Finance & Operations Committee

February 2020

February 13, 2020

9:15 a.m.

Boardroom, McNamara Alumni Center

FIN - FEB 2020

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

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

☐ **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 act on 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 provide for a biomedical science research funding program to further the investment in biomedical science research facilities in Minnesota and to facilitate research collaboration between the University and other private and public institutions in the state. The State of Minnesota currently provides appropriations to the University 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 to pay the state's share of the costs 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, 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.

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 a current refunding if done within 90 days of the optional redemption date (call date) and an advance refunding when done greater than 90 days prior to the 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 10 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 **February 13, 2020**

AGENDA ITEM: Administrative Cost Definition and Benchmarking: External Review Update

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

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

PRESENTERS: President Joan T.A. Gabel
Andrew Laws, Managing Director, Huron Consulting
Kurt Dorschel, Senior Director, Higher Ed Practice, Huron Consulting

PURPOSE & KEY POINTS

The purpose of this item is discussion of the results of an initial external review, performed by Huron Consulting, of the University's administrative costs. This continues the committee's conversation from the December 2019 meeting around the use of benchmarking to enhance the University's operational effectiveness, including the engagement of this external review.

Administrative and operational costs continue to attract public attention and are frequently associated with increasing student costs. In 2013, the University conducted the Administrative Services Benchmarking and Diagnostic Survey (ASBDS), which used industry, third-party, and custom survey data to evaluate institutional efficiency and effectiveness. That project focused on four functions: finance, procurement, human resources, and information technology. Since then, the University has continued to seek relevant comparisons to evaluate performance.

There is no standard methodology to measure efficiency for universities. Identifying effective comparisons involves tradeoffs among consistency, relevance, and applicability of data. Using readily available data from peers, the University can make initial comparisons and develop hypotheses related to effectiveness. These external comparisons provide a broad reference point, offering context for the more actionable internal activity-based and trend-based analyses.

Goals of the analysis

- Evaluate the application of benchmarking in higher education.
- Highlight the University's current approach to this analysis.
- Conduct assessment of University operational efficiency given readily available data (e.g., not purchased and not elicited through custom survey).

Approach

- Understand peer context and trends.

- Consider the value of publicly available, standardized data:
  - Financial statements
  - Integrated Postsecondary Education Data System (IPEDS)
  - Facilities and Administrative (F&A) rate submissions
- Analyze data related to the concept of operational efficiency.

Challenges

- Differing operating models (e.g., integration with university systems, hospitals, or related activities and affiliates).
- Variation in reporting practices, even within standards.
- Limited detail in available data (high-level categories).
- Fragmentation, distribution, and inconsistency in university workforces.
- Wide ranges and variability of peer data produced by the analysis.

Data Summary

For these analyses, Huron used three peer sets:

1. The University's standard peer set;
2. An expanded peer set of 31 comprehensive public institutions with research and development rankings in the top-50 (by expenditures); and
3. A set of research institutions based on available facilities and administrative rate calculation data (from Huron).

Additional detail on peers is included in the docket.

Based on this analysis, the University compares favorably to peers related to the proportion of the workforce focused on mission activity and was within the range of other metrics. This investment in mission parallels other detailed internal analyses performed by the University. While the University is higher than the peer median by some metrics of overhead spend (2018), this is likely mitigated by support provided by the Twin Cities campus to other campuses. Looking at more recent ratios from the University's FY 2019 audited financial statements, the University appears to have decreased the proportion of spending related to academic and institutional support and shifted closer to the median.

These results broadly indicate that the University is within the range of peers by several measures. Additional analysis would be required to identify actionable opportunities for improvement or to more comprehensively account for peer variation.

The analysis falls into two primary categories: workforce and expense.

