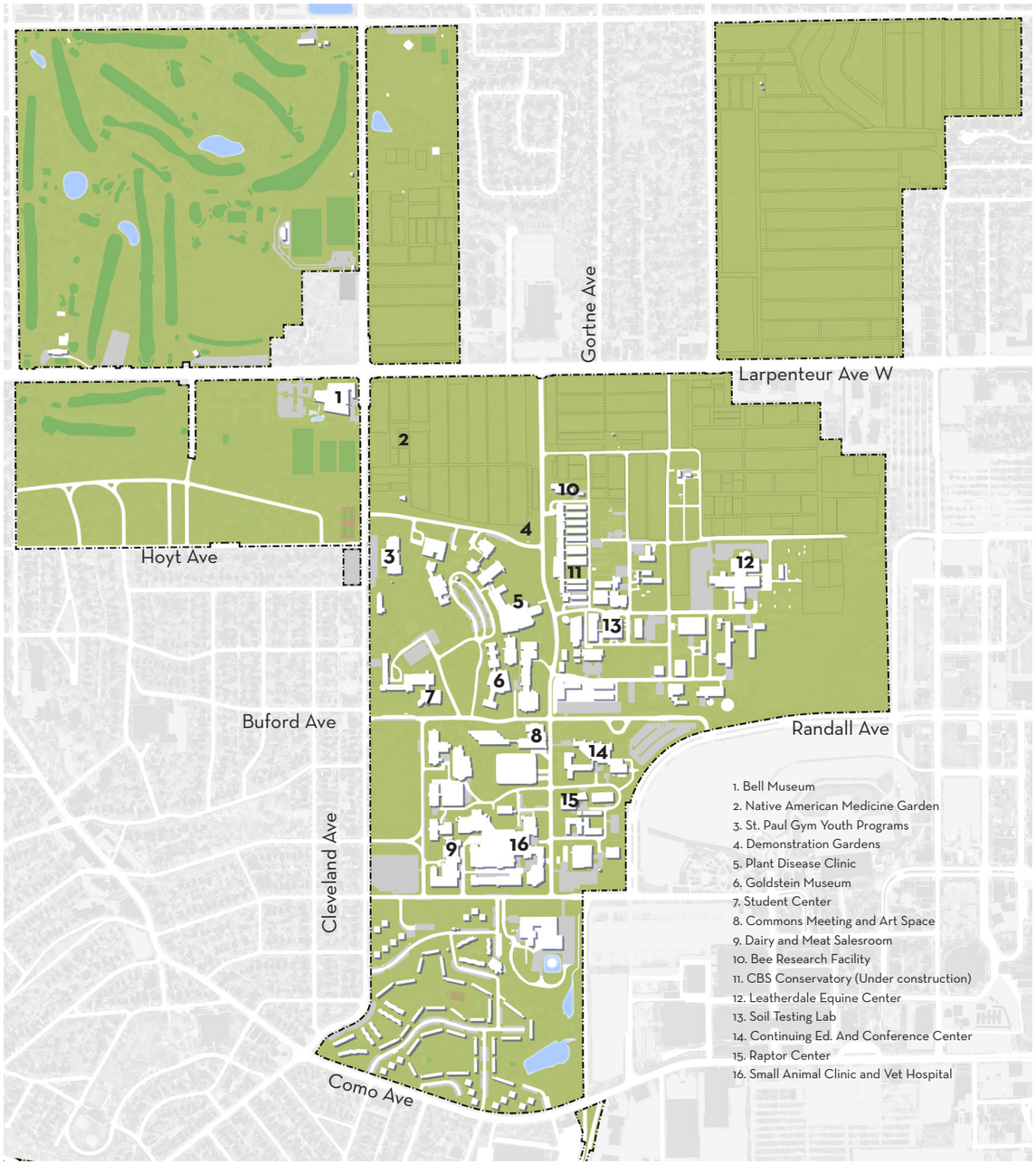


Figure 5: Outreach Destinations

- Soil Testing Lab and Plant Disease Clinics (13)-Over 100 tests are available to government agencies, private companies, and the general public.
- Biological Sciences Conservatory (11)-The conservatory is a biodiverse collection of plant species from around the world. It serves classes, researchers, and the surrounding community by making both plants and expertise available. Today the Conservatory hosts 1,000 student visitors and about 850 general public visitors annually. The facility offers approximately 450 K-12 tours annually. At the newly constructed facility coming online to visitors in summer 2019, these numbers are expected to continue to grow.
- Goldstein Museum of Design (6)–The museum is a resource for teaching and research, and a public bridge connecting the College of Design to the community, with complex narratives of historic and contemporary design.
- Continuing Education and Conference Center (14)–The conference center serves more than 60,000 learners annually through conferences, professional development courses, and lifelong learning courses.
- Horticultural Science Display and Trial Garden-The garden serves many purposes. Classes utilize the space to practice plant identification, learn horticultural techniques, grow material for floral designs, and observe insects. Nonprofit organizations use garden space for youth outreach, and student interns spend summers in the garden putting their classroom knowledge to use.
- Meat and Dairy Salesroom (9)–The salesroom offers items that are produced during class and research projects to fund research and maintenance of the facilities.
- Native American Medicine Garden (2)- Established in 1999 the gardens recognize that the University sits on the traditional lands of the Dakota Nation, and offers healing, food, and medicinal plants for students at the University as well as the public.
- Commons: Meeting and Art Space-The Institute on the Environment (IonE) houses a unique space that serves as a location where the community can gather for meetings or events, and display artistic works that celebrate the environment and sustainability.
- St. Paul Gymnasium (3)-Summer youth programs at the St. Paul Gym are structured as weekly day camps for ages five to fifteen. Programs operate from the middle of June through the end of August each year. Approximately 70 staff coordinate activities for 250 youth on an average day, and 3,000 over the summer. An additional 800 remain on the waitlist.
- The St. Paul Student Center (7) supports campus life with the Larson Gallery, a multipurpose theater, the Northstar ballroom, and a bowling alley.
- The Bee Laboratory (10) promotes the conservation, health, and diversity of bee pollinators through research, education, and hands-on mentorship.
- The Leatherdale Equine Center (12) offers undergraduate, graduate, and continuing education opportunities through collaboration and partnerships within the University and the equine community.

Increasing Activity

The plan considered multiple alternatives for increasing activity on the St. Paul campus. Options discussed include the following:

- Relocate another college, department, or program to St. Paul that would contribute to the vision and mission.
- Relocate an administrative unit or function to St. Paul that would contribute to the critical mass of activity.
- Add more University of Minnesota residential beds to create a desirable and themed residential experience.
- Invite corporate, government and not-for-profit partners to the campus.
- Redevelop the Commonwealth Terrace Cooperative into a mixed-use residential, retail, office, and research district that supports the mission of the St. Paul campus, and is sensitively integrated within the surrounding urban setting.
- Fulfill part of the requirements of liberal education on site. This would bring more students to St. Paul for class and lab work focused on St. Paul disciplines, perhaps focusing on sciences, targeting water, agriculture, food, environment, and natural resources.

Physical Environment

Buildings

Facility Condition Analysis

Like many land-grant institutions, the University of Minnesota's facilities have been constructed over a long period of time, each representing different trends or phases in building construction and configuration.

Fifty-nine percent of campus space is in poor or critical condition,-the highest percentage of all University locations. The projected 10- year need for investment is nearly $1.0 billion. St Paul buildings represent only 1 percent of the total Twin Cities built environment, yet account for 32% of the space rated in poor or critical condition.

In recent years, the University has taken steps to address the physical conditions on the St. Paul campus with a pattern of prioritizing funding toward St. Paul labs, nearly double what campus size alone would merit. Between 2017 and 2018, St. Paul was the largest campus recipient of HEAPR funds. Major investments were made in several facilities including Andrew Boss Laboratory of Meat Science, Ruttan Hall, Veterinary Medical Center, Biological Sciences and the Equine Center. Further reinvestment has taken place through the use of Repair and Replacement (R&R) funds, with 30 percent of Twin Cities campus R&R spending directed to St. Paul.

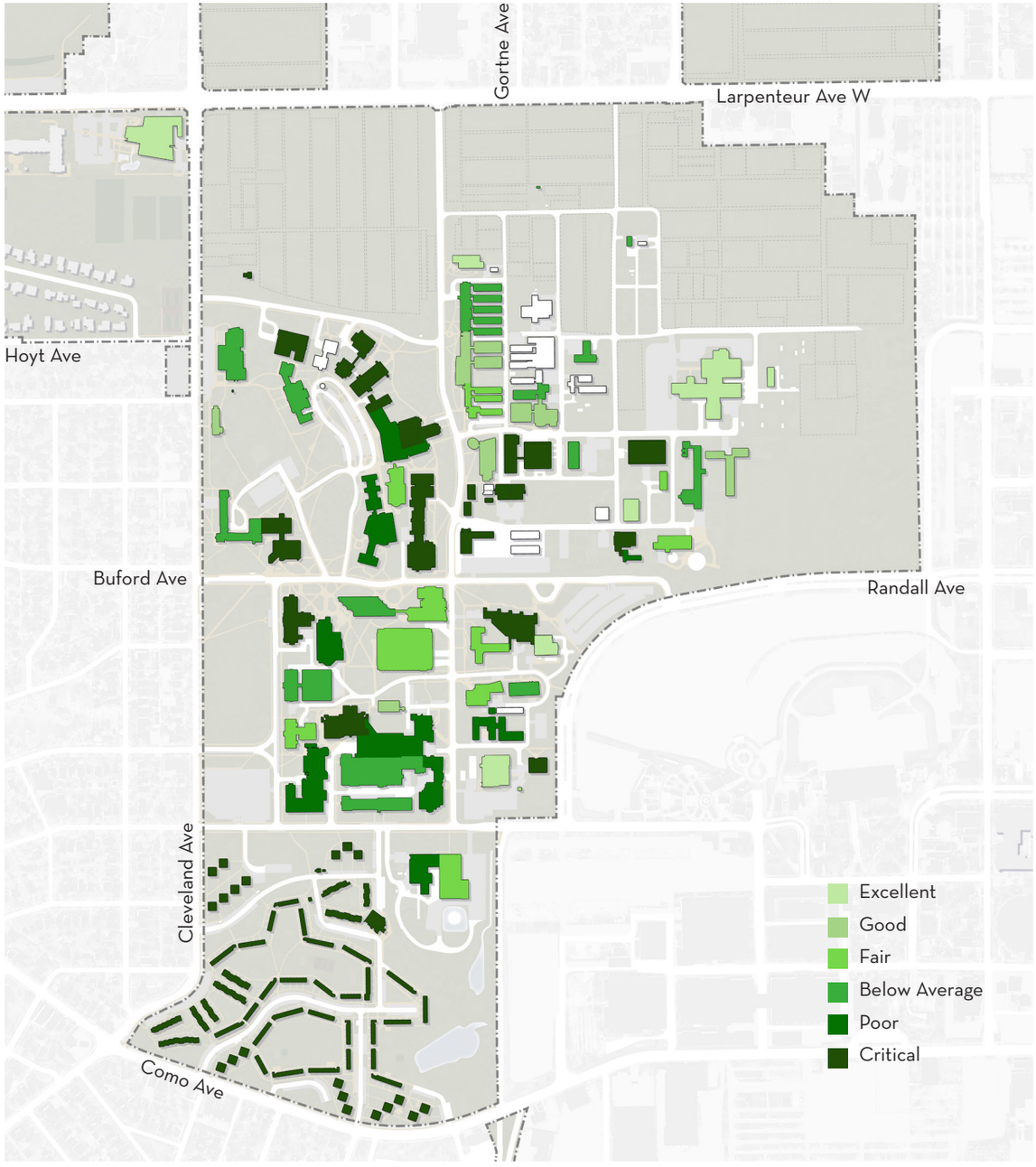


Figure 6: Facility Condition Analysis

Suitability

As part of the planning process, several buildings were assessed based on information provided by the University and walk-throughs conducted by the planning team in December 2017.

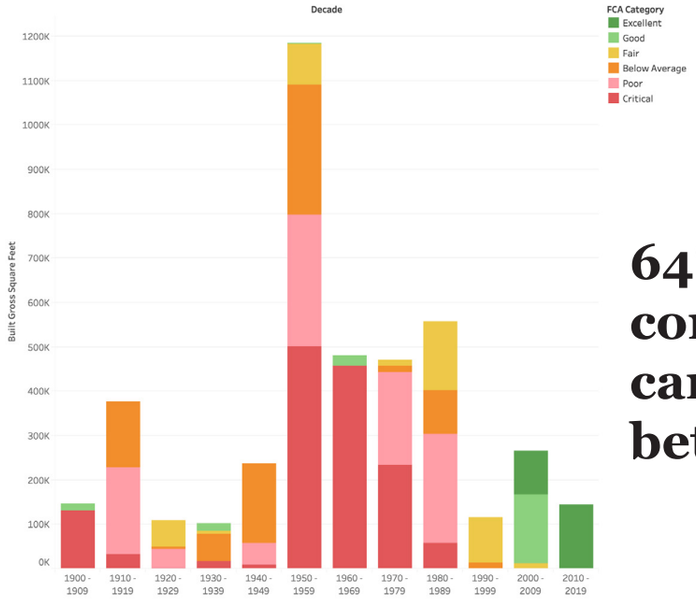
A representative group of buildings was selected for in-depth review and building tours by the planning team. The suitability of each building was recorded and compared to data provided by the University. Suitability is a measure of how a building's functions are matched to its physical features and systems. A complete summary of the methodology and findings are included in Appendix 2. The suitability of buildings was assessed in comparison to other higher education facilities across four major categories, defined below:

- Structure: The structural system, bay spacing, floor-to-floor heights, flexibility of interior partitions, and fenestration coverage impact contribute to the flexibility and adaptability of existing facilities.
- Mechanical, Electrical, and Plumbing (MEP) Systems: The condition and capacity of existing heating, ventilation, and air conditioning (HVAC); plumbing; electrical; and fire protection systems impact the suitability of a building to support intensive lab and research equipment, and maintain a suitable learning environment.
- Circulation and Layout: The circulation and layout of a facility is assessed for location and capacity of elevators and pathways for material deliveries. Stairways and corridors are measured for adequacy to support a variety of occupancies.
- Special Features: Core facilities and major assets are recorded for value and ability to relocate. Historical significance is assessed for contribution to the campus environment and development restrictions.

Based on this assessment, it is recommended that space in the following buildings would be replaced in either renovated or new facilities over the years ahead: Hodson, Christensen, Snyder, and Veterinary Science. The long-term strategy for new buildings and renovation requires future study to determine how shared core facilities would best be provided. Shared facilities include equipment, service functions, greenhouses, and the like. Strategies for sharing teaching labs among CBS, CVM, and CFANS should also be considered.

Structure	**40%**
Structural System	5%
Floor to Floor Height	13%
Structural Bay Spacing	11%
Fenestration Coverage	4%
Partition Flexibility	7%
MEP Systems	**19%**
Roof Penthouse Capacity	7%
HVAC Shaft Distribution	5%
Plumbing Supply Capacity	5%
Plumbing Supply Distribution	2%
Circulation Layout	**30%**
Elevator Capacity	7%
Loading Handling	5%
Stair Corridor Capacity Arr.	5%
Overall Planning Dimensions	13%
Special Features	**11%**
Core Facilities Major Assets	7%
Historic Limitations	4%

Figure 7: Condition and History of Construction



64% of all construction on campus occurred between 1950-1989

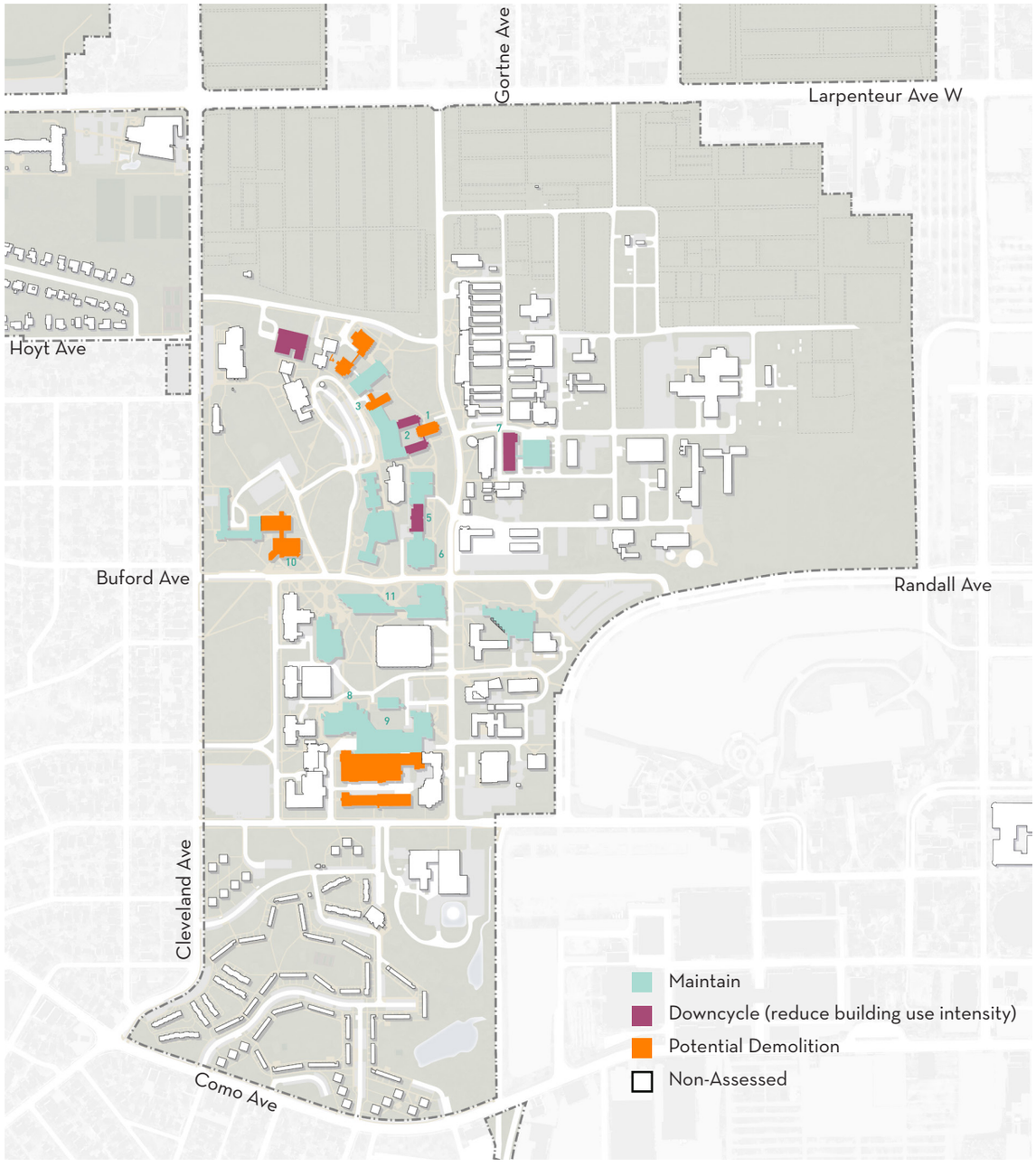


Figure 8: Suitability Analysis

1. Christensen Lab: Potential demolition
2. Stakman & Hayes Halls: Discontinue lab use
3. Borlaug Hall: Maintain for labs
4. Hodson Hall: Critical condition, potential demolition
5. Snyder Hall: Downcycle to office use
6. Biological Sciences: Prioritize and maintain
7. Crop Research: Downcycle
8. Animal Science/Vet Med Building: Prioritize and Maintain
9. Veterinary Science/Vet Med South: Consider partial or full demolition
10. St. Paul Student Center:Replace at site TBD
11. Magrath Library: Prioritize and maintain

Land Area

The St. Paul campus occupies 705 acres in three primary zones: core campus, research fields and the golf course. Each represents approximately one quarter of the campus land area. Other uses include recreation space, athletics, crop production, gardens, wetlands and housing.