Workforce Analysis

Metric	UMN Analysis	Context
Mission-Focused Headcount as a Percentage of Total Headcount	**37.2% focused on Mission** 3rd Highest among 11 institutions 8th Highest among 31 institutions	A higher number indicates a greater percentage of workforce focused on teaching, research, and service. This is supported by recent incremental increases in mission-focused staff at UMN.
Full- and Part-Time "Overhead" Staff as Percentage of Total Headcount	**26.1% in "Overhead" Workforce** compared to median of 28.2% for 31 institutions	Lower number indicates a relatively smaller proportion of the workforce focused on management, business and fiscal operations, and administrative support.
Growth of Non-Instructional Staff (2014-2018)	**5.4% growth** compared to peer median of 6.8% growth.	A lower number indicates slower overall growth of non-instructional staff, with higher growth of mission-focused staff.
Ratio of Managers to Overall Headcount	**20.0 FTE per Manager FTE**, 33.8% higher than the peer median of 14.9%.	A higher number suggests fewer managers relative to the overall employee population. The wide range in ratios for peers indicates this metric must consider other factors.
UMN Occupational Category Shifts (2013-2018)	While full-time management roles at UMN grew **15.2%**, Office and Administrative Support decreased by **26.5%** over five years.	These shifts may reflect greater professionalization of roles. They may also reflect some jobs being reclassified as a result of the Job Family Study.

Expense Analysis

Metric	UMN Analysis	Context
Support Costs as a Percentage of Expenses	Academic Support: **16.6%** compared to peer median of 13.9% Student Support: **4.8%**, which is the median Institutional support: **11.4%** for compared to peer median of 8.6%	UMN TC is within the range of peers for these metrics according to 2018 data. UMN FY2019 financial statements indicate that expenses are moving closer to the median. The institutional support percentage for 2019 has decreased to **9.4%** and the academic support percentage decreased to **15.9%**. Wide variation across peers (maximum 2.6 – 6.2 times the minimum) suggests variation in classification of expenses.
Institutional Support per Enrollment FTE	**$6,534 / FTE**, 3rd Highest of 11 Standard Peers and **35% higher** than peer median. Looking at UMN campuses in total, this adjusts down to **13% higher**.	Institutional support likely reflects a greater degree of centralization at UMN and support provided across other campuses. This metric should be updated with 2019 peer data when it is released.
Student Services per Enrollment FTE	**$2,736 / FTE.** UMN is at the median of the peer set.	Like its peers, UMN has expanded spending related to student services. It has remained close to and is now at the median.
Academic Support per Instructional FTE	**$130,736 / FTE.** Third highest and +16.3% above peer median.	Like several peers, UMN has increased its spending on academic support. The specific value of individual academic support activities should be considered.
Administrative Overhead Costs Allocated to Major Cost Pools	**+4%** above peer median for Research, **+5%** above peer median for Instruction, **-+1%** of peer median for Other Institutional Activities	UMN is very close to the median for this analysis, which includes several peers outside the standard peer set.

Questions and Discussion

This phase of the project does not propose specific next steps. Huron is prepared to respond to questions regarding the methodology, the application of benchmarking in higher education, opportunities to refine the analysis, and strategies applied by other research institutions.

BACKGROUND INFORMATION

At the December 2019 meeting, the Finance & Operations Committee reviewed the FY 2019 results from the Administrative Cost Definition and Benchmarking analysis and discussed next steps, including the purpose and scope of this external review.

Huron Consulting

Founded in 2002, Huron is a publicly traded management consulting firm offering services to higher education, healthcare, academic medical centers, life sciences, and other commercial industries. The firm has conducted strategic and operational projects with all of the top-100 research universities in the U.S., including the University of Minnesota. Huron also supported the University's 2013 benchmarking engagement.

Andrew L. Laws, Managing Director, Strategy and Operations Service Line Leader

Andrew Laws helps colleges and universities maximize, allocate, and leverage financial resources. His optimization projects include revenue enhancement and cost reduction initiatives; financial modeling and budget planning initiatives; and organizational assessment and business process redesign initiatives. Over 15 years of higher education consulting at Huron, Laws has led optimization projects at over 60 institutions and his recent clients include the University of Tennessee, the University of California, the University of South Carolina, and the University of Colorado. In addition to his work at Huron, Laws is an adjunct faculty member at Vanderbilt University.

Education

- Doctor of Education, Vanderbilt University
- Master of Business Administration, University of Chicago, Booth School of Business
- Bachelor of Business Administration, University of Mississippi

Kurt Dorschel, Senior Director

Kurt Dorschel has 18 years of higher education experience as a consultant and former administrator. His work has spanned every major component of university operations. His current consulting focus area is higher education organizational design, talent management, and service delivery design. His past clients include UW – Madison, Penn State, Ohio State, the University of North Carolina, UCLA and UC Davis. Before his consulting career, Dorschel served as the Assistant Director of Administrative Services for the Steinhardt School of Education at New York University.

Education

- Master of Business Administration, University of Michigan, Ross School of Business
- Master of Arts, Performance Studies, New York University
- Bachelor of Arts, Anthropology, Grinnell College

UNIVERSITY OF MINNESOTA

ADMINISTRATIVE COST DEFINITION AND BENCHMARKING

EXTERNAL REVIEW UPDATE

Finance & Operations Committee

February 13, 2020

HURON

Contents

These page numbers refer to numbers in the upper right-hand corner of this document.

PROJECT OVERVIEW AND RESULTS

HURON

Project Overview

This effort supports a conversation about the application of benchmarking to enhance the University of Minnesota's operational effectiveness.

Goals

- Evaluate the application of benchmarking in higher education
- Highlight UMN's current approach to this analysis
- Conduct a **preliminary** assessment of University operational efficiency given readily available data (e.g., not purchased and not elicited through custom survey)

Approach

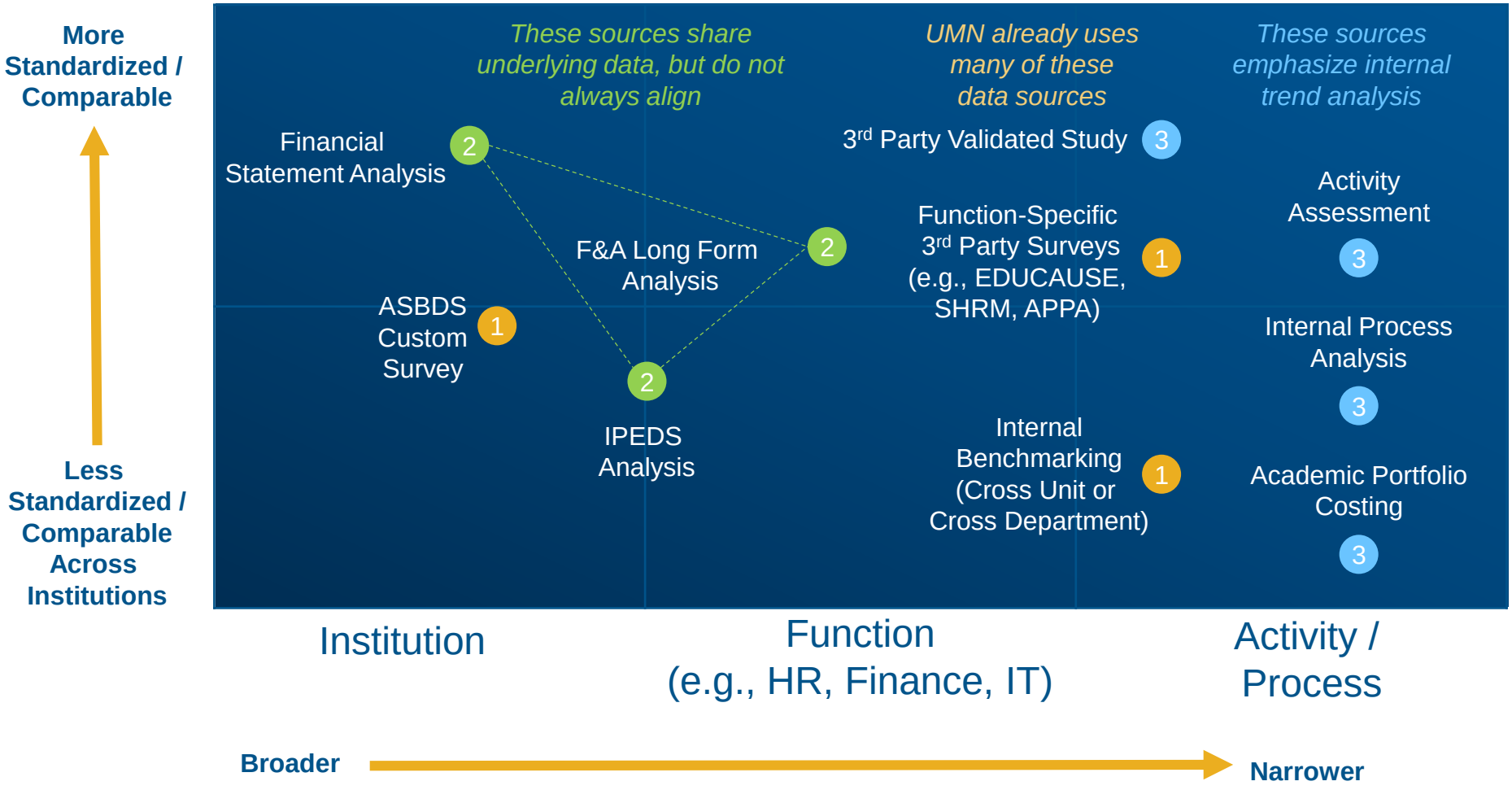
- Understand peer context and trends
- Consider the value of publicly available, standardized data
  - Financial statements
  - Integrated Postsecondary Education Data System (IPEDS)
  - Facilities and Administrative (F&A) rate submissions
- Analyze data related to the concept of operational efficiency