Soil and Topography

Land Use	Percentage
Recreation	1%
Athletic	1%
Garden/Nursery	2%
Pasture	2%
Feed Production	2%
Wetland	2%
On-campus Residential	6%
Off-campus Residential	6%
Golf Course	22%
Core Campus	26%
Research Plots	27%
Other	3%

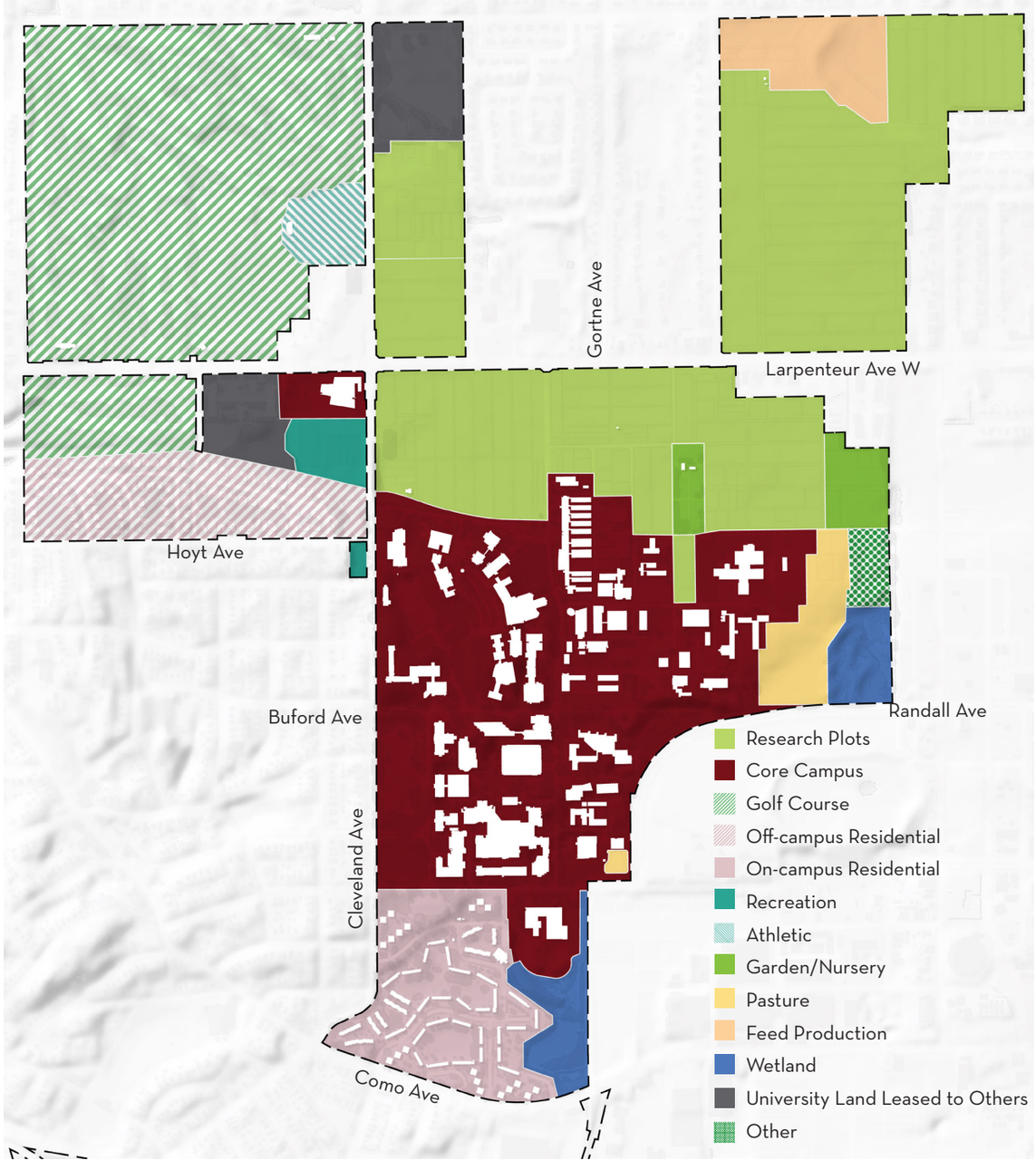


Figure 9: Campus Land Use

The St. Paul campus is composed of a range of soil types that generally reflect the original prairie grass setting in which the campus was developed. Waukegan Silt Loam is the predominant soil type, and characterizes most of the agricultural lands, as well as the developed areas of the campus. The University's golf course contains a greater mix of soil types, including Santiago, Richmond, and Freer Silt Loam, as well as Kingsley Sandy and Hayden Fine Sandy Loam. These specific soil types are not good candidates for long-term agricultural research.

While campus agriculture plots are generally flat, there are grade changes across the campus with a peak elevation of 1,016 feet near Folwell Avenue, and a low point of 890 feet at the Sarita Wetlands. Within the campus core, there is a 118-foot grade change from the highest elevation to Buford Avenue, including a 40-foot grade change at Gortner Lab.

Circulation and Parking

- Brill Silt Loam
- Freeon Silt Loam
- Freer Silt Loam
- Richwood Silt Loam
- Santiago Silt Loam
- Waukegan Silt Loam
- Chetek Sandy Loam
- Hayden Fine Sandy Loam
- Kingsley Sandy Loam
- Nessel Fine Sandy Loam
- Prebish Loam
- Cathro Muck
- Urban Land
- Urban Land - Chetek Complex
- Urban Land - Hayden-Kingsley Complex
- Urban Land - Kingsley Complex
- Urban Land - Waukegan Complex
- Udorthents
- Water

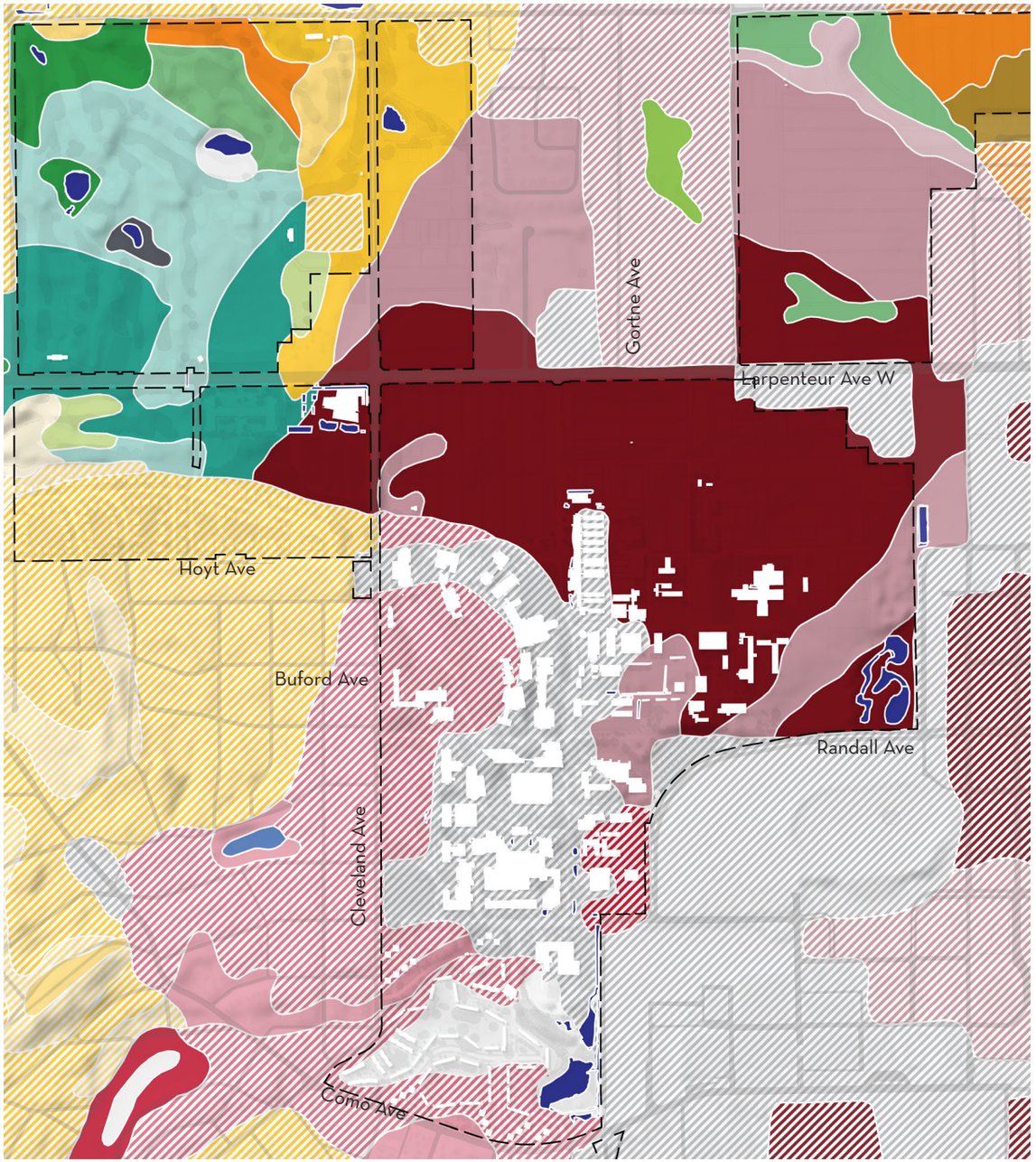


Figure 10: Soil Usage (See figure 9 for additional land use information)

Aerial View of Campus Looking Northeast

Vehicular Circulation

Cleveland, Larpenteur, Gortner, and Commonwealth Avenues are regional collector roads, which provide access to the St. Paul campus. Several local roads extend through the campus, including Eckles, Folwell, and Buford Avenues, facilitating internal navigation. Additional driveways and service routes provide access to the campus core, agricultural plots located within the Northeast Quadrant, academic and research uses south of Buford, and through Commonwealth Terrace Cooperative. The intersection of Buford and Gortner Avenues serves as a campus crossroads, where several key campus destinations are clustered.

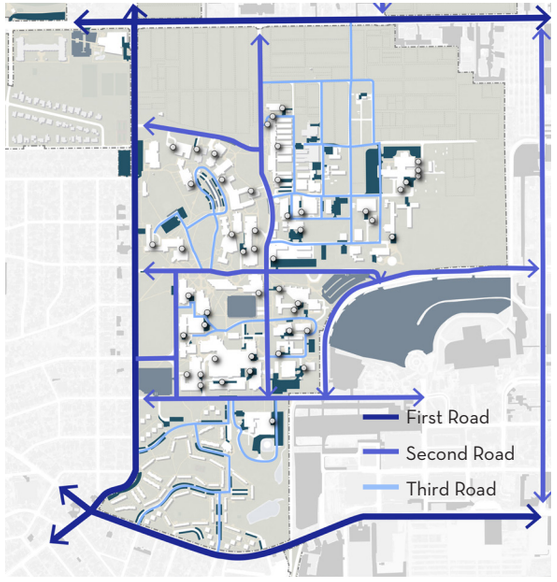


Figure 11: Vehicular Circulation

Pedestrian Circulation

Pedestrian circulation generally occurs along the campus road system, and via a network of pedestrian pathways that provide access to campus buildings and destinations. Pedestrian routes are strongest within the campus core, and the area south of Buford and west of Gortner, but less well defined within the Northeast Quadrant, and east of Gortner. External pedestrian routes are supplemented by the Gopher Network, an internal system of corridors and tunnels connecting key campus building clusters.

There are gaps within both the external pedestrian system and the Gopher Network in some areas, such as through Buford Circle, and between the academic core and academic and research uses south of Buford Avenue. The connectivity constraints in these areas hinder pedestrian movements overall, reduce opportunities for casual collisions that facilitate collaboration, and makes transfer of research-related materials, samples, and other supplies more challenging when work occurs in adjacent buildings.

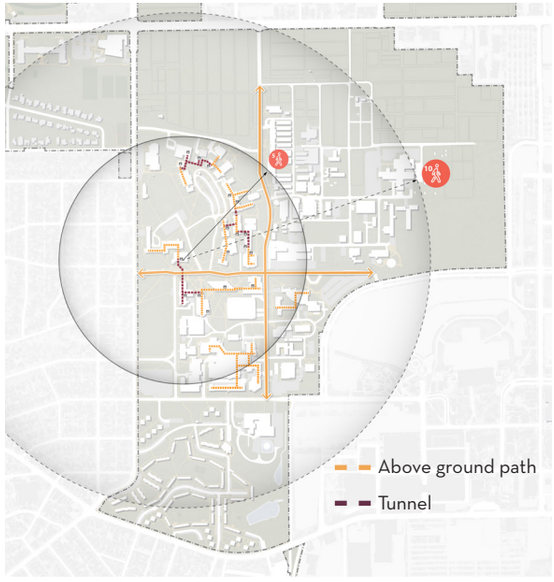


Figure 12: Pedestrian Circulation

Bicycling

Bicycle facilities on the St. Paul campus are generally considered to be adequate following recent improvements. The addition of striped bicycle lanes along Gortner Avenue and Commonwealth Avenue, provide clearly defined and safe routes through the campus. Campus topography is an obstacle for reaching Upper Buford Circle from Gortner Avenue and research fields. While bicycle travel along Cleveland Avenue continues to be a concern, the University is participating in a shared initiative with the city and county to reconstruct the road, and improve bicycle infrastructure.

While bicycle travel along Cleveland Avenue continues to be a concern due to limited space and constrained sight lines, the University is participating in a shared effort with the City of Falcon Heights and Ramsey County to reconstruct the road and improve bicycle infrastructure.

Zap data on bike ridership collected at four locations on the campus, and summarized in the following table, highlights bicycle traffic numbers over the past four years.

Figure 13: Bicycling Circulation

Transit

The Campus Connector service between Minneapolis and St. Paul operates at five-minute intervals during the academic year. The estimated travel time between the farthest stops on the East Bank and St. Paul campus is 15 minutes. Primary stops are located at the St. Paul Student Center and the intersection of Buford and Gortner Avenues.

The St. Paul Circulator operates every 15 minutes between 7 a.m. and 6 p.m. on weekdays. There is no service on weekends or holiday breaks or during intersession. The Circulator connects riders from the Bell Museum to the Commonwealth Terrace Cooperative in a looped route around Cleveland, Como, and Gortner Avenues. Stops serving Commonwealth Terrace Cooperative along Como and at the St. Paul Student Center generate the highest number of riders.

Metro Transit provides regional bus service to the St. Paul campus edges along Cleveland Avenue and Larpenteur Avenue via Routes 3, 61, and 87. In 2016, Metro Transit began new rapid bus service along Snelling Avenue with the potential to serve the St. Paul campus with appropriate connections. The nearest rapid transit stop to the St. Paul campus is within one mile. A transfer to local service brings riders directly to campus

Paratransit

The Parking and Transportation Services Department (PTS) provides curb-to-curb transport service free of charge to students, staff, or faculty members with short- or long-term physical disabilities. The paratransit service operates on the Twin Cities campus weekdays, except on University holidays. A total of 898 rides occurred on the St. Paul campus in FY2018.

The highest volume of stops occur at Peters Hall, McNeal Hall, and the Biological Sciences Center on the St. Paul campus. Drop-off and pickup locations provide connections to primary building entries.

Parking

Overall capacity for parking on the St. Paul campus is sufficient today. Demand for new facilities is expected as new activity occurs, based on location and convenience. Parking in the core of campus next to destinations is highly utilized, particularly the surface lot facilities which are the overwhelming facility found in St. Paul. As other parts of campus develop, particularly the Northeast District, and as more outreach-oriented activities are added, demand for parking will also increase., for short term and day-long options

Target occupancy for parking facilities is 85 percent. Daily maximum occupancy regularly exceeds 80 percent, Monday through Friday, in the high demand facilities at Gortner Ramp, Lot 106 at Buford Circle and Lot 101 at Commonwealth and Cleveland. Highest occupancy typically occurs on weekdays between 10 am and 1:30 pm.

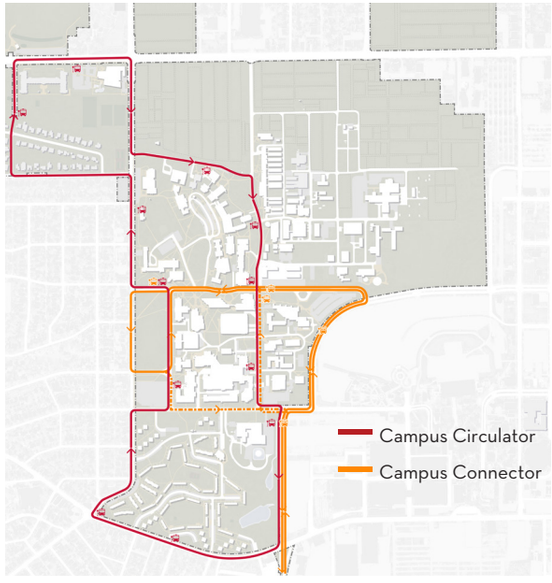


Figure 14: Transit

Bus Riders by Route	2015	2016	2017	2018
Gortner & Commonwealth Avenues (measured on Gortner)	293	273	680	573
Buford & Cleveland Avenues (measured on Buford)	766	605	676	676
Biological Sciences Center (measured on Gortner)	772	890	900	666
Commonwealth & Eckles Avenue (measured on Commonwealth)	339	225	262	291

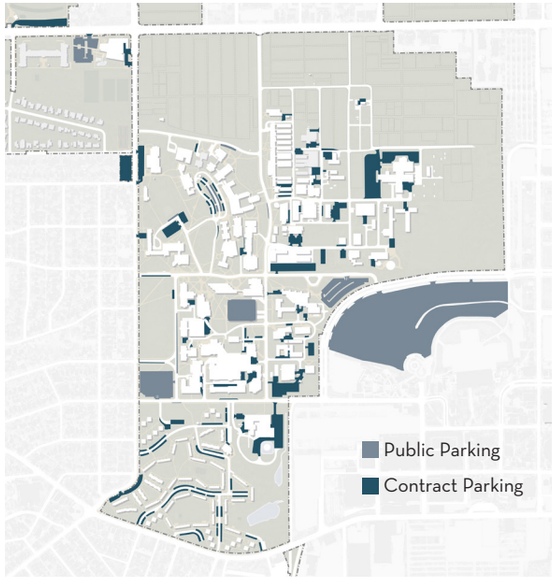


Figure 15: Parking

Academic Programs*

College of Design

Enrolled Student Headcount	1,665
Undergrad Student Credit Hours	28,133
Grad and Prfl Student Credit Hours*	5,082
Faculty FTE	65
Staff FTE	95

The College of Design offers 8 undergraduate majors, 23 graduate degree options, and 10 research, creative scholarship, and engagement centers. The college's mission is to lead, innovate, and educate in a full range of design fields.

College of Design academic programs in the Department of Design, Housing, and Apparel are currently based on the St. Paul campus in McNeal Hall. The department enrolls more than 600 students, representing approximately 500 FYE undergraduate students on the St. Paul campus and 34 FYE graduate students.

The College of Design plans to vacate McNeal Hall and consolidate its St. Paul programs onto the East Bank, in close proximity to the School of Architecture and the Department of Landscape Architecture in Rapson Hall. The shift may also result in a decrease in the vibrancy of the campus given the studio culture of this population—a culture defined by extended studio hours and project-based work. The shift will also include the college's Goldstein Museum of Design.

Important next steps for the College's potential consolidation in Minneapolis are: to complete an assessment of potential for co-location of College of Design units on East Bank. This should include a study of multiple building options, program definition, test fit, and capital and operating costs. A similar assessment of CEHD units that would relocate to St. Paul (McNeal Hall), including program definition, test fit, and capital and operating costs, is recommended.

*Data from Fall 2017

College of Biological Sciences

Enrolled Student Headcount	2,458
Undergrad Student Credit Hours	46,035
Grad and Prfl Student Credit Hours*	3,927
Faculty FTE	104
Staff FTE	249

The mission of the College of Biological Sciences (CBS) is to improve human welfare and global conditions by advancing knowledge of the mechanisms of life through breakthrough discoveries and to prepare today's students to create the biology of tomorrow. The college offers eight undergraduate majors and five graduate programs.

With a high demand for admission, only 10 percent of the students who apply for admission are accepted into the college. Wet-lab facility availability, instructors and teaching assistant availability, and enrollment growth all place stress on basic sciences units that provide service courses to students, including math, chemistry, and physics.

Enrollment in the college's undergraduate programs is approved to grow from 2,500 today to 2,800. Longer-term growth may increase enrollment to 3,200 students. Hiring for 20 staff and 20 faculty will coincide with the increase in student population.

College of Food, Agricultural and Natural Resource Sciences

Enrolled Student Headcount	2,718
Undergrad Student Credit Hours	50,380
Grad and Prfl Student Credit Hours*	8,452
Faculty FTE	247
Staff FTE	755

The College of Food, Agricultural and Natural Resource Sciences (CFANS) consists of 13 academic departments and 10 research and outreach centers across Minnesota, plus the Minnesota Landscape Arboretum and the Bell Museum and Planetarium. The college offers degrees in 13 undergraduate and 13 graduate majors plus more than 25 minors.

The college's vision is to advance Minnesota as a global leader in food, agriculture, and natural resources through extraordinary education, science-based solutions, and dynamic public engagement that nourishes people and enhances the environment in which we live.

Undergraduate enrollment is anticipated to increase by over 500 students in the next 10 years. The estimated impact to the St. Paul campus is approximately 260 FYE students. No significant changes are planned for enrollment in graduate programs. Hiring of 27 new FTE Staff and 14 FTE faculty is projected.

*Source: Office of Institutional Research Employee and Student Headcounts and Student Credit Hours- Fall 2017

College of Veterinary Medicine

Enrolled Student Headcount	503
Undergrad Student Credit Hours	2,686
Grad and Prfl Student Credit Hours*	22,690
Faculty FTE	151
Staff FTE	525

The mission of the College of Veterinary Medicine (CVM) is to build a globally diverse and inclusive community to improve the health of animals, humans, and the environment. This is accomplished by discovering and disseminating new knowledge and skills, educating current and future veterinarians and scientists, and providing innovative veterinary services.