Challenges

- Differing operating models (e.g., integration with university systems, hospitals, or related activities and affiliates)
- Variation in reporting practices, even within standards
- Limited detail in available data (i.e., high-level categories)
- Fragmentation, distribution, and inconsistency within university workforces
- ***Wide ranges and variability of peer data produced by the analysis***

Range of Benchmarking

Comparative benchmarking varies in terms of standardization, comparability, and level of analysis.



1 Strategy during ASBDS project 2 Strategy for this engagement 3 Other

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Data Sources

Readily available data sources are limited in their ability to produce timely, actionable results.

Source	Description
Annual Audited Financial Statements	▪ Financial reports include independent auditor attestation to fairness and compliance with accounting principles. ▪ Most public institutions use Governmental Accounting Standards Board (GASB) definitions and principles, though some like Penn State use Financial Accounting Standards Board (FASB) definitions and principles. ▪ Statements may or may not include related entities (e.g., hospitals or foundations). ▪ Statements are delayed until months after the close of the fiscal year. **FY19 statements were not available for all peers at the time of data collection**.
IPEDS (Integrated Postsecondary Education Data System)	▪ Includes a set of annual surveys conducted by U.S. Department of Education's National Center for Education Statistics. ▪ Data are collected from all colleges, universities, and technical/vocational institutions that participate in federal financial aid programs. ▪ Surveys include academic, financial, and workforce data at the institution level. ▪ IPEDS provides standard data definitions but does not have an independent mechanism to validate data. ▪ Data are delayed two years from current operating activity (e.g., 2018 data are available now).
F&A Rate Proposals and Long Form Submission	▪ Rate proposals are cost calculation and allocations to determine appropriate rate of overhead to charge grants. ▪ Cost pools definitions and allocability standards are determined by Federal Office of Management and Budget. ▪ Detailed schedules (long-form) include estimations of cost by function but are not readily available without special requests. ▪ Institutions have incentives to allocate costs to achieve highest rate.
Higher Education Research and Development Survey (HERD)	▪ The Higher Education Research and Development Survey (HERD) is the primary source of information on R&D expenditures at U.S. colleges and universities. ▪ The annual survey, which is conducted by the National Science Foundation, collects information on R&D expenditures by field of research and source of funds. ▪ https://www.nsf.gov/statistics/srvyherd/

Narrowing in on Peers

Identifying a peer set starts with a narrow set of top research institutions.