The CVM continues its focus on conducting groundbreaking and impactful research at the interface of humans, animals, and the environment.

There is increased emphasis on experiential learning, including active learning in smaller group settings, community-based service learning opportunities, and more hands-on clinical skills development.

The CVM program is anticipated to increase by 40 students over the next 10 years. Graduate student enrollment is anticipated to grow by 25 students. Approximately 50 new staff and 16 FTE faculty will be added.

College of Education and Human Development

Enrolled Student Headcount	4,823
Undergrad Student Credit Hours	90,823
Grad and Prfl Student Credit Hours*	32,665
Faculty FTE	152
Staff FTE	580

The mission of the College of Education and Human Development (CEHD) is to contribute to a just and sustainable future through engagement with the local and global communities to enhance human learning and development at all states of the life span.

CEHD is concentrated primarily in the historic Knoll district of the East Bank campus with select programs on the St. Paul campus. The St. Paul campus is home to the college's School of Social Work, the Department of Family Social Science, and five research centers.

Enrollment in Family Social Science is anticipated to increase by 50 students in the next 10 years.

CEHD plans to relocate two Minneapolis-based programs to the St. Paul campus. It is proposed that these units will occupy space vacated by the College of Design in McNeal Hall. Programs moving to St. Paul include the Institute for Community Integration, a research center currently located in Pattee Hall, and an academic unit, the Department of Curriculum and Instruction, currently in Peik Hall. Enrollment in Curriculum and Instruction includes more than 500 graduate students and approximately. 170 undergraduate students.

College of Continuing and Professional Studies

Enrolled Student Headcount	4,718
Undergrad Student Credit Hours	85,308
Grad and Prfl Student Credit Hours*	2,549
Faculty FTE	1
Staff FTE	201

The College of Continuing and Professional Studies (CCAPS) (formerly College of Continuing Education), provides high-quality continuing education and lifelong learning opportunities for professional development, personal enrichment, career transitions, and academic growth. The college primarily serves non-traditional students and adult learners. Through its offerings, CCAPS aims to be agile in response to changing workforce needs.

CCAPS serves undergraduate and graduate students working toward degrees or certificates with six undergraduate majors, six minors, and six master's programs across the Twin Cities campus. Many undergraduate students take coursework online or in Minneapolis. Graduate programs, administration, and staff are housed at St. Paul. The unique enrollment mix of students and non-traditional students in the college make predictions of enrollment growth challenging.

About 5,000 individuals participate in professional development courses annually, and the Continuing Education and Conference Center hosts about 60,000 people annually. The number of degree-seeking students is anticipated to grow between 10-15 percent over the next 10 years. The number of non-credit learners is anticipated to remain steady during that time.

University of Minnesota Extension

Enrolled Student Headcount	-
Undergrad Student Credit Hours	-
Grad and Prfl Student Credit Hours	-
Faculty FTE	-
Staff FTE	528

University of Minnesota Extension maintains a strong and vital presence throughout the state, taking research and education from the University into people's lives and addressing Minnesota's most pressing issues–water quality, food safety and security, childhood obesity, rural economic development, farm profitability, family finances, youth development, renewable energy, and natural disasters.

Extension partners with hundreds of local, regional, state, and national agencies and organizations to identify needs, discover solutions, and empower individuals and communities to make better decisions. Working in all parts of the state–urban, suburban, and rural–Extension provides the front door to the University for many Minnesotans.

The University of Minnesota Extension Dean's Office, as well as the associate deans for the four Centers (Agriculture, Food and Natural Resources; Family Development; Youth Development; and Community Vitality), the statewide Director for the Regional Sustainable Development Partnerships, and the Extension support units (Communications, Finance and Planning, Government Relations, IT, Human Resources, and International Programs) all reside on the St. Paul campus. This placement is extremely important to build, encourage, and maintain educational and research opportunities with partner colleges on the St. Paul campus, especially those with shared faculty. Extension has about 200 faculty and staff working on the St. Paul campus.

More than 65 percent of Extension's 800 researchers, educators, and community-based staff live and work in greater Minnesota. By locating faculty and staff throughout the state in 15 regional offices, 87 county offices, and at the University's research and outreach centers and campuses, Extension makes University research and knowledge readily available to the people of greater Minnesota. Extension's community networks enable citizens and stakeholders to provide feedback to campus Extension and research faculty, which leads to new research opportunities.

Campus Life

Average Daily Visitors (Weekdays)	2,486
Average Weekend Visitors	2,003
Average Annual Bookings	854
Annual Visitors	250,389

Student Center

Student Unions and Activities provides a place with convenient services for a diverse community to get involved, experience events, and develop skills to enhance the social, educational, and cultural environment of the University of Minnesota.

At the University of Minnesota , the first gathering place for students was Shevlin Hall (built in 1906) where women organized a meeting space for themselves, and the male students were granted space to house the beginnings of the Minnesota Union. The Farm Union and Village Union developed later to serve growing communities across campus. These buildings have since then been repurposed or closed. Today, Student Unions and Activities operates campus-life facilities in multiple locations including the West Bank Skyway and the students centers in St. Paul and on the East Bank.

The St. Paul Student Center opened in 1959 and is located across Buford Avenue from where the original Ag Union was located. St. Paul Student Center was built to serve the student population on the St. Paul campus, which was significantly smaller than the population on the Minneapolis campus. Construction started in 1958 and by December 1959 a few sections of the union were completed and occupied. The St. Paul Student Center was completed in 1960 and underwent a major renovation from 1978 to 1980 to double its space.

St. Paul Gymnasium

Annual Visitors	128,290
Annual Youth Program Participants	3,000

The mission of the University's Recreation and Wellness Department is to enrich the campus experience and encourage healthy lifestyles. The St. Paul Gymnasium supports fitness programs, youth programs, intramural sports, aquatic programs, and daily use by students, staff, and faculty.

Fitness programs which provide group exercise classes, personal training, and university fitness classes are convenient to St. Paul campus users, but limited in their offerings due to lack of multi-purpose space. Members report overcrowding prompts transfers to the East Bank center despite the inconvenience of travel.

Intramural sports, sport clubs, special events and rentals, and the membership base of students, staff, and faculty who use the space on a daily basis are all affected by limited space.

Overcrowded conditions at the St. Paul Gym also affect daily users and summer youth programming. Currently the St. Paul Gym youth program summer day camps host 2,800 to 3,000 participants per 10-week session each year. Participants in Minnesota

Sport Schools, Kids' University, and Discovering U spend approximately two to three hours each day in their specialty area with the remainder of the day spent in recreational activities. There are currently 24 University partners and an additional 28 community partners who support the program. Waitlist- based demand from an additional 600 to 1,100 children suggests that expanded facilities to support these programs could be successful. In their current configuration, youth recreation programs are a revenue generator for the department.

Libraries

Location	Print Volumes	Annual Visitors
Magrath Library	430,000	140,851
Natural Resources Library	115,000	18,070
Vet Med Library	69,000	17,300

The University of Minnesota Libraries system has a rich history serving the classic roles of providing collections, tools for information access, and services in support of teaching, learning, and research. There are currently three libraries on the St. Paul campus: the C. Peter Magrath Library , the Natural Resources Library , and the Veterinary Medical Library. The three locations offer a vibrant, ever-expanding set of information services and resources to students, faculty, and members of the greater community.

Current physical library facilities have not benefited from updates in many years, and are suffering from significant collections overcrowding, thereby reducing the space available to users. If additional collections storage space were to be created, the Libraries system envisions transforming some of its spaces currently occupied by collections into highly utilized contemporary learning and scholarship spaces that will be vibrant hubs for student engagement and academic success.

Graduate students are the heaviest users of print materials, accounting for 34 percent of all circulation, followed by faculty and staff at 27 percent, and undergraduates at 23 percent.

Consistent with the University's land-grant status, the Libraries system also welcomes and supports the research of non-University users; 11 percent of St. Paul Libraries workstation logins in FY2017 were from non-University visitors. In FY2017 the St. Paul libraries led 162 course-integrated sessions, 42 workshops, 7 community outreach events (science research training for middle schoolers, Friends of the Libraries events on environmental and agricultural topics, etc.) and 8 orientations and tours. More than 6,000 individuals participated in the events.

Housing

Bailey Hall

Bailey Hall on the St. Paul campus was built in two phases (1956 and 1978). The total standard capacity in Bailey Hall is 505 beds, with a total room count of 241. Approximately 97 percent of students living in Bailey Hall are new incoming first-year students. The remaining three percent of students include upper division students and new transfer students. Bailey Hall currently provides six Living Learning Community options for students.

Historically, Bailey Hall has not been a preferred housing option for first-year or returning students. Incoming first-year students have the opportunity to indicate their six highest preference residence halls on their housing application. Very few students (typically 70 to 80 per year) select Bailey as one of their top six preferred halls. Additionally, the largest number of housing assignment complaints received come from students who are assigned to Bailey, with approximately 40 to 45 percent of first-year students requesting a hall change after receiving their housing assignment.

The University's goal of accommodating 90 percent of all incoming first-year students in University housing requires the ongoing use of Bailey Hall, as the 505 beds are a critical component of the University's housing supply. Until the West Bank and East Bank housing supply allows for all incoming first year students to be housed in Minneapolis, Bailey will need to house incoming first-year students.

In conjunction with the University's housing supply on the Minneapolis campus, Bailey is needed to achieve the University's goal to accommodate 90 percent of the total first-year student population in campus residence halls, 25 percent of second-year students, and 10 percent of new incoming transfer students.

Student Preferences and Concerns

Surveys conducted by Housing and Residential Life suggest that most first-year students would prefer to live on the Minneapolis campus where there is a wider range of student activities and amenities. The consistent perception in the survey responses is that the St. Paul campus does not serve the majority of the first-year student population, and does not contain the appropriate unit typology to serve the upper division and graduate students who would be interested in living on the St. Paul campus.

The primary student concerns about being assigned to Bailey Hall include the following:

- Co-location with peers –All other University-managed or -owned residence halls and apartment facilities are located on the East Bank campus, with one residence hall located on the West Bank campus. Bailey students indicate they feel isolated, and don't feel part of student life on campus.
- Extra travel time is required to attend classes on the East or West Bank

- Lack of Social activities and events are lacking on the St. Paul campus.
- Off-campus dining and shopping options within walking distance of campus are limited.
- Weekend hours for the Campus Connector are an issue.

Commonwealth Terrace Cooperative

Land area: 42 acres

Housing density: 11 units/acre

Building Type	Total Units	Total Buildings
2-Bedroom Buildings	202	28
1-Bedroom Buildings	160	20
2-and 3-Bedroom Buildings	102	9

Commonwealth Terrace Cooperative was built in four phases between 1954 and 1978, and is comprised of 464 units in 58 buildings. A community center is located on the site and houses a community child care center, managed through a service agreement between Commonwealth Terrace Cooperative and the child care provider.

The maximum capacity of Commonwealth Terrace Cooperative is 1,560 residents. Individual unit occupancy varies by family composition, and is estimated at 1,100 - 1,500 adults and children at any one time. It is the oldest family student housing facility and cooperative at the University. Residency is limited to seven years.

Commonwealth Terrace Cooperative maintains high occupancy and is an attractive option for students, especially international students with families. Cost and the family-friendly environment-including the community center, green space, and playground-are key factors for students choosing to live here. Future redevelopment will incorporate housing options the address needs of graduate and professional student family housing.

Off Campus

The St. Paul campus is surrounded by Minnesota State Fair property to the east, Falcon Heights to the north and the St. Anthony Park neighborhood of St. Paul to the south and west. The majority of residential properties in the neighborhoods are single-family homes.

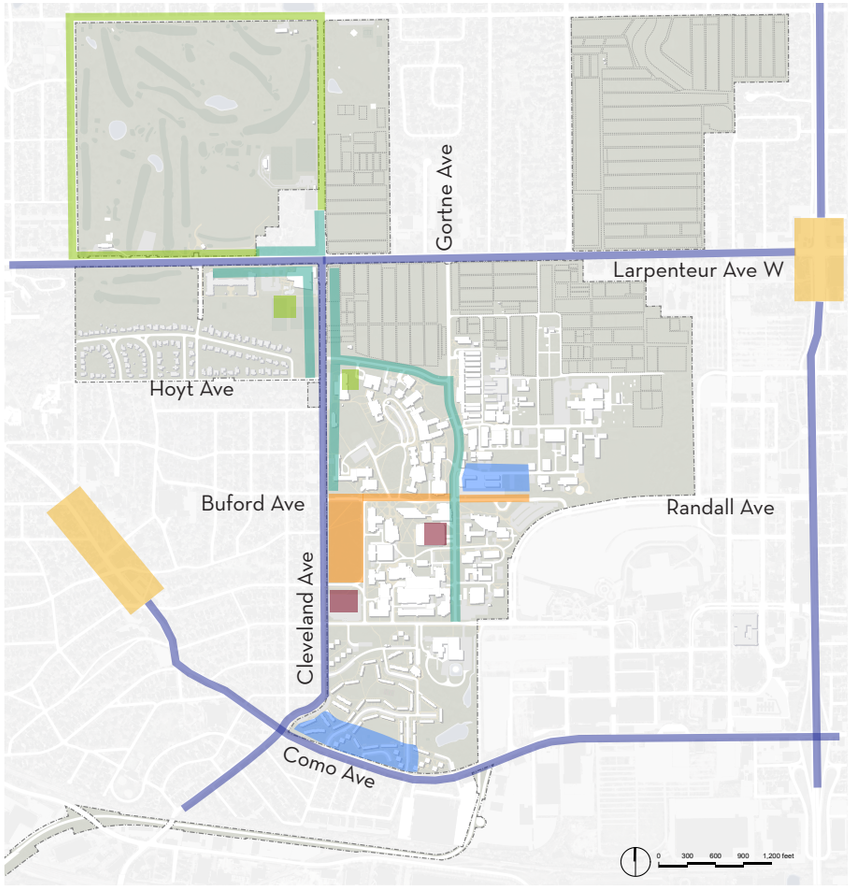


Figure 16: Community Destinations

Some off-campus, privately-owned housing is available near the campus for student rentals. Options include traditional apartment dwellings, single-family or duplex homes, and fraternity and sorority houses along Cleveland Avenue. Rental housing markets are changing in the adjacent neighborhoods. The St. Anthony Park neighborhood expressed goals to support the development of affordable housing in its Proposed Addendum to the St. Paul Comprehensive Plan (final draft May 2018).

There may be additional opportunities in the future to support established demand from students and staff based on the St. Paul campus in the surrounding neighborhoods.

Space Summary

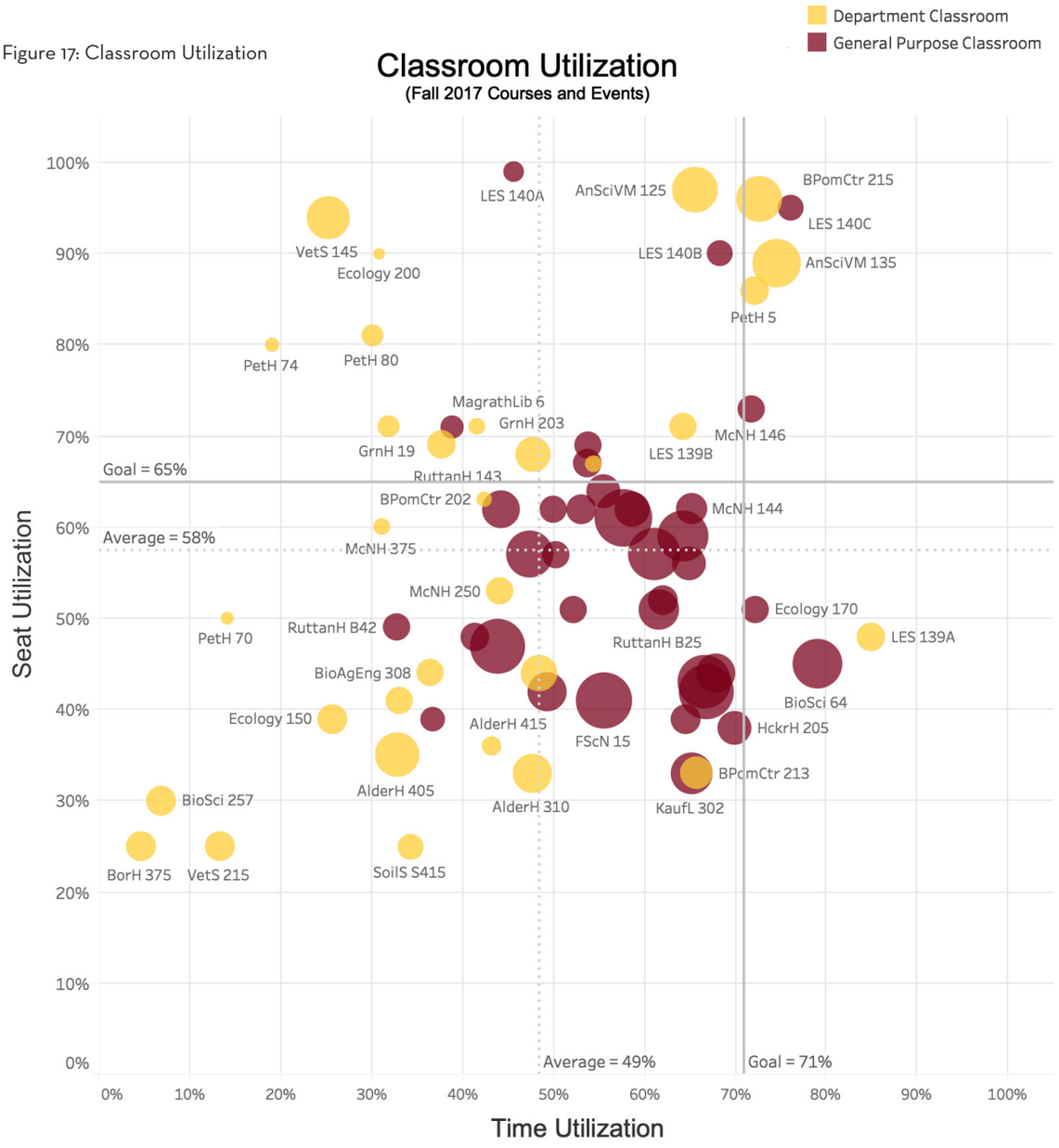
The analysis of space needs examined instructional space utilization at the St. Paul campus, as well as research space and office needs.

Instructional Space

The purpose of the instructional space utilization assessment was to gain a common understanding of existing instructional space use through an examination of current classroom and lab space utilization, as well as the fit of the current room supply to courses delivered.

- The utilization and right-sizing assessments were based on fall 2017 course schedule data, and a 45-hour academic week, from 8 a.m. to 5 p.m., Monday to Friday.
- The analysis included all instructional space on the St. Paul campus.
- The Office of Classroom Management's (OCM) classroom utilization goal is 71 percent. Classroom utilization is calculated by dividing the total hours a classroom is scheduled by the total hours the

Figure 17: Classroom Utilization



classroom was available. Seat utilization is the average percentage of seats occupied in the classroom when the class is in use. OCM's seat utilization goal is 65 percent.

Based on a review of OCM Management scheduling data, it is estimated that 2,100 - 2,300 students are scheduled to be on the St. Paul campus during peak hours. Peak hour, in departmental and general-purpose classrooms generally occurs on Wednesdays and Thursdays around noon. This represents a relatively small student population dispersed across the campus, with major concentrations of scheduled activity in Ruttan Hall, McNeal Hall, Biological Sciences and Animal Science / Veterinary Medicine. The peak-hours population is an important consideration given the desire to make the campus a more vibrant place, and to ensure that a wider range of amenities and food services can be supported.

The analysis found that most classrooms fall below the utilization target range with an average overall utilization of 49 percent; however general-purpose classrooms show greater utilization at 84 percent during peak periods. Seat utilization is higher on average in departmental classrooms, at 73 percent compared to general-purpose classrooms at 52 percent.

The analysis also found that biological science and design labs operate at or above the utilization target of 18 to 24 hours per week, but that most labs fall below target of 80 percent. However, lab configuration or specialization may require lower utilization targets in some disciplines.