Top 50 Comprehensive Research Institutions (Public and Private)
Total R&D Spend: $516M - $2.67B
UMN: $954M (Ranked 17)

Research volume , institutional control, and complexity drive operational needs.

31 Public/Non-Medical Focused
Total R&D Spend: $516M - $1.6B
UMN $954M (Ranked 8)

UMN Standard Peer Set
R&D Spend: $653M - $1.6B
Enrollment 42.5K – 61.0K

The standard peer set is good, but not perfect.
The sample size is small, and variations remain.

Small sample sizes can limit the ability to extrapolate results.

Additional context may be found in **Peer Group and Definitions** section.

Source: R&D spend from Higher Education Research and Development) Survey (FY2018)
Enrollment based on Total Enrollment as reported to IPEDS (2018)

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Institutional Variation

The peer set for any public research institution must consider several major factors which impact operations.

Relationship with State
Institutions have varying degrees of autonomy and dependence on State funding, programs, and services. (e.g., retirement plans)

Relationship with a System office
System offices provide different types of leadership and operational support and are funded through various mechanisms.

Activity / Funding Mix
The degree to which an institution relies on tuition, sponsored funding, and state support influences the allocation and reporting of resources.

Medical School and/or Hospital
The healthcare portfolio (clinical and research) shapes the operating structure and funding mix of an institution.

Scale and Diversity of Research
The type and variation of types of research (externally and internally funded; mix of funding by agency) shapes operations.

Current Enterprise Projects
Many of UMN's peers are currently undertaking transformative projects related to systems implementation and/or organizational design.

Peer Comparisons – Examples

Even other Big-10 land-grant institutions in the standard peer set have important differences from UMN.

Penn State (HERD survey rank 21)

GOOD COMPARISON
- Closest in R&D expenditures of current peers
- Flagship provides support to multiple locations (no system office)
- Has a medical school but does not own hospital

BUT…
- Has **26** regional locations plus World Campus
- Some functions already centralized (e.g., HR)
- Currently undertaking financial systems transformation
- Closely integrated with a national lab

UW – Madison (HERD survey rank 8)

GOOD COMPARISON
- Similar geography
- Has a medical school but does not own hospital

BUT…
- Research expenditures are **26% higher**
- Part of a University system whose costs are not included in operating costs
- Undertaking Administrative Transformation and Title and Total Compensation Project

Ohio State (HERD survey rank 25)

GOOD COMPARISON
- Flagship also provides services to 5 regional campuses
- Ohio State does not receive services from a system office

BUT…
- Closely integrated with Wexner Medical Center (**$3.1B** revenue in 2018) and some core functions cross the enterprise
- Enrollment is **21% higher**
- Undertaking HR/Finance cloud transformation project

Challenges with Efficiency Ratios

Measuring "efficiency" for large, public research institutions must consider limitations of available data.

The Numerator
Resources
Such as:
Operating costs
Employee Headcount / FTE
Asset allocation

- Data from public sources are too high level to be actionable (e.g., "academic support" or "business and financial operations").
- Variations in accounting treatment lead to variability in cost allocation (e.g., IT expenses that cross functions).
- Distributed resources are hard to categorize and quantify.
- Resources often serve multiple campuses, functions, or missions.
- Different operating structures (e.g., system office or integration with state) obscure the total cost of a function.

The Denominator
Activity / Outcomes
Such as:
Enrollment; Credits, Degrees
Research Expenses
Public Service Programs
Employee Headcount / FTE

- Instructional activities have multiple types (e.g., graduate/undergraduate/professional; full/part-time; discipline).
- Research and public service programs are diverse and often have long time horizons.
- Mission outcomes are not always closely timed with operational expenses.
- While quantitative measures may capture ***quantity of output***, they often do not reflect ***quality of outcomes.***

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Analysis Summary – Workforce

UMN compares favorably to peers related to the proportion of the workforce focused on mission activity and was within the range of other metrics.