The CEFPI national space planning guidelines recommend an average lab utilization target of 25 percent - 50 percent depending on the type of lab. Labs that can accommodate more diverse course offerings, such as computer labs, generally record utilization rates towards the higher end of the range, while labs with highly specialized equipment, such as science labs, tend to record utilization rates at the lower end. In recent years, there has been a move towards more flexible labs that can accommodate a range of course types, yielding higher overall levels of utilization. However, these labs typically require more generous support spaces for equipment storage, and set-up and clean-up between courses

Research

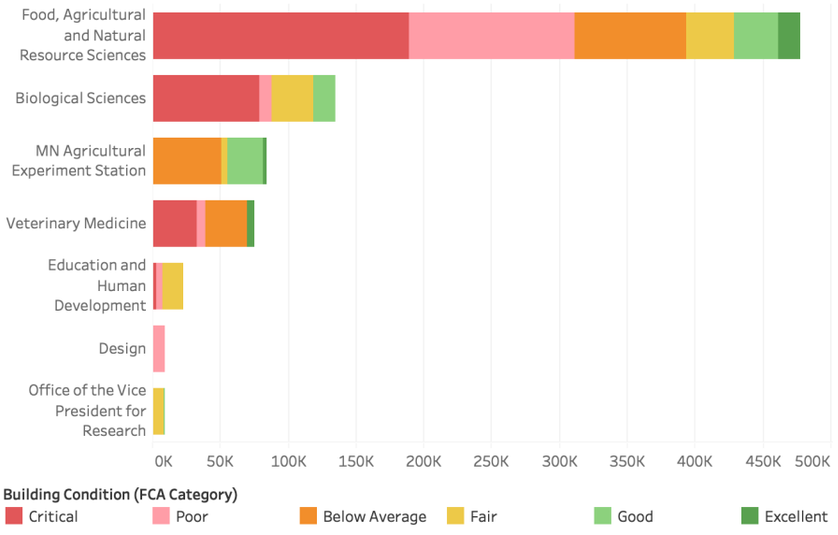
The built environment for research on the St. Paul campus comprises a variety of spaces from modern, flexible laboratories and BSL-3 environments to field support structures and animal barns. Research activities, including departmental research, organized research and sponsored research, occupy more than one third of the built environment in St. Paul compared to only 17.4 percent in Minneapolis.

Research laboratories comprise 24.5 percent of the space on the St. Paul campus, excluding residential.

This concentration reinforces the role of the St. Paul campus as a key center for University research activity and is unique among Big 10 institutions. Space data from Big 10 institutions collected in 2017 shows research laboratories as a share of non-residential space in the range of 9 to 20 percent.

Data was not available at the time of this study to assess the productivity of research space on the St. Paul campus. Typical measures of research productivity include grant awards and research expenditures per square foot of built research environment. In the case of the St. Paul campus, the utilization of land area is an additional element necessary to a complete understanding of the research environment. A review of research productivity will be an important component of future planning initiatives

While St. Paul buildings contain less than one third of all research space across the Twin Cities campus,



Source: U-Space extract 01/29/2019. FCA Data 2018. Includes St. Paul campus space in function codes 21 Organized Research, 22 Departmental Research and 23 Sponsored Research assigned to CFANS, CBS, CVM, CEHD, CDES, CCAPS, MAES and OVPR.

St. Paul accounts for 45 percent of research space in poor or critical condition buildings. Key laboratory buildings including Biological Sciences and Gortner Laboratory for CBS, Animal Science / Vet Med for CVM are in critical condition. These facilities are integral to the research mission of the colleges.

The total area of the CFANS research portfolio in critical condition exceeds the portfolio of research space for any other St. Paul college. Addressing the needs in poor and critical condition research buildings, especially in the upper campus area will be a focus of study following this strategic facilities plan.

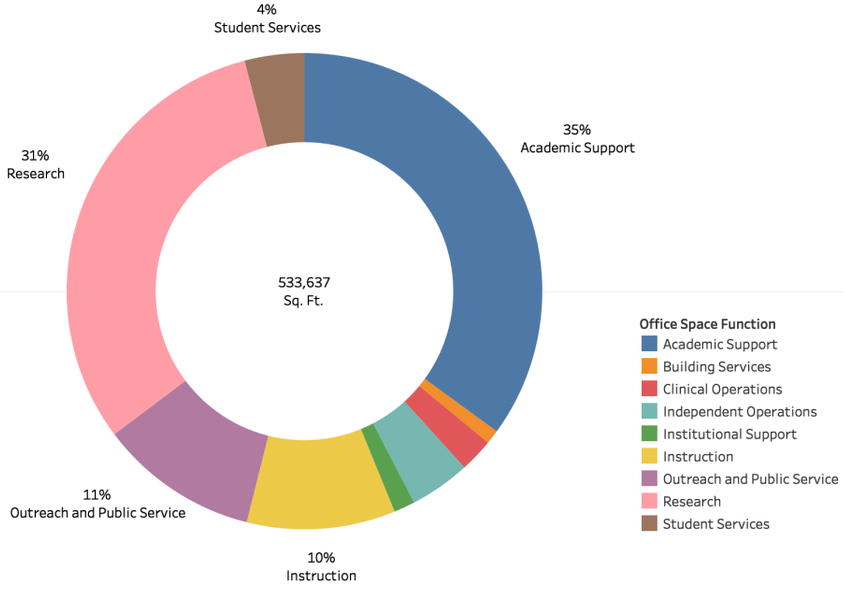
Office

Office space comprises approximately 534,000 square feet of non-residential space on the St. Paul campus. At nearly 25 percent of the built environment, office space requires considerable inputs of energy to heat and cool as well as funds to maintain. Research activities and academic support are the primary drivers for the use of office space on the St. Paul campus.

Rethinking the workplace, through efficiency, teaming and culture can help advance the teaching, research and outreach mission of the University. By aligning the configuration of space with the activities and functional needs of individuals and teams, unnecessary space can be eliminated and the overall portfolio reduced on a per-person basis. The ability to collaborate should be made easier by providing more ready access to the kinds of spaces people need with easy-to-use technology consistently embedded in them. The future University workplace should help build community among students, staff and faculty with improvements to promote psychological and physical well-being.

University Design Guidelines approach space optimization through uncovering then solving the specific problems of the University in the 21st Century. The guidelines offer flexibility and choice in the creation of new workspaces and provide for spaces that are task-oriented rather than hierarchical. Key considerations in the design of new workspace include the need for privacy, areas for collaboration, and opportunities for spontaneous interaction. Workstyles such as “Mobile,” “Resident,” describe how people work and the types of space best suited to support that work.

Further consideration needs to be given to how well Office space in St. Paul is utilized throughout the year.



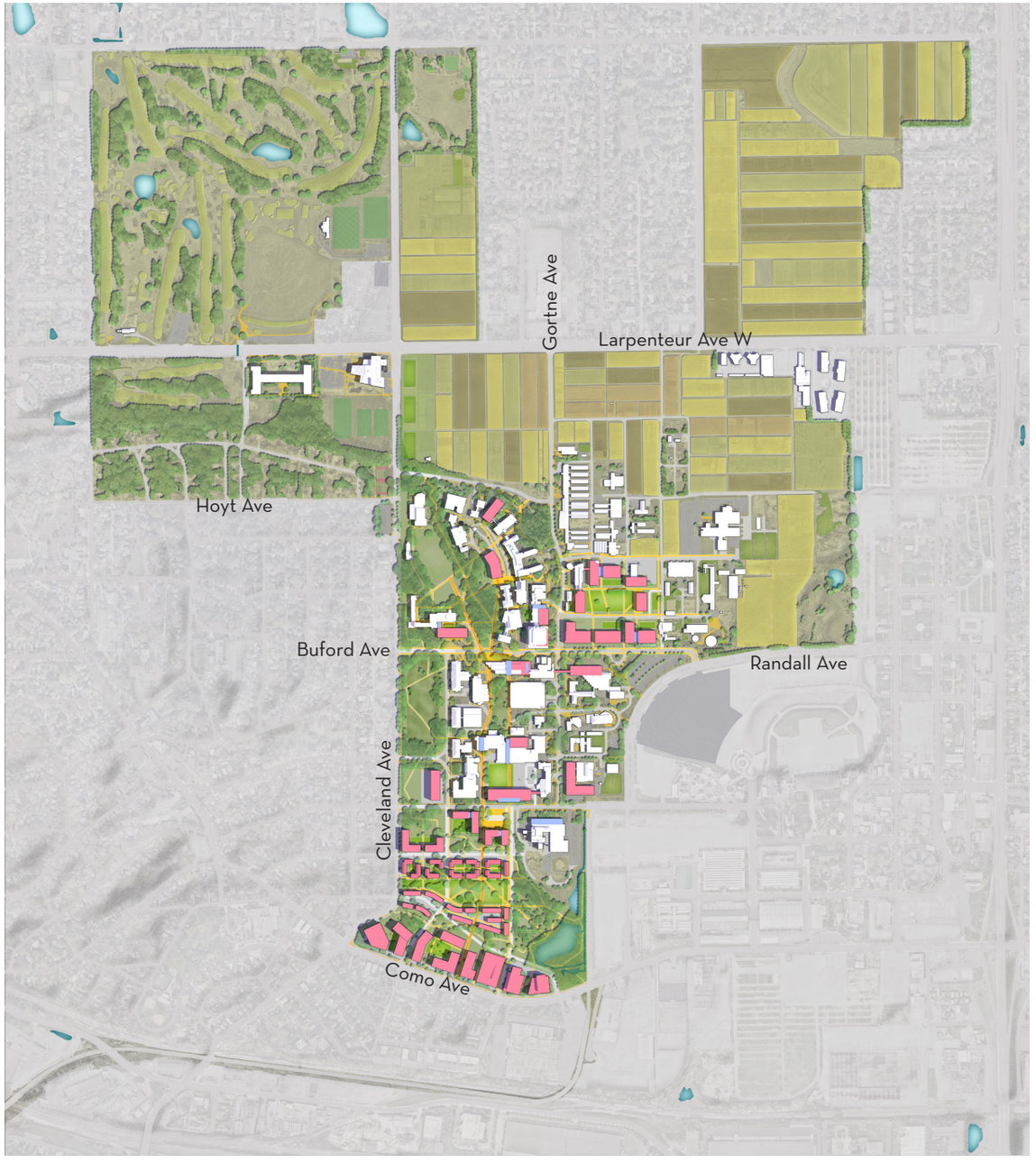


Figure 18: Plan Framework

4: Plan Framework

Plan Principles

The Strategic Facilities Plan defines objectives and principles to guide the evolution of specific zones, and the campus as a whole. The plan will be used to guide investments in building renovation and potential new construction as well as open space, public art, parking, and transit investments, as examples. The plan principles were developed in response to the core values and aspirations embedded in the mission and vision. Each of the recommendations for change associated with commitments to the future of the St. Paul campus can be categorized into one of these principles which in turn will influence project scoping, stakeholder engagement, and decision making.

1. Create a discovery district focused on food, water, and the environment.
2. Promote regenerative campus design.
3. Reuse existing buildings in support of the academic and research mission.
4. Maintain an ecosystem of buildings—a system where activities in one building contribute to collaboration and innovation in adjacent buildings.
5. Support interdisciplinary research and innovation.
6. Create experiential learning and public engagement environments.
7. Locate collaboration and social hubs to serve a variety of population groups.
8. Establish a destination for University of Minnesota students and the broader community.
9. Construct catalyst projects and quick wins.
10. Maintain and enhance the agricultural land of the campus.

Plan Concepts

North/South Corridors

Figure 19: North/South Corridors

The circulation and open space structure of the campus consists of a series of landscape and circulation spines. Three north-south circulation themes are introduced, building upon existing street and landscape corridors present on the campus. These include the Cleveland Avenue community spine, the Gortner Avenue research spine, and a new central or academic spine, passing between the two east and west boundaries.

The community spine connects the new Bell Museum, at the corner of Larpenteur and Cleveland Avenues, to the established core of the campus by means of improved sidewalks and the streetscape along Cleveland. It extends the positive landscape qualities of the Lawn to the south connecting with the Sarita Wetlands in the southeast corner of the campus with the intent of providing an organizational concept, for the potential redevelopment of the Commonwealth Terrace Cooperative site.

The research spine follows Gortner Avenue extending from Larpenteur to Commonwealth. New gateway features and an enhanced streetscape are imagined along this corridor.

The alignment of the central academic spine is informed by various components of the central open space structure and internal roadways of the campus. It consists of two parallel pedestrian routes and is introduced to provide better north to south pedestrian connectivity between the Veterinary Medicine Complex on the south and research areas north of Buford Avenue. The idea is to enliven the central spine as an arts walk by including sculpture and amenities related to the mission of the St. Paul campus.

The eastern pathway of the central spine alignment connects the Veterinary Medicine Complex with McNeal Hall. It follows existing pedestrian routes and, where needed, moves through buildings to facilitate north-to-south and exterior-to-interior movement. It includes concepts for moving north to south through the Veterinary Medicine Complex and through the Magrath Library. In both instances, interior reconfiguration of the buildings is proposed to accommodate circulation and to introduce new spaces in response to academic, research, and collaboration needs.

The western pathway of the academic spine connects the Bell Museum and the St. Paul Gymnasium to Como Avenue. It is primarily an exterior route with one internal segment passing through the Animal Science/Veterinary Medicine Building.

Civic Spine

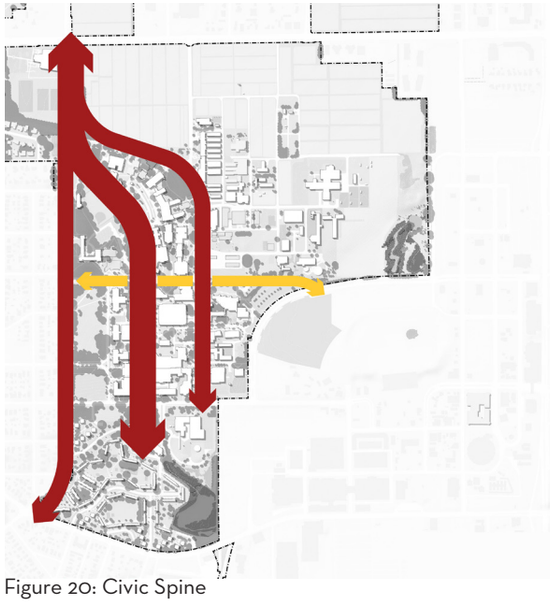


Figure 20: Civic Spine

Buford Avenue, the main east-west route at the midpoint of the campus, is reimagined as a main street or civic spine of the campus featuring new development and streetscape improvements. Buford Avenue would be reconstructed to support all types of traffic (vehicle, transit, bikes, and pedestrians). Its location at midpoint of campus, when combined with a different physical character, will enhance the pedestrian experience and unify the campus. It connects the Cleveland Avenue gateway to the Continuing Education Complex on the east side of campus. It will remain the key transit corridor through the campus with an enhanced transit node near the central spine (Magrath Library/McNeal Hall area) to support passenger waiting and student amenity spaces.

Partnership Districts

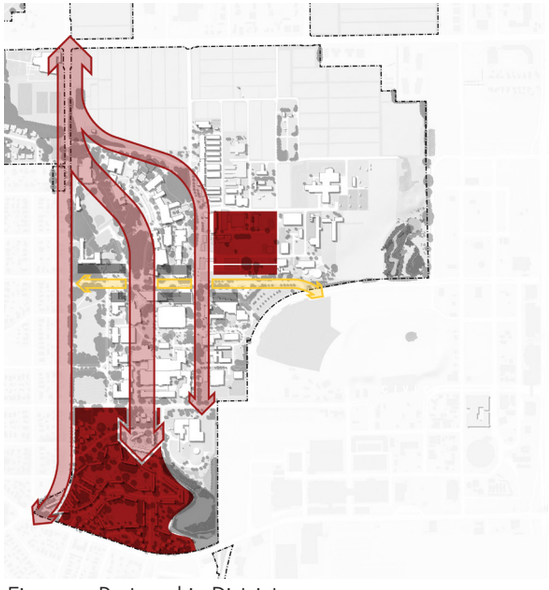


Figure 21: Partnership Districts

Research

This area of the St. Paul campus is targeted to engage local businesses, industry partners, nonprofit organizations, and other private organizations with programs and colocation opportunities. These activities will occur when they expand and align with the teaching, research, and outreach activities unique to the St. Paul campus. Examples of such activities could include supporting start-up and research initiatives or specific processing, prototyping, manufacturing, and other to-be-defined activities with a strategic relationship to the University's mission.

Community

Mixed-use development can be explored with non-University partners to achieve essential objectives related to affordability, financial stability, and quality of life. The University's goals for maintaining a family student housing community may be aligned with the addition of mixed uses including retail and other services. Development would not move forward until essential objectives can be met.

Strategic Additions and Renovations

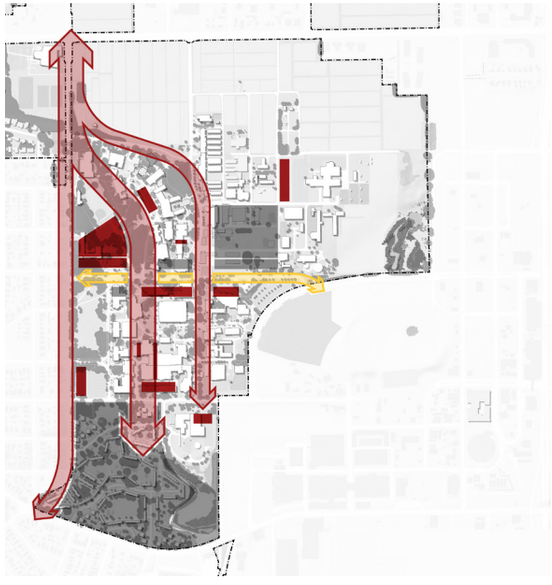


Figure 22: Strategic Additions and Renovations

Building renewal and new construction are considered part of a coordinated approach to solving complex and complementary space needs.

The plan calls for a limited number of single-purpose, newly constructed buildings. The larger share of University-assigned capital investment will be directed to multipurpose buildings that are shared by departments and closely aligned with core mission activities. Initiatives that prove their ability to creatively join education, research, and outreach, and catalyze renewal in existing structures are most likely to succeed, and will have the greatest impact.

Renewal

Investment in the renewal of buildings on the St. Paul campus is assumed to continue, informed by the University's building-by-building strategy tool. In considering future renovation, a comprehensive approach should be developed to facilitate the relocation of programs and units and to renovate entire floors of existing buildings.

The decision to renovate and renew facilities should consider the following:

- The historic value of the building,
- The condition and suitability of the space for current activities,
- The intrinsic adaptability of the building to varying degrees of rearrangement
- The cost of renovation versus the expected life of the building and long-term maintenance costs

New Construction and Additions

The decision to build new or expand existing facilities should consider the following:

- The complexity or cost of renovating existing buildings to achieve the program objectives, provide some degree of adaptability to the space, and meet University sustainability and design guidelines
- Options to enhance utilization or renovate existing to better suit needs, before building new space.
- The potential to demolish existing facilities of comparable scale to avoid creating unnecessary surplus space
- Strategic Facilities Plan goals to preserve open space and agricultural research, and topographic, open space, and access conditions

Demolition and Removal

Buildings that are rated poor or critical condition, and are obsolete in their design with little reuse potential typically bring significant financial and operational burden to the University. Removing these buildings is a critical component of the University's sustainable financial capital investment strategy. All activities currently located in buildings targeted for demolition will be accommodated in new or renovated space on the St. Paul campus.

The decision to demolish facilities should consider the following:

- The historic value of the building
- Physical, environmental, and adaptive reuse potential, including financial ROI
- Overall building condition and performance, with particular attention to buildings in poor or critical condition
- Opportunities to reduce long-term operating costs and capture savings
- Potential to achieve academic goals, improve space relationships among buildings, and enhance appreciation of natural features.

Leveraging Landscape

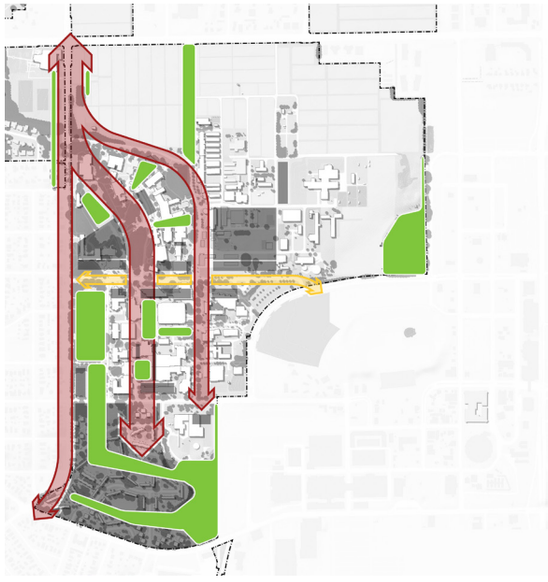


Figure 23: Leveraging Landscape

Existing Open Space

The St. Paul campus is characterized by its well-preserved open spaces. The Strategic Facilities Plan maintains and enhances these popular areas, including spaces such as the Lawn, Borlaug Woods, and the horticultural garden. The research land, forests, lawn, and hydrology of the St. Paul campus defines the open space structure.

Research Lands

The Unique Identity of the St. Paul Campus.

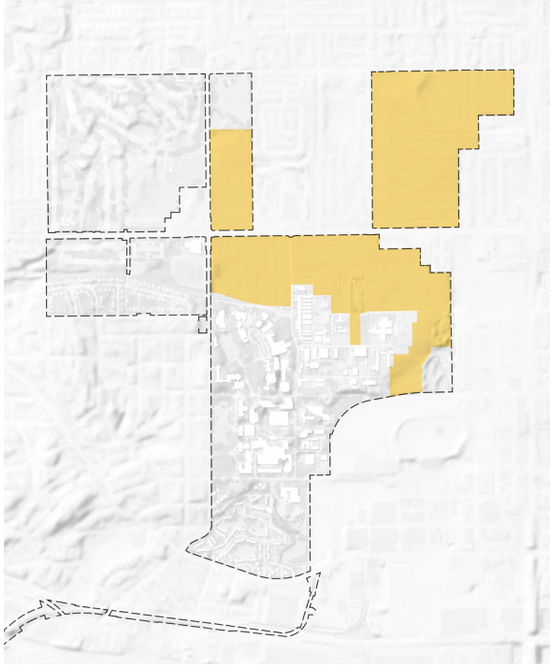


Figure 24: Research Lands

Based on soil condition mapping, these lands are highly productive and valuable for ongoing research. They also serve longitudinal research value stemming from their use for research since the Agricultural Experiment Station/University Farm was established in 1882, with a purchase of 155 acres. This quality and area of arable land within a metropolitan area is a remarkable asset, which creates a unique opportunity for the institution to advance its land-grant mission in fields related to food, agriculture, environment, and education.

Gardens that serve important cultural and outreach purposes are another important feature of the St. Paul campus. These areas include the Demonstration Garden, the Native American Medicine Gardens and

the Student Organic Garden (Cornucopia), and are identified in the plan as acreage that should remain undeveloped, due to their contribution to campus life.

Review of current cultivation needs concluded that all mapped research plot acreage is required to sustain the current field-plot requirements among researchers. The same is true for animal housing supporting related research. However, some lands not in use for research are considered less critical to the University's core mission.

Forests

The Lungs of the St. Paul Campus

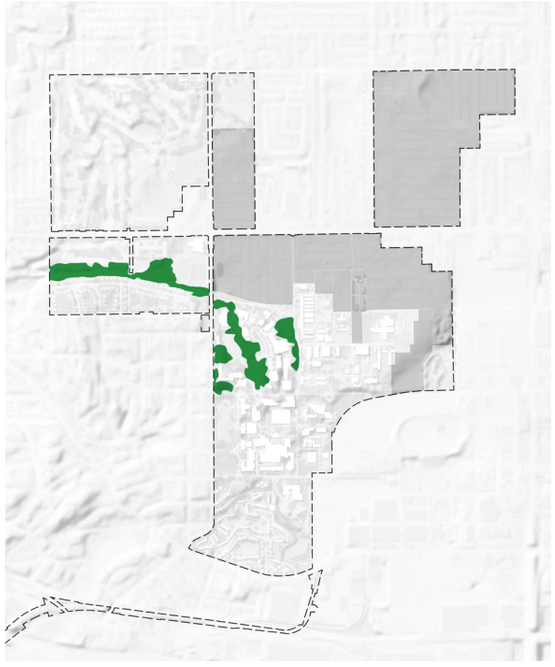


Figure 25: Forests

The last area of undeveloped woodland on the campus stretches from the northwestern edge of the campus, close to the old streetcar route, to the Sarita Wetland at the south edge. Some of these forested areas have not been touched by development to date and hold both ecological and aesthetic value. As an integral feature in support of teaching and learning mission, they also hold research and educational value.

Lawn

The Social Life of the St. Paul Campus

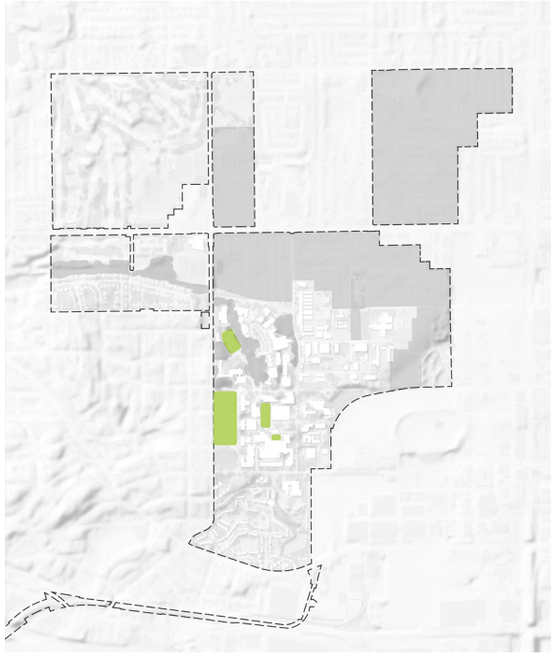


Figure 26: Lawn

The formal open spaces of the Lawn and the Bowl date back from the original plans for a village called St. Anthony Park, prepared in 1874 by Horace W.S. Cleveland. This site was acquired for University purposes in 1881, and further developed by through the 1930s, as both the City of St. Paul and the village of St. Anthony continued to evolve around it. The development of formal open spaces, at the Bowl and the Lawn, reflects the aesthetic of campus development initially defined in 1910, and increasingly refined through the 1930s. The contrast between the carefully cultivated Lawn or Bowl, for recreation and passive viewing, and the beaux arts architecture of surrounding buildings, including the St. Paul Gymnasium, Coffey Hall, Biosystems and Agricultural Engineering, and Haecker Hall, creates a memorable architectural and landscape experience.

As a landmark for events and a signature entry from the community corridor along Cleveland Avenue, the Lawn will continue in this function to support activities that are directly tied to the vision and mission of the St. Paul campus.

Water

The Hydrology of the St. Paul Campus

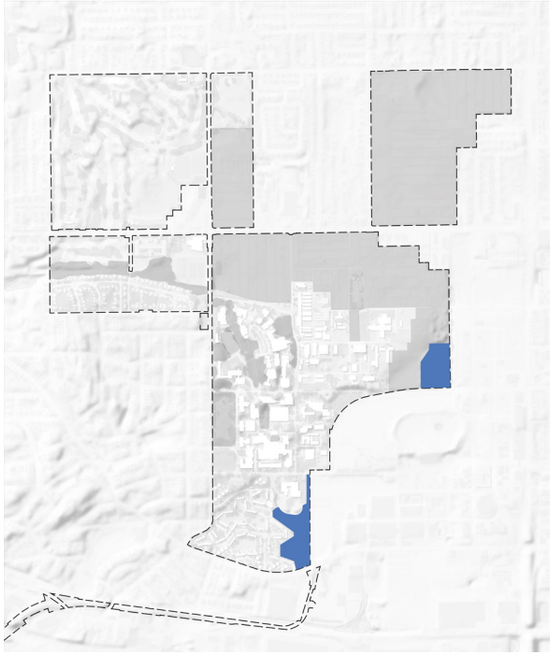


Figure 27: Water

Engineered water features are some of the most recent additions to the campus landscape and open space framework. Visible stormwater management

features along Gortner Avenue help to communicate best practices to the University community.

The link to larger bodies such as Sarita Wetland have value that is functional, regulatory, and educational. While the need to treat stormwater and surface water is defined by state policy and a thoughtful engineering response, the design and development of these features is informed by art and social interactions.

In the case of the Sarita Wetland, the plan recommends enhancing the ecological conditions and accessibility of the Sarita Wetland with the goal of increasing use of the wetland area for educational, research, and passive recreational use, including walking and jogging pathways. As part of the greater vision for the redevelopment of the Commonwealth Terrace Cooperative, significant improvements to the Sarita Wetland would increase accessibility and enhance its role as an amenity for the campus and broader community.

Demonstration and Interpretative Planting

The distinctive landscape of the St. Paul campus can serve as a demonstration tool to make the campus setting more engaging, educational and attractive. A few strategic locations are identified for this treatment.

The first opportunity is developing a crop quad of small test plots in the informal open space just north of the Ben Pomeroy Student-Alumni Learning Center, adjacent to the centrally-located Gortner Avenue parking facility. Another location with potential is on the 'shoulders' of primary entry corridors to campus, along Gortner and Cleveland Avenues. With these central locations, these plots make a bold statement about the future of agriculture on the campus, as well as the University's commitment to the State of Minnesota.

Other opportunities to incorporate agriculture into the social hubs of the campus may include hydroponics in prominent gathering spaces on campus such as the St. Paul Student Center, or test kitchens with campus-grown produce, given the increasing popularity in food science and nutrition programs. Wellness programs that can be hosted in the natural surroundings of some of St. Paul's most unique features (forest, lawns, and waterbodies) are a prime example of managing the landscape and experience of place to advance the vision and mission of the St. Paul campus.

Arts Walk and Other Programming Opportunities

Campus life can be enriched by building on the presence and iconic status of public art on campus, such as the Lawn's bull sculptures. The arts walk along the academic pedestrian spine, will strengthen the open space network and serve as an opportunity to celebrate the themes of food, water, and the environment through pieces of art or interpretive signage. The walk could also increase the visibility of academic work and research around campus.

The Strategic Facilities Plan identifies several opportunities for programming open space across campus to create a variety of memorable spaces. Ideas range from organizing a communal meal on the Lawn highlighting the crops grown on campus, to investing in winter landscapes and art installations to celebrate the region's seasonality and increase campus activity in the colder months.

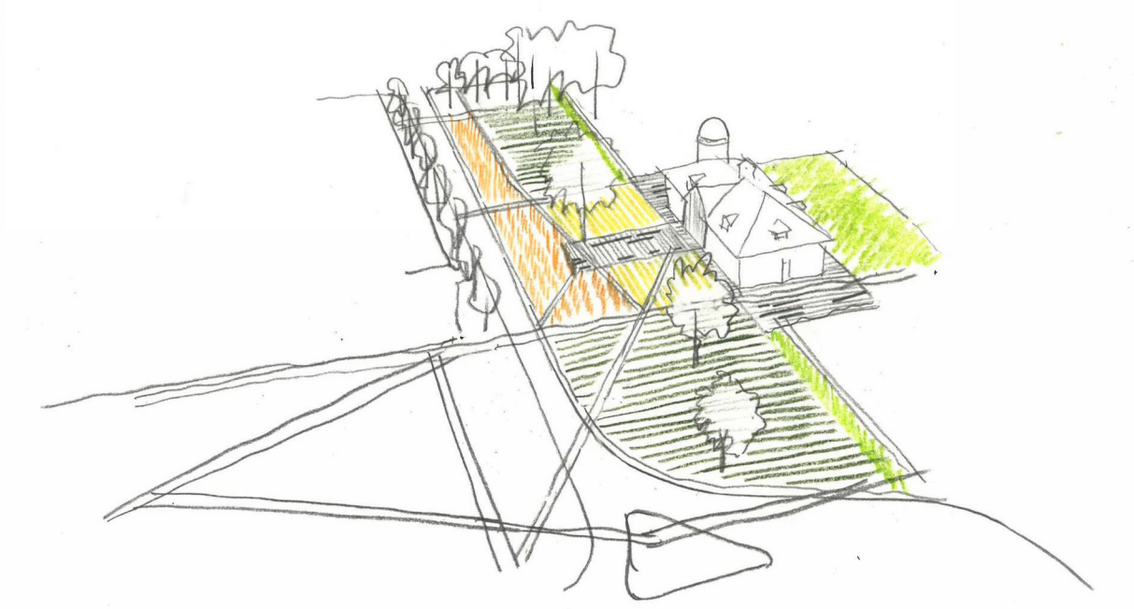


Figure 28: Potential "Crop Quad"

Figure 29: Arts Walk Precedents

Figure 30: Illustrative Framework Plan

5: Physical Plan

How Will the Plan Be Used?

The Strategic Facilities Plan will provide guidance about the physical qualities of the St. Paul campus that will enable decision-makers to define the appropriate response to changing needs and circumstances as the mission and specific needs of the University evolve over time. As a framework, it does not commit to specific projects with defined square footage and capital costs or timelines. The objectives and opportunities for change described in this section are intended to provide flexibility and consistency as to how the campus vision and mission will be realized, based on an informed and integrated understanding of the physical systems and uses of campus land, buildings, landscapes, and infrastructure.

Land Use and Circulation

Research Protected Land

Key areas of the campus that are dedicated to research or part of the open space structure should remain free of development. Strategic enhancements and interventions can be considered, as long as they improve the quality of these spaces and do not detract from their function and purpose.

Flat topography and soil conditions make the land suitable for agriculture. Over the years, the land has been divided into the active research parcels that are present on the campus today. The proximity of these parcels relative to research laboratories and the student population makes this land tremendously valuable to the mission of CFANS, CVM, and other colleges with land or horticulturally based research. It is recommended that this land be protected from future development that is not related to agricultural and veterinary uses.

Today there are over 180 acres in active research over the campus, plus an additional 55 acres in support functions, such as animal housing, storage, and forage production. This land is divided into research plots assigned to individual research projects and colleges. The land hosts a mix of both conventional and organic production systems. Typical cultivation in the plots include traditional Minnesota crops like corn, soybean, wheat, barley, and alfalfa, as well as more specialty crops including tomatoes, peppers, and industrial hemp.

Iconic Open Space

The St. Paul campus is noted for its vast areas of open spaces and naturally occurring features, such as the edge of existing bluffs, wooded ravines, or the restored Sarita Wetland. The rolling topography of the campus heavily influenced the first arrangements of buildings, which were located on a ridge facing the area known today as the Lawn. Later 19th-century buildings were sited on the ridge to the north oriented towards the Bowl. These iconic open spaces provide a grounding for all of the principal purposes of the University and should be held as open spaces in perpetuity.

Athletics and Recreation

The golf course occupies approximately 135 acres in the northwest quadrant of the St. Paul campus. It serves as a recreational and athletics destination for cross country teams as well as golf teams. The land and buildings support daily practices and regular events. Women's soccer is established at Robbie Stadium, and is also used for training and events during soccer season. Recreational and athletics uses are expected to contine, as the underlying soil conditions and the topography of the golf course land suggest this site is not optimal for agricultural purposes.

Animal Teaching Facilities

Future animal teaching and housing facilities should be maintained on the St. Paul campus To that end, a site for new animal teaching facilities is identified on land directly south of the Leatherdale Equine Center parking lot. Future programming and planning are required to determine the type, size, and configuration for the facilities.

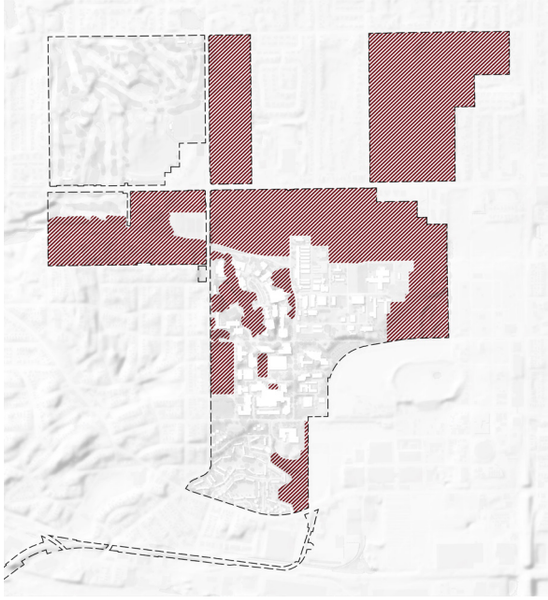


Figure 31: Protected Land and Open Space

Circulation

The Strategic Facilities Plan concepts emphasize continued investment in existing travel corridors used by pedestrians, bikes, vehicles, and transit, and the development of new paths such as the central academic spine. Service corridors that support building use, such as deliveries, will also be maintained. A minimal number of changes are expected to the street network in St. Paul, due to the limited growth scenario and the topography and nearly fully-developed status of the core campus.

To support evolution of the campus, amenities such as convenient parking, attractive human-scaled pedestrian environments, connections between buildings auch as tunnels or skyways where appropriate, and comfortable transit waiting facilities are all anticipated as part of ongoing investment in the St. Paul campus.

The three primary corridors-community, research and academic-will be strengthened wherever a concentration of activity occurs, such as a cluster of-high occupancy research buildings and around the St. Paul Student Center or Continuing Education and Conference Center, which offers on-campus food, retail, social, and study space destinations. As time passes, these corridors should maintain patterns of investment around key paths to maintain vibrancy, support foot traffic, and improve the quality of the walking experience.

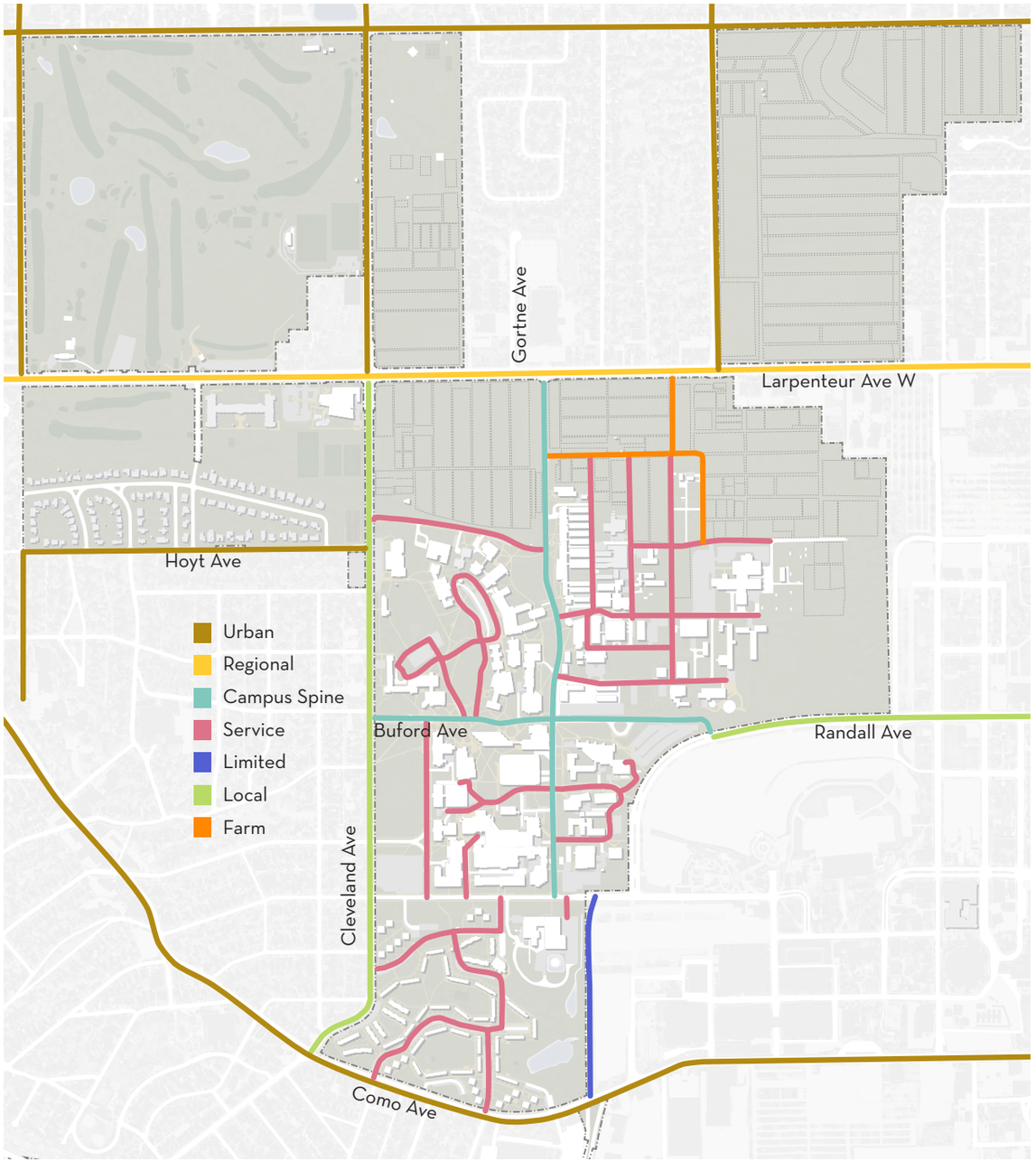


Figure 32: Road Types

Campus Opportunities

The following opportunities for change are examples of solutions to current and future campus needs. These concepts are intended to provide flexibility and consistency as to how campus vision and mission will be realized. Projects will be implemented in accordance with the University's capital improvement processes.

Campus Core

Buford Avenue is the east/west civic spine of campus. With strong anchors at either end, and student life, transit, and community amenities concentrated throughout, Buford will continue to serve as a gateway. Needed investments will transform this corridor into a 'complete street', with planting, pedestrian accommodation, and vehicle, transit, and bike facilities that encourage all forms of mobility and balance improvements to support all modes of travel.

Within the campus core, change is identified for the St. Paul Student Center site and civic spaces along Buford Avenue, as well as for Magrath Library, the Learning and Environmental Sciences (LES) building and the Continuing Education and Conference Center.

Outreach Facility Options and the Lawn

A new outreach facility will provide a hub on the St. Paul campus for the surrounding community and state of Minnesota. The outreach facility could be constructed as a farmer's market or seasonal-use facility to support events and programming, or to offer cheese, meat, and ice cream products produced on the St. Paul campus. It could support community use (on a rental basis) or support staging and hosting community events.

A potential outreach facility could be located on the SC 101 parking lot bounded by Eckles, Commonwealth, Cleveland, and Carter Avenues. The site offers good access from the community spine along Cleveland Avenue and is located between the established core of the campus and

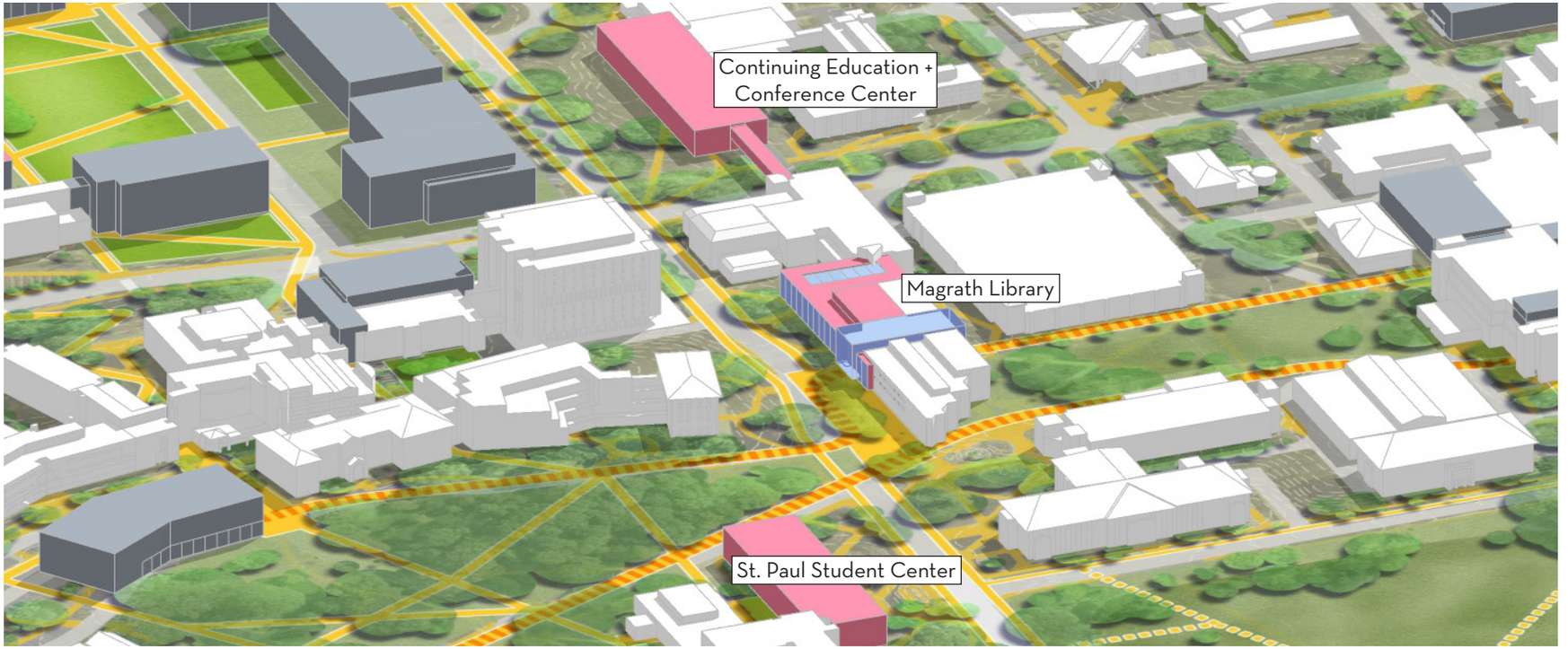


Figure 33: Campus Core Looking Southeast

the redevelopment imagined for the Commonwealth Terrace Cooperative site. It also offers convenient parking.

A second site identified as a potential outreach facility is the current St. Paul Student Center location. Overlooking the Lawn and poised next to the transit spine on Buford, close to the community corridor on Cleveland Avenue, it is a prominent location well-suited to social activity and removed from the academic core of campus. However, it has less convenience and ease of service compared to the southerly location south of the Lawn on Eckles.

Magrath Library

Magrath is optimally located at the heart of campus, yet the interior design and façade do not contribute to a welcoming student hub. The plan suggests renovating the library to create a large-scale common space at the center of the building. This space will increase the building's transparency and create a new entry to facilitate north/south pedestrian movement. Such a space would serve as a collaboration and knowledge hub along the campus central spine and create a more welcoming entrance into the library from the north and south.

St. Paul Student Center

The idea of reinventing the St. Paul Student Center as a multi-purpose campus center is based on location potential. In order to concentrate study, gathering and amenities where most of the population is located on a daily basis, between students, researchers, instructors, and staff the location of this center should shift east. The goals is to create a destination surrounded by major academic buildings and with convenient access to parking at the Gortner Ramp-important St. Paul Student Center activity outside of daily use patterns. There are two components to determining the future of the St. Paul Student Center. First, to define the right mix and scale of activities and functions and the needed space. Second, to determine the appropriate location and physical connections to serve resident students and daily campus workers, visitors, and students. Decisions made about the nature of services and the location of such a center will be motivated by the goal of increasing the vibrancy and vitality of student life on the St. Paul campus and ensuring a financially sustainable strategy to support campus life.

One proposed aspect of the plan is to determine whether student life functions and gathering spaces could be relocated from the existing location to a renovated and expanded building between Magrath Library and the LES Building. In order to understand the potential, a first step would be a study to determine the program scope for a successful student center on the St. Paul campus. The work would consider how to include existing programs in the St. Paul Student Center, combining student services (Boynton Health, Counseling, Career, One Stop, and others) in one location, with retail components such as food, bookstores, and

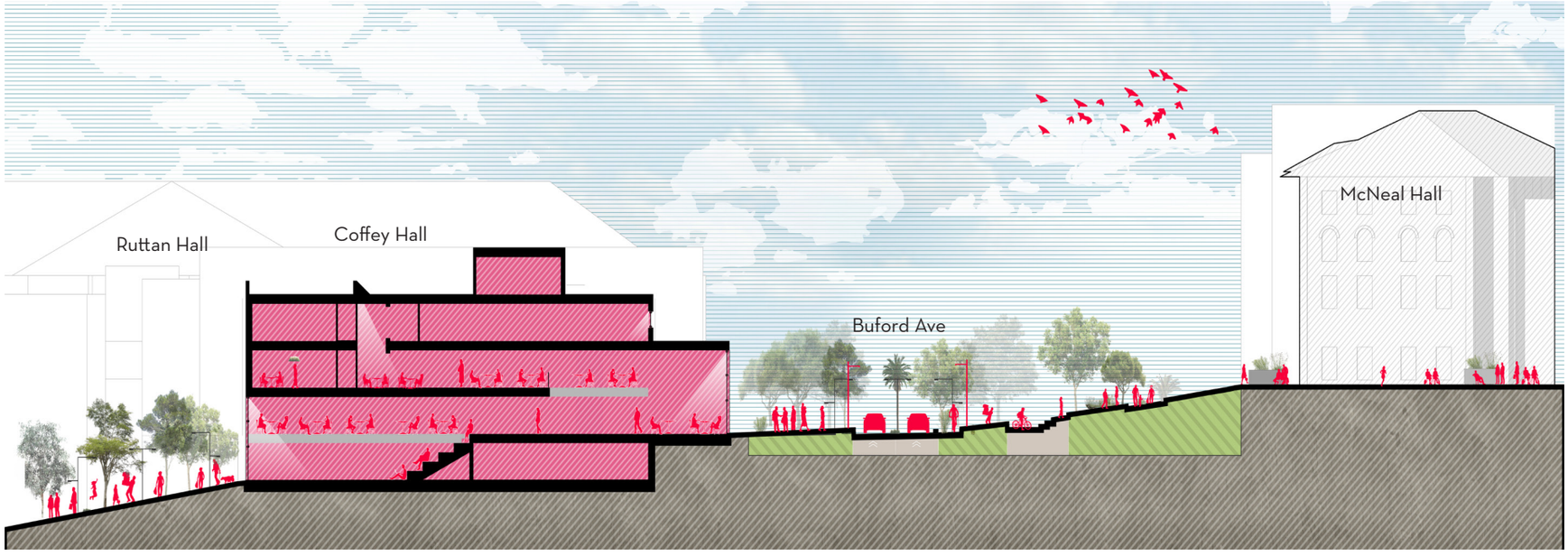


Figure 34: Magrath Library Looking West

collaboration with CFANS for a meat, cheese, and dairy store, as well as potential academic partnership with others to operate a fermentation lab and brewery. This study should also review the economic and physical impacts resulting from combining facilities and functions with the Continuing Education and Conference Center.

Once a recommended program is developed, a second step in the work effort would look at the best location for the St. Paul Student Center either in its current location or other locations. This phase of work would consider how a renovated library, needed additional space, and a renovated LES building could be reimagined as a hub for student activities. The hub of activity could be extended further east to bridge over Gortner Avenue to connect LES to the Continuing Education and Conference Center. Combined, these facilities are imagined as a new type of campus commons located at the heart of scheduled activity on the campus.

Continuing Education and Conference Center

Expansion of the Continuing Education and Conference Center to the north will link the facility to the campus civic spine. It will provide a new welcoming entry from the street and may include additional breakout and conference spaces as well as new dining options for the campus community. Renovated food service at this location could assist in achieving efficiencies in the food service operations, if a new student center is located east of its current location. Connectivity to the facility via the potential bridge over Gortner would make it more accessible for pedestrian connections and movement of materials between storage, prep, and server locations. This change will occur when program needs and financial feasibility can be verified.

Bailey Hall

Bailey Hall is a unique and important housing option for approximately 500 firtst year students who choose to attend the Twin Cities campus. Bailey will continue to be supported as an important choice for a small number of first-year students on the Twin Cities campus. Expanded living and learning communities could strengthen the programmatic association of students with the St. Paul colleges. In the long term, the potential to reconfigure Bailey Hall as a residence hall destination with different food service accommodations may be considered. Renovation could support continued use by undergraduates but focus on upper division cohorts, or first-year students who are comfortable living in apartment-style University housing.

Alternatives considered for Bailey Hall include the following:

- Creating a more appealing destination undergraduate residence hall by including new living-learning communities as well as other program activities
- Renovating the facility to meet the needs of upper division and graduate students with independent living arrangements
- Constructing a new facility designed for upper division and graduate students.

Of the three options, only the first requires a dining facility, which could be combined with other food service and food prep kitchens on campus to improve efficiencies, offer a broad choice to campus users, and reduce financial burden.

If demand from students is evident and the financial feasibility of housing redevelopment on the site is confirmed, potential demolition and reconstruction of Bailey Hall would likely be defined by additional market and project feasibility studies, to determine the best approach for housing on the campus. Any housing options will need to be considered in the context of the surrounding area, relative to off-campus housing options within a five- to ten minute walk of the core campus area of Buford and Gortner Avenues.

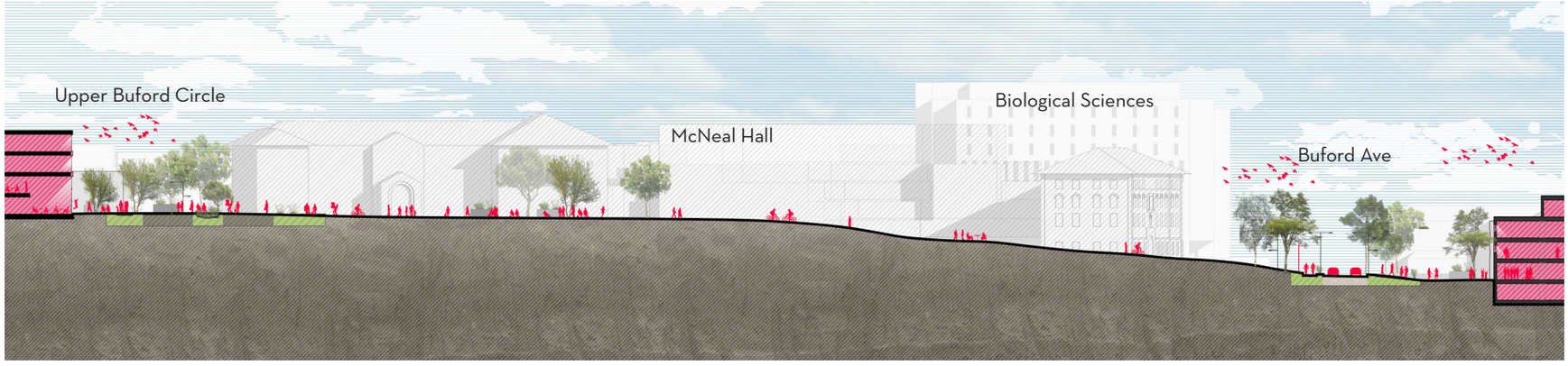


Figure 35: Lower Buford Circle Looking East

Upper Campus

The Strategic Facilities Plan identifies potential new and replacement facilities in response to the deferred maintenance and programmatic needs of CBS and CFANS.

New Academic Research Facility

One new academic research and collaboration building is proposed in the area of Upper Buford Circle. This centrally located facility is imagined as an academic and research building at the heart of the north area. The new facility will allow for the demolition of obsolete and underperforming space.

Hodson Hall Replacement

This building is recommended for potential demolition and replacement on the current site as the floor plan of the building is inefficient and the condition of the building is critical. In addition, the building makes poor use of a strategic site that, if redeveloped, can connect the fields to the buildings located on Upper Buford Circle. Final decisions regarding potential demolition will be made after a comprehensive and inclusive assessment of relocation options is complete.

Christensen Lab

This building occupies a prominent site along Gortner Avenue. It was designed for research labs in the 1950s. The building is in poor condition and lacks the mechanical systems and structure appropriate to its current use. This building is recommended for potential demolition and replacement. Final decisions regarding potential demolition will be made after a comprehensive and inclusive assessment of relocation options is complete.

Biological Sciences Renovations

This building is a critical hub for CBS. It would benefit from a floor-by-floor renovation given the infrastructure condition and asbestos abatement challenges. Any renovation should consider the opportunity to enhance interdisciplinary research among St. Paul campus colleges.

Snyder Hall Addition

Adding to the eastern side of Snyder would create new space for CBS, and provide swing space for buildings targeted for wholesale renovation. An addition to Snyder should preserve the broad lawn along Gortner Avenue. This addition to Snyder would also improve connections east-west across Gortner Avenue to the proposed Northeast District, where University and industry research partnerships are proposed. A feasibility study is needed to verify program needs for new space.

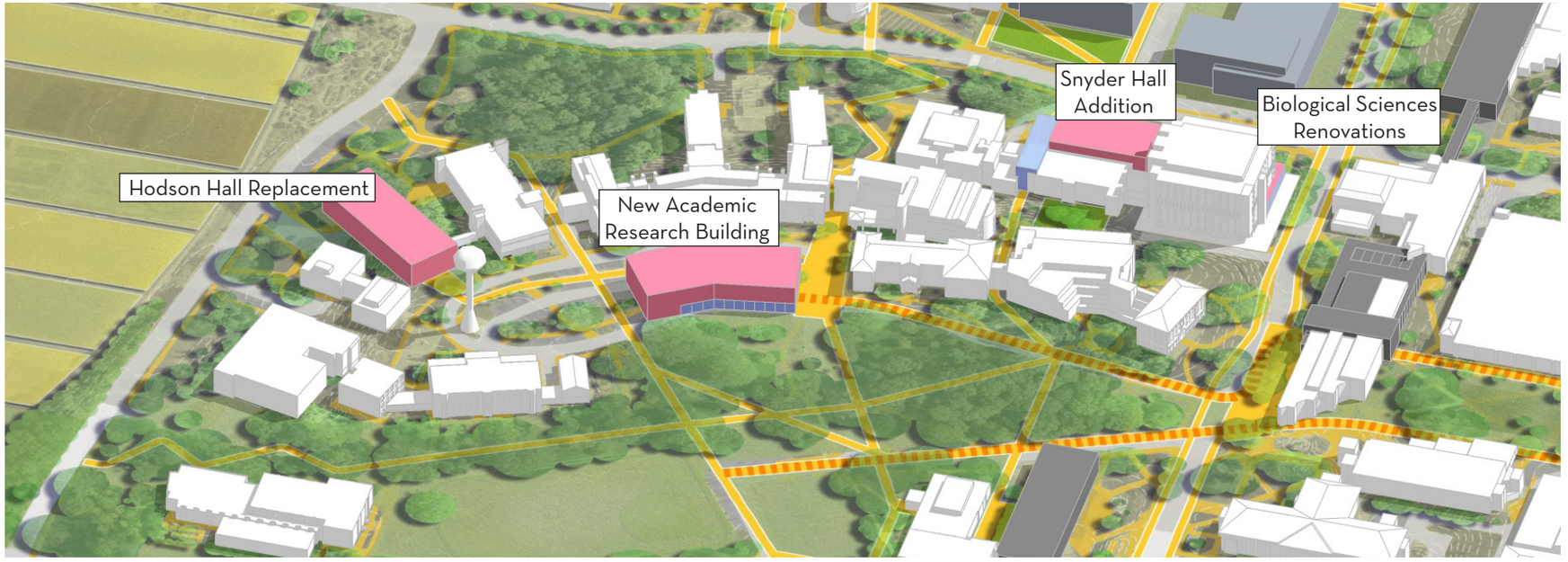


Figure 36: Upper Campus Looking East

Lower Campus

Three potential facilities are proposed as part of a long-term strategy to address deferred maintenance issues, and accommodate growth as well as evolving programmatic needs. A new research building to replace the existing critical condition Veterinary Science building is the first target. Demolition and replacement of the Veterinary Medical Center would follow. Independent of these investments but a high priority for student experience, is relocation of the Veterinary Medicine Library currently housed in the Veterinary Science building, with a student commons, close to the present day Animal Science/ Veterinary Medicine building and removing Veterinary Medicine South (116,000 GSF) and Veterinary Science.

New Veterinary Research Facility

This project would replace research labs currently located in the Veterinary Science Building and provide space for future faculty and programmatic needs. The future location of this facility is proposed for the northeast corner of Gortner and Commonwealth Avenues, adjacent to the recently completed BSL2 / BSL3 building.

Animal Science/Veterinary Medicine Addition

In order to provide needed student learning space, an addtion to the east side of the facility could accomodate labs on the upper floors and a new library and student commons on the ground floor. Some of these uses are currently accommodated in the Veterinary Science building. The result would be to create a new entrance to Veterinary Medicine from the north along the proposed central academic spine of the campus. An expansion of this building would create large, flexible classroom space and specialized research space that is not achievable in the existing building.

New Animal Hospital

A new animal hospital to replace the existing uses in Veterinary Medicine South is recommended on the site of the Veterinary Science building. This site will provide a new front door to the Veterinary Medicine area of campus with good connectivity and options for parking. This prominent site presents an opportunity to renew and replace portions of the Veterinary Medical Center. A new animal hospital is considered a long-term capital investment. As part of building a new animal hospital, the Veterinary Science building is recommended for potential demolition and replacement. Veterinary Science houses research labs, teaching labs, the Veterinary Medical Library, and administrative offices for the

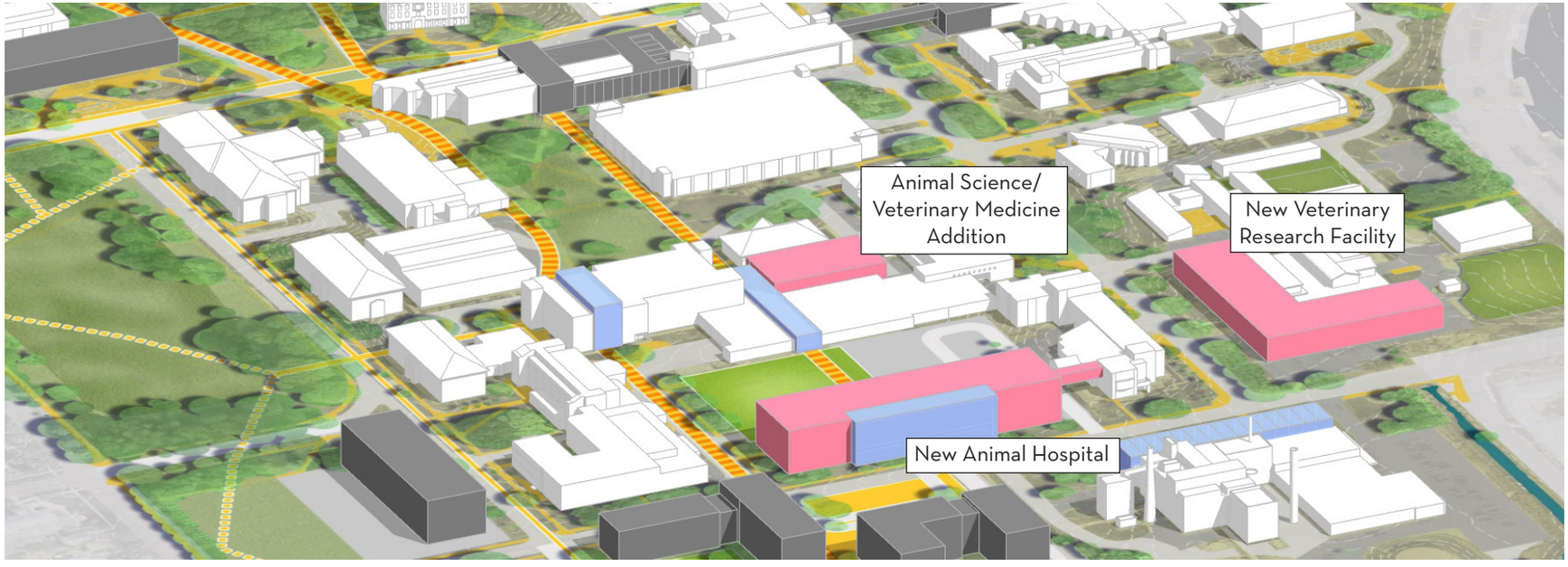


Figure 37: Lower Campus Looking Northeast

College of Veterinary Medicine. It is an essential component of the college's space portfolio, yet it is in poor condition and is not well suited to its current use. Careful planning and coordination will ensure current activities are served in new locations.

Northeast District

The original Northeast District Plan (2001) mapped an area for research-based partnerships. A few partnership facilities were created after this plan was defined, primarily focused on support of University and private-sector research activities in more traditional research environments. This plan calls for land to be reserved so that built facilities serving both institutional and private-sector partners will be focused on disciplines and activities specific to St. Paul. In this way, partnership facilities will complement the ongoing East Bank initiatives and other research facility investments planned elsewhere on the St. Paul campus.

Facilities that support startup and research initiatives in the area of food, water, and the environment will be advanced in this location. Investments made in this area will extend interactions with business and private organizations that have aligned interests and objectives with the mission of the University and the St. Paul campus. Several redevelopment sites are defined around a central open space or quad, where crop demonstration planting might occur. In addition to research partnership facilities, build out would prompt construction of a parking garage at the northeast corner of Gortner and Buford. Parking would be developed to serve the needs of the Northeast District, as well as the existing research and outreach facilities east of Gortner, and offer replacement for parking spaces displaced by development along Upper Buford Circle. Public-facing facilities and functions are proposed for thegfround floor and elevation fo a new parking facilitiy to activate the corner of Gortner and Buford. Animal teaching facilities displaced by this effort will be relocated to a dedicated animal teaching facility on the St. Paul campus. Seed processing storage and field equipment storage will also require a new, consolidated seed facility to support ongoing research.

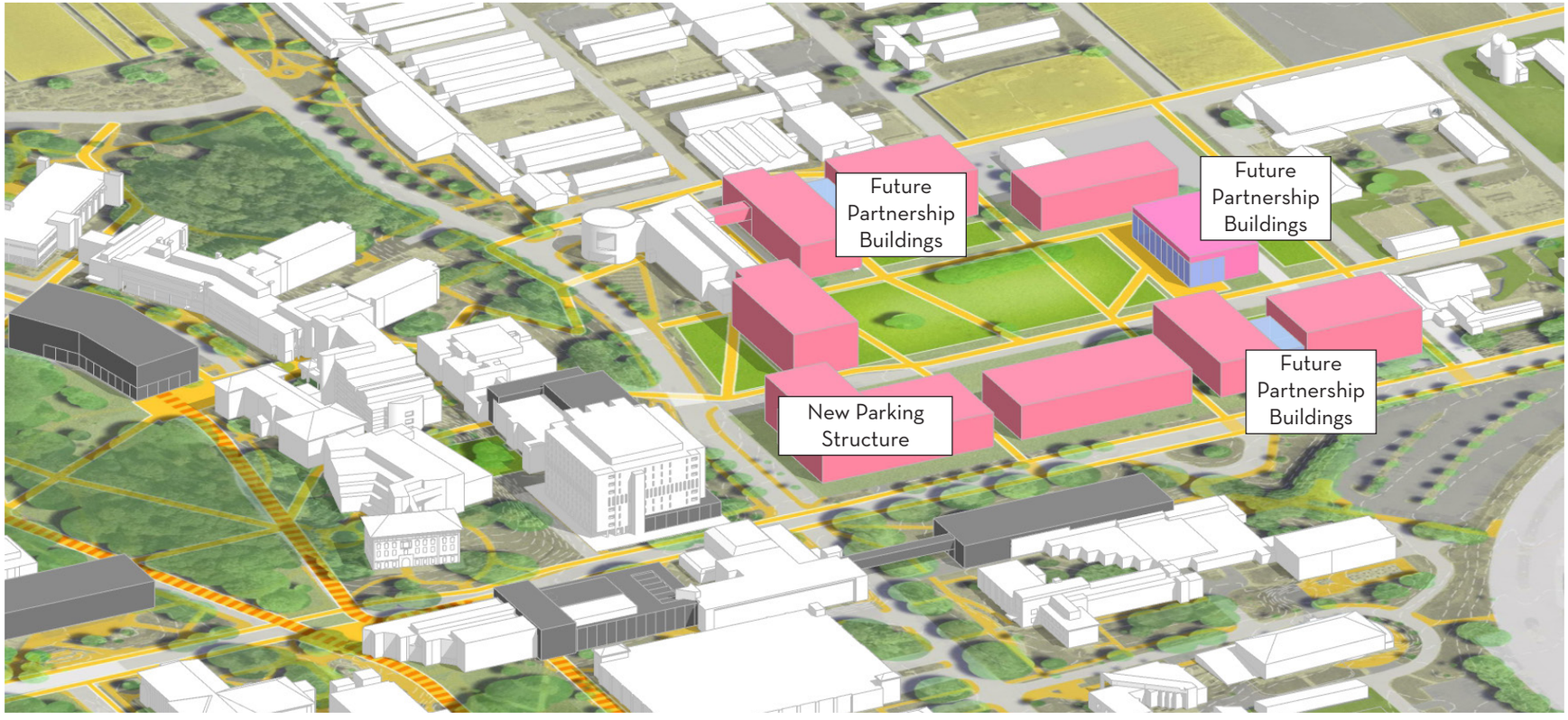


Figure 38: Northeast District Looking Northeast

South Campus

The South Campus, including the Commonwealth Terrace Cooperative, is identified as an opportunity for redevelopment given the current condition and configuration of existing buildings. Future planning will explore alternatives for affordable student housing, neighborhood retail, and childcare, and analyze potential for alumni, staff, and faculty housing. The study will include a focus on the safety and livability issues for graduate and post-doc families.

Higher education institutions, such as UC Davis in California and Simon Fraser University in Burnaby, British Columbia, have successfully utilized P3 partnerships to generate new sources of revenue through financial agreements. Redevelopment opportunities are subject to future market and site planning studies in association with the private sector. Plans for development, especially retail along Como Avenue, will need to be coordinated with adjacent cities, including both the City of Falcon Heights and the City of St. Paul.

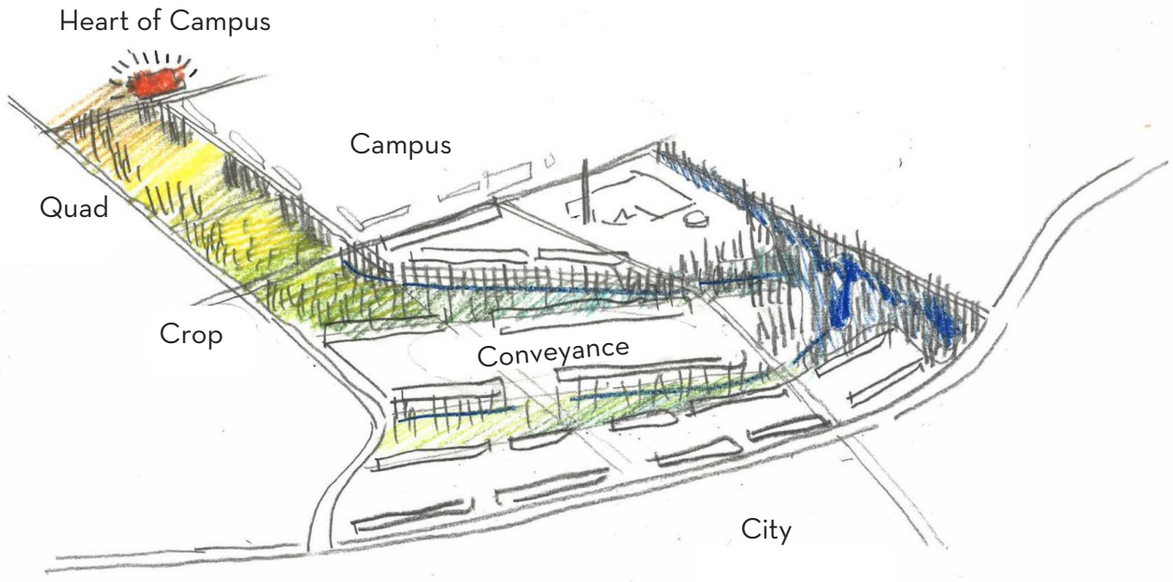


Figure 39: South Campus Open Space Network

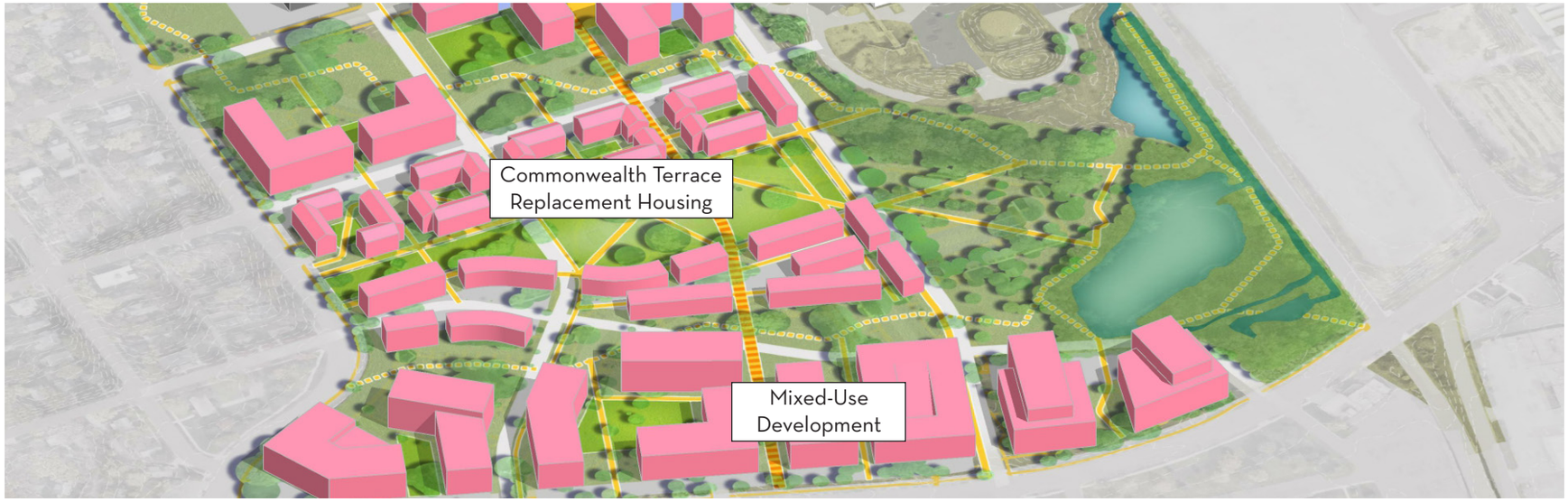


Figure 40: South Campus Looking North East

Capital Improvement Process

Timeline

The Strategic Facilities Plan assumes a long horizon for change of 20 years or more, with immediate implementation on high-priority projects within a five -year timeframe. The plan defines concepts for change for all areas of the campus, with the expectation that specific recommendations will require further exploration and discussion. Some of the recommended changes are small in scale; others are transformative and must happen through a series of incremental steps over time. Still others are dependent on the involvement of other parties to spur significant change, such as partners within the Northeast District. The plan does not define project-level details for facilities, either in physical form or in cost, for most concepts outlined in the document.

Given all the unknowns associated with future events, the fundamental principles defined in the vision, mission, and plan objectives will serve as guidance for ongoing decision-making. Most projects that will follow from these initial concepts are yet to be defined. This flexibility is intended so that the decision-making process for future projects can uphold the intent of the plan to determine what remains consistent with high-level parameters shared among stakeholders and decision-makers. See Implementation and Next Steps on page 60 for additional detail regarding likely next steps, and related timelines.

CAPITAL IMPROVEMENT PROCESS					
	Proposal and Project Definition	Planning and Feasibility	Predesign	Resource Aquisition	Implementation
STAGE	RRC Portfolio Plan → Project Request	→ Feasibility → Six Year Plan	→ Predesign	→ Resource Acquisition → Annual Capital Budget	→ Design → Construction
APPROVAL	Chancellor/ VP/Dean for Sponsoring Unit	Capital Strategy Group	Capital Over-sight Group	Capital Oversight Group/ Board of Regents	Capital Oversight Group
KEY QUESTIONS	- What is the problem?	- How big is the problem-scope, scale, alternatives? - Is this a problem we should be trying to solve? - Is this the most important problem to solve? - What is the funding strate-gy? - What are the priorities? - Order of magnitude cost estimating.	- What are we going to do. - How much will it cost? - Who is going to pay?	- Do we have funding? - Are we approved to spend?	- On Budget? -On Schedule?

Figure 41: Capital Improvement Process, 2017

Six-Year Plan/Annual Capital Budget

The University's capital improvements program includes all capital projects, regardless of size, financed with state and University funds, and all departmentally funded projects exceeding $1.0 million. It is approved annually by the Board of Regents. This long-range planning tool uses a six-year horizon to forecast capital investments that support the University's mission.

The capital improvements program is an annual process that assesses capital needs, opportunities, and resources, evaluates the conformity of potential projects with academic priorities and facility investment strategies, and establishes priorities for project implementation based on the direction provided by senior University leadership.

Every year, the annual capital budget tool is assembled for Board of Regents approval. It serves as authorization to engage in design and construction for qualified capital investments. It includes all capital projects for which funding is available.

The current Six-year Capital Plan includes major capital improvements planned for calendar years 2019 through 2024 (FY2020 to FY2025.) St. Paul projects recorded in the current Six-year Capital Plan include the St. Paul Student Center and St. Paul Research Labs capital investment. For more information, see the University of Minnesota Budget Office website at: http://finance.University of Minnesota.edu/budget_capital.html

Project Development

As capital projects are defined based on opportunities described in this plan, the University's formal capital project process will engage users, occupants, sponsoring units, and adjacent neighbors in the development of all details of a project. Below is a sample of the engagement channels and processes used in a typical University of Minnesota project development process:

Advisory Committees-

Project advisory committees are responsible for directing the progress of a project, with input from focus groups, community meetings, and survey tools. Advisory committee members typically represent primary user groups as well as collegiate administration and operations staff. Participation in these committees is typically defined by invitation in a project charge, and approved by University leadership.

Focus Groups and Surveys

Targeted stakeholder groups representing students, faculty, and staff are often convened over the life of a project to provide detailed review and insight appropriate to the study. Focus group members are typically invited to participate by student groups, departments, or colleges. The discussions and conclusions of these meetings provide important input to project planning and design.

Often, project teams create surveys for users to understand priorities and opportunities for change. The responses are directly integrated into the planning, programming, and design process.

Online and physical space surveys are used to gather broad input and concerns, to improve knowledge of existing conditions, and to ratify the project objectives by confirming the needs and constraints experienced by users.

Community Meetings

Community or open house meetings help to identify issues and opportunities, gather input on preliminary strategies, and provide opportunities for feedback plan recommendations.Projects that are developed at the campus edge, or create significant impacts on the surrounding area, are the subject of detailed planning with members of the community.

Project Websites and Email Updates

Project websites provide a resource for regular status updates and project timelines. As a project moves into construction, photographic progress is accessible through these pages. Supportive project information related to project details (program, budget, schedule) is also available.

Email subscriptions are often popular with a large population of users, community members, or other interested parties. These updates are often used to communicate project progress and notices for construction activity, and to make available other relevant information about an in-progress capital project. The responses are directly integrated into the planning, programming, and design process.

Planning and Design Phases

Feasibility

The planning and feasibility phase seeks to define the need and order of magnitude cost and operational impact of new or remodeled physical facilities. Through this effort, the University is able to answer questions of priority, timing, scope of work, and funding strategy.

Key components of the feasibility study include the following:

- General statement of the goals and objectives of the unit
- Full description of the activities and methodologies of the unit, including both present and projected situations in the immediate and long term
- Student, faculty, staff, and visitor populations served, in the immediate and long term
- Preliminary description of physical program and alternatives, including special equipment and design requirements
- Assessment in impact to existing utilities, campus systems, and activities
- Order of magnitude cost estimate after verification of the program need and financial and operating cost impacts to the unit and the University, including faculty, staff, and program operations, research revenue and expenses, tuition generated by the program, and other revenues and expenses

Predesign

The predesign phase establishes what new facilities will be required to fulfill present and projected needs and how available resources can be used to meet needs. The opportunity to apply concepts of regenerative design practices can be pursued at this stage in a project's development. The predesign phase of work engages the question of balancing first cost against full life-cycle cost of facilities. During predesign, the unit's objectives, space requirements, and operational plan will be translated into a facility program in sufficient detail to bring the project to the Board of Regents for approval for the Annual Capital Budget, and to direct the design team throughout the project design process.

Key components of the predesign include the following:

- In-depth review of the unit's functional requirements
- Examination of existing facilities inventory
- Space standards, planning documents, and building standards applicable to the project
- Total project budget and project schedule

Design and Construction

The design phase refines and builds upon the scope, conceptual design, scale, and relationships among the components of the project. The project quality, scope, budget, and schedule is confirmed and refined prior to construction. The project program will be reviewed in detail and alternative design solutions discussed, thereby providing a reasonable basis for developing a cost analysis of the project.

The construction phase of the project is to build, based on the agreed-upon drawings and specifications, at the quality level defined in construction documents and in alignment with the budget, schedule, and scope approved by the University.

Implementation and Next Steps

The Strategic Facilities Plan is a framework for future growth and change. It will be adapted over time in response to strategic decisions and the mission-driven needs of the University. The plan defines concepts for change for all areas of the campus, with the expectation that specific recommendations will require further exploration and discussion. Some of the recommended changes are small in scale; others are transformative and must happen through a series of incremental steps over time. Still others are dependent on the involvement of other parties to spur significant change, such as partners within the Northeast District. The plan does not define project-level details for facilities, either in physical form or in cost, for most concepts outlined in the document.

The fundamental principles defined in the vision, mission, and plan objectives will serve as guidance for ongoing decision-making. Most projects that will follow from these initial concepts are yet to be defined. This flexibility is intended so that the decision-making process for future projects can uphold the intent of the plan to determine what remains consistent with high-level parameters shared among stakeholders and decision-makers. The short-term timeline (within 0-2 years) focuses on undertaking feasibility studies and assessments of the first priority projects emerging from the planning activity.

Academic Initiatives: Next Steps

Criteria for Reinvestment and Demolition Strategy

The plan advocates a regenerative approach to building renewal across the St. Paul campus. It considers the highest and best use of each building as a primary organizing principle. Given the age of the building stock and poor condition of many facilities, it is vital that space solutions serve multiple departments and uses. The phasing of upgrades is intended to result in better space utilization, a more dynamic campus, and the capacity for growth within the existing buildings. This also requires management of space use across colleges and departments, an increase in the amount of centrally scheduled space, and coordination of investment in resources for research. The intended payoff is a more financially sustainable and strategically planned ecosystem of buildings and space.

Guidelines for Accommodating Displaced Units or Functions

The following guidelines are established to minimize disruption to units impacted by capital investment projects on the St. Paul campus:

- Phase investments to ensure departments need to move once only. Temporary space is discouraged.
- Co-locate faculty, staff, and functions based on understanding of work flow and interactions where possible.
- Engage colleges and those directly affected as part of the project process, through typical space planning efforts.
- Involve stakeholders in planning for impacts, including options, flexibility in timing, and accommodation possibilities.

Academic Program Relocation Strategy

The St. Paul Strategic Facilities Plan supports the long-term goals of the College of Design and College of Education and Human Development to shift programs between the St. Paul and East Bank campuses. Two parallel planning efforts are needed to advance these goals focused on McNeal Hall in St. Paul, and on the Armory, 10 Church Street, and Rapson Hall on the East Bank campus.

The studies will include multiple building options, program definition, test fit, and capital and operating costs.

Upper Campus Space Assessment

An assessment of existing teaching and research facilities areas is a first step to prioritizing the opportunities for change outlined in this report for the Upper Campus. The study will address critical factors such as functionality, quality of space, key adjacencies, and use of specialized and other support functions. Existing facilities will be selected for study based on condition, collegiate priority, and space type/ need. The objective is to understand existing and future space needs for the population of researchers accommodated in existing buildings.

Building Renewal Investment Prioritization

This study will review and prioritize reinvestment in existing academic and research buildings in the Upper Campus. All funding sources such as: HEAPR, R&R, programmatic sources, state bonding, and University debt, will be considered as potential resources.

Feasibility Study: St. Paul Capital Renewal 2022 SYP Project

The focus of this investment will be determined pending the outcomes of the Upper Campus Space Assessment and Building Renewal Investment Prioritization efforts. The feasibility study for this project will confirm scope, program requirements, impacts (including displacement), location, budget, and schedule to define the St. Paul Capital Renewal placeholder identified for funding in 2022 in the approved Six-year Capital Plan

Feasibility Study: Veterinary Science

This study will determine scope, program requirements, impacts, location, budget, and schedule to replace the existing Veterinary Science building.

Feasibility Study: Animal Teaching

This study will determine scope, program requirements, impacts, location, budget, and schedule for a facility that will support long-term needs for animal teaching and outreach on the St. Paul campus. A long-term strategy for animal teaching is necessary to advance planning for the research partnership area in the Northeast District.

Partnership Districts: Next Steps

Concept Development and Market Analysis: South Campus

This study will explore in greater depth the concept for renewed and affordable housing at Commonwealth Terrace Cooperative, enhanced wetlands with trails and shared outdoor spaces, and requirements for neighborhood services and retail. The University will solicit interest from potential development partners for affordable housing, small-scale retail, and services. Demand, typology, and amenities for housing on campus and in the neighborhoods surrounding the St. Paul campus will be considered.

Concept Development and Market Analysis: Northeast District

This study will determine the level of interest and market demand for colocation opportunities with businesses, private organizations, and nonprofits to support startup and research initiatives and interdisciplinary research teams. In addition, the study will define site capacity and infrastructure needs and develop a preliminary outline for displacement impacts including seed processing, seed storage, non-university entities, and equipment storage.

Campus Life Initiatives: Next Steps

Wayfinding and Welcoming Initiatives

Unique outreach activity and relative ease of access to the St. Paul campus offers an opportunity to make the visitor experience outstanding. Faculty and staff across multiple St. Paul units continue to coordinate efforts to improve visitor experience. Short-term priorities will focus on expanding coordinated and targeted communication to visitors. Ongoing work to create comprehensive signage is also desired. Maintaining investments in support infrastructure targeted at visitor experiences (convenient and valued amenities, wayfinding, appropriate meeting spaces, and access to parking and transit) will continue to be a priority for the St. Paul campus, so it can realize its potential as a regional destination for multiple types of activity.

Feasibility Study: Student Center

This effort will determine program scope, demand for services, facility requirements, business case, and capital cost. Alternative food, beverage, and retail offerings will also be considered. Depending scope of building program, a site evaluation would follow to determine best locations for a new student Center.

Bailey Hall and Student Housing

This study will determine scope and budget for limited renewal of Bailey Hall. The University will conduct a survey of St. Paul-based undergraduate housing choices. The study will include a market- survey of the private sector, off-campus housing supply to understand opportunities for undergraduate residency near the St. Paul campus.

Food Service Operations

This study will determine the feasibility of consolidation based on consumer interest, current and future demand levels, economics of food purchasing, and capital and operating costs.

Feasibility Study: St. Paul Gymnasium

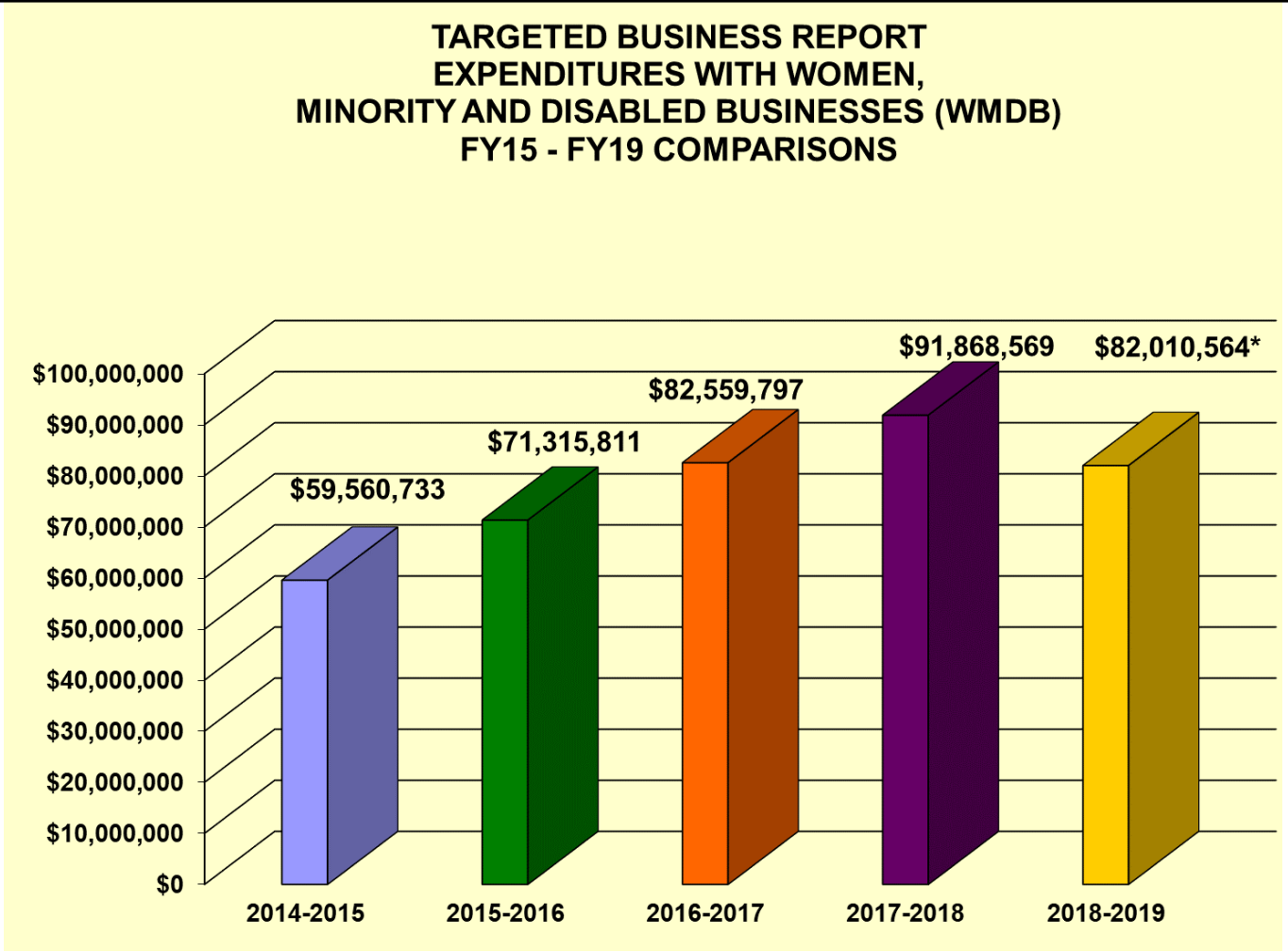
This planning effort will incorporate findings of the Strategic Facilities Plan to complete a feasibility study for renovation or expansion of the St. Paul Gymnasium. All current activities and events for University Recreation & Wellness; fitness programs, youth programs, intramural sports, aquatic programs and daily use by students, staff, and faculty, will be supported by the study.

UNIVERSITY OF MINNESOTA

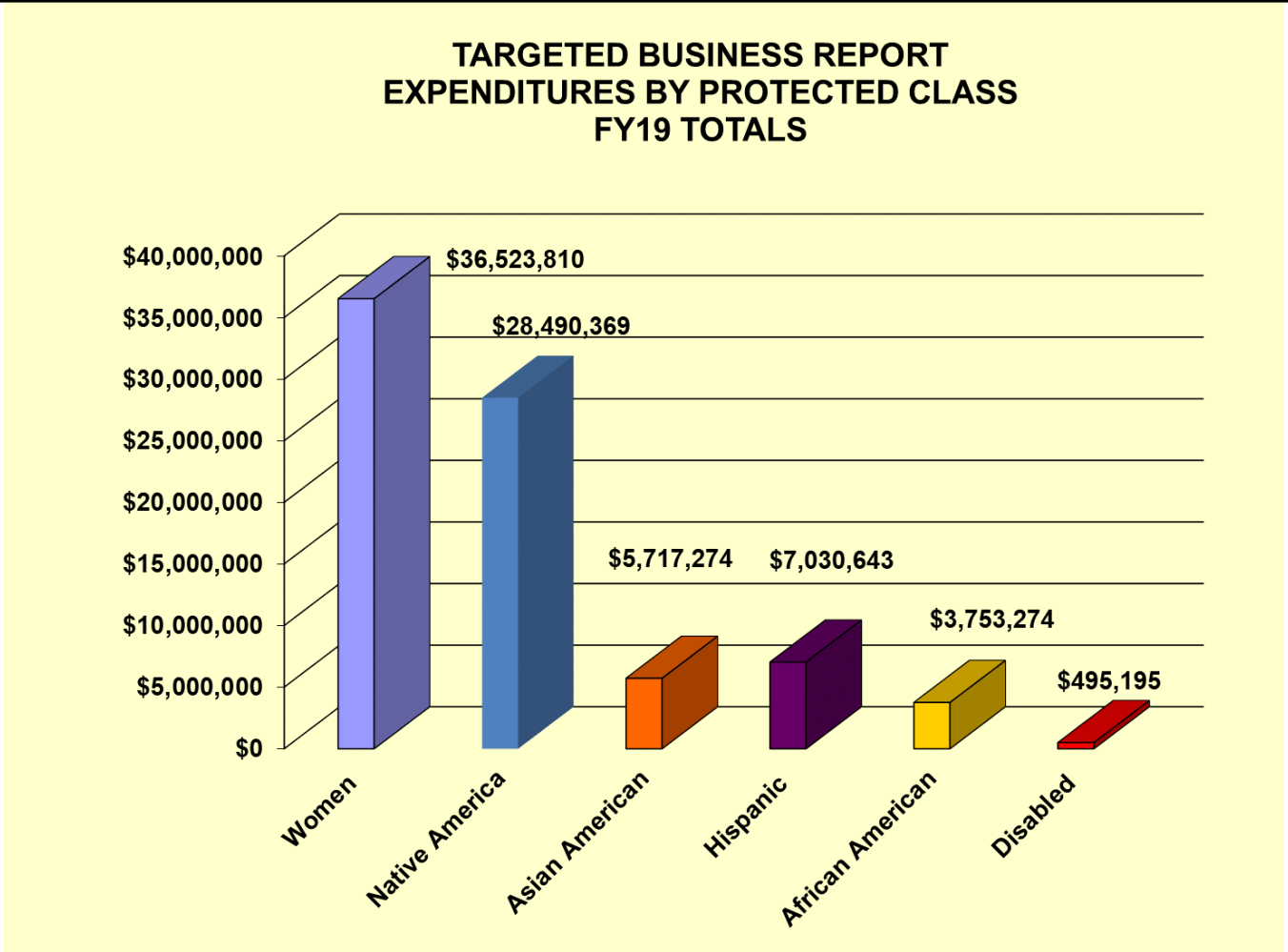
Driven to Discover℠

FY19 Targeted Business Report
July 1, 2018 – June 30, 2019

Office for Business & Community Economic Development



*Total based on new reporting process.


TARGETED BUSINESS REPORT
EXPENDITURES BY PROTECTED CLASS
FY19 TOTALS
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
$36,523,810
$28,490,369
$5,717,274
$7,030,643
$3,753,274
$495,195
Women
Native America
Asian American
Hispanic
African American
Disabled

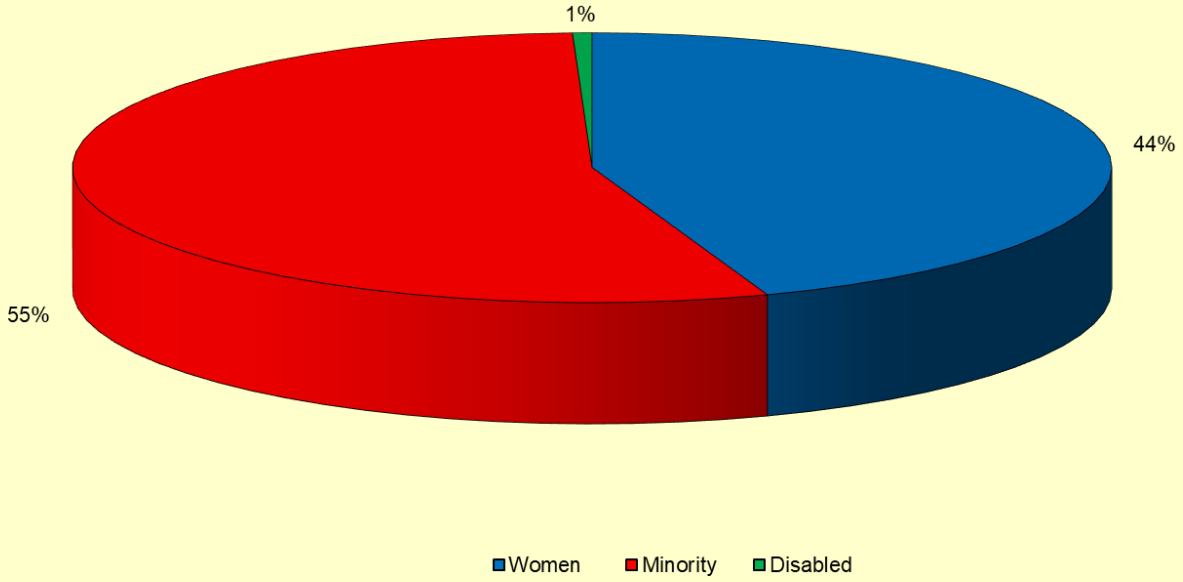
TARGETED BUSINESS REPORT
EXPENDITURES BY PROTECTED CLASS
FY19 TOTALS

Classification	Dollars Awarded	Percent Total WMDB Expenditures
Woman	$36,523,810	44.54%
Native American	$28,490,369	34.74%
Asian	$5,717,274	6.97%
Hispanic	$7,030,643	8.57%
African American	$3,753,274	4.58%
Disabled	$495,195	0.60%
Total	**$82,010,564**	**100.00%**

TARGETED BUSINESS REPORT
EXPENDITURES BY PROTECTED CLASS
FY19 TOTALS

Classification	Goods and Services	Percent of Total WMDB Expenditures	Construction	Percent of Total WMDB Expenditures
Woman	$18,737,155	22.85%	$17,786,655	21.69%
Native American	$1,005,699	1.23%	$27,484,670	33.51%
Asian	$4,550,889	5.55%	$1,166,385	1.42%
Hispanic	$713,100	0.87%	$6,317,543	7.70%
African American	$1,690,163	2.06%	$2,063,111	2.52%
Disabled	$272,460	0.33%	$222,735	0.27%
Total	**$26,969,465**	**32.89%**	**$55,041,099**	**67.11%**
Total WMDB Expenditures	**$82,010,564**			

TARGETED BUSINESS REPORT
SPEND PERCENTAGE BY PROTECTED CLASS
FY19 TOTALS



TARGETED BUSINESS REPORT
TOTAL PURCHASING & CONSTRUCTION EXPENDITURES
FY19 TOTALS

CONSTRUCTION EXPENDITURES

Total Construction Expenditures	**$210,855,847**
Total WMDBE Construction	**$55,041,099**
Percent of Total Construction	**26.10%**

PURCHASING EXPENDITURES

Total Goods & Services Expenditures	**$459,017,725**
Total WMDBE Goods & Services Expenditures	**$26,969,465**
Percent of Total Goods & Services	**5.88%**

GRAND TOTAL

Total Goods, Services & Construction Expenditures	**$669,873,571** *
Total WMDB Expenditures	**$82,010,564**
WMDB Percent of Totals	**12.24%**

*Total Expenditures exclude single source providers.

TARGETED BUSINESS REPORT
TOTAL PURCHASING & CONSTRUCTION EXPENDITURES
FY18/FY19 CUMULATIVE TOTALS COMPARISON

CONSTRUCTION EXPENDITURES

	2018	2019	% change
Total Construction Expenditures	$194,717,216	$210,855,847	8.29%
Total WMDB Construction	$58,663,748	$55,041,099	-6.18%
Percent of Total Construction	30.13%	26.10%	-4.03%

PURCHASING EXPENDITURES

Total Goods & Services Expenditures	$679,045,801	$459,017,725	-32%
Total WMDB Goods & Services Expenditures	$33,204,821	$26,969,465	-18.78%
Percent of Total Goods & Services	4.89%	5.88%	0.99%

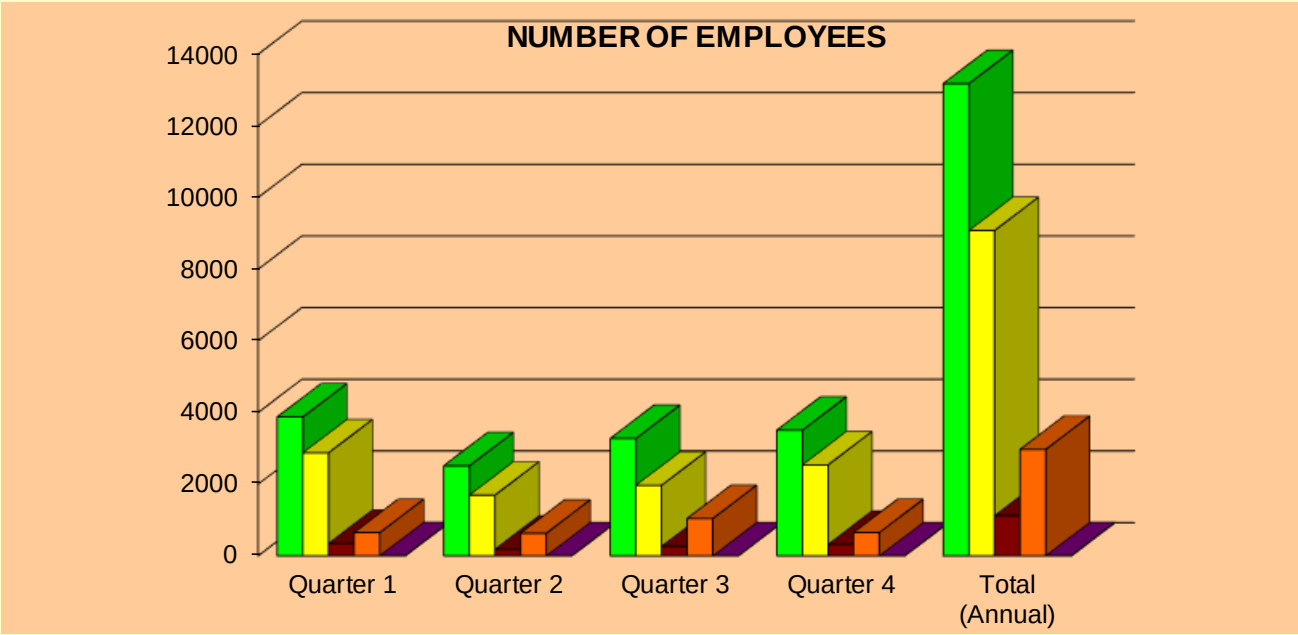
GRAND TOTAL

Total Goods, Services & Construction Expenditures	$873,763,017	$669,873,571 *	-23.33%
Total WMDB Expenditures	$91,868,569	$82,010,564	-10.73%
WMDB Percent of Totals	10.51%	12.24%	1.73%

*Total Expenditures exclude single source providers.

FY19 WORKFORCE UTILIZATION REPORT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total (Annual)	% of Total Empl. (Annual)
Total All Employees	**3,878**	**2,515**	**3,278**	**3,509**	**13,180**	**100%**
Total Non-Minority Male	2,876	1,696	1,969	2,539	**9,080**	**69%**
Total Female	349	187	267	321	**1,124**	**9%**
Total Minority	649	632	1,042	649	**2,972**	**23%**
Total Disabled	4	-	-	-	**4**	**0%**



- Total All Employees
- Total Non-Minority Male
- Total Female
- Total Minority
- Total Disabled

FY19 WORKFORCE UTILIZATION REPORT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total (Annual)	Total Hours (Annual)
Total Workforce Utilization	**46,373**	**55,759**	**118,351**	**66,461**	**286,944**	**100%**
Total Minority Hours	34,274	44,356	105,704	45,011	**229,345**	**80%**
Total Female Hours	12,097	11,404	12,647	21,450	**57,598**	**20%**
Total Disabled Hours	2	-	-	-	**2**	**0%**