Metric	UMN Analysis	Context
Mission-Focused Headcount as a Percentage of Total Headcount	**37.2% focused on Mission** 3rd Highest among 11 institutions 8th Highest among 31 institutions	A higher number indicates a greater percentage of workforce focused on teaching, research, and service. This is supported by recent incremental increases in mission-focused staff at UMN.
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Analysis Summary – Expenses

While UMN TC was higher the peer median by some metrics of overhead spend, this is likely mitigated by support provided across campuses.

Metric	UMN Analysis	Context
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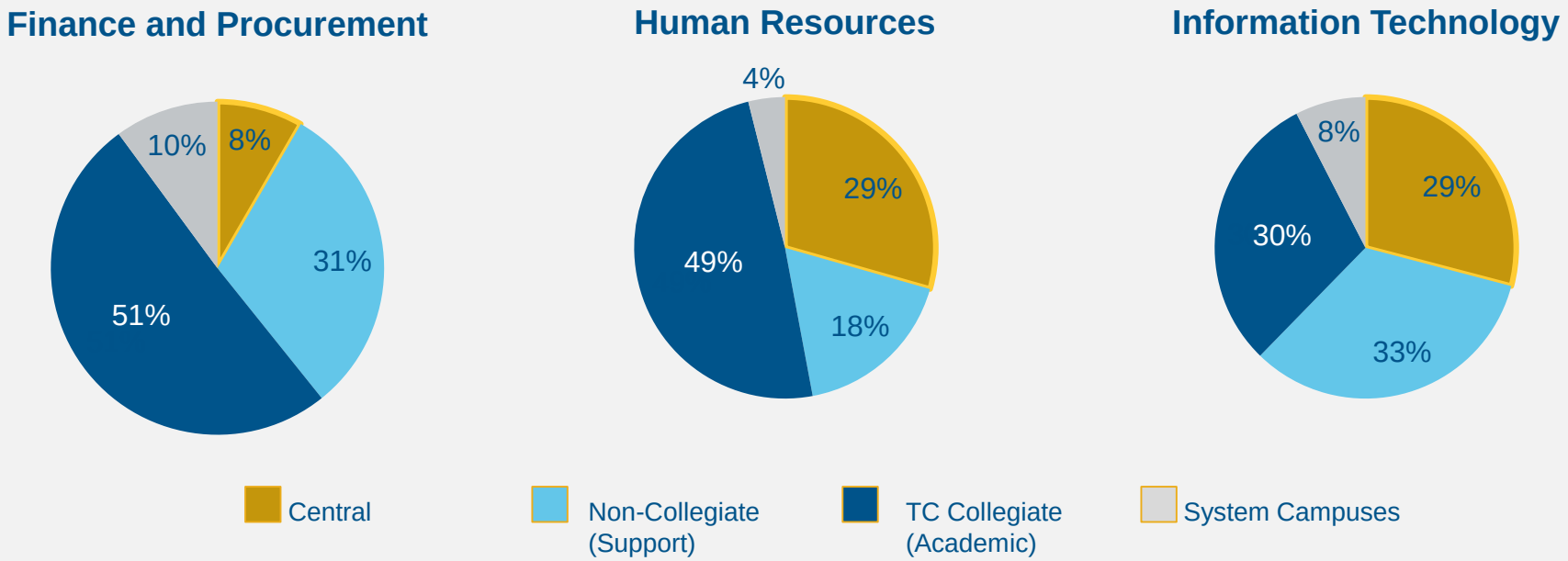
Administrative Overhead Costs Allocated to Major Cost Pools	**+4%** above peer median for Research, **+5%** above peer median for Instruction, **-** **+1%** of peer median for Other Institutional Activities	UMN is very close to the median for this analysis, which includes several peers outside the standard peer set.

DATA ANALYSIS – WORKFORCE

HURON

UMN Workforce

In 2013, Huron noted that, like many of its peers, UMN had operational functions that were fragmented and distributed.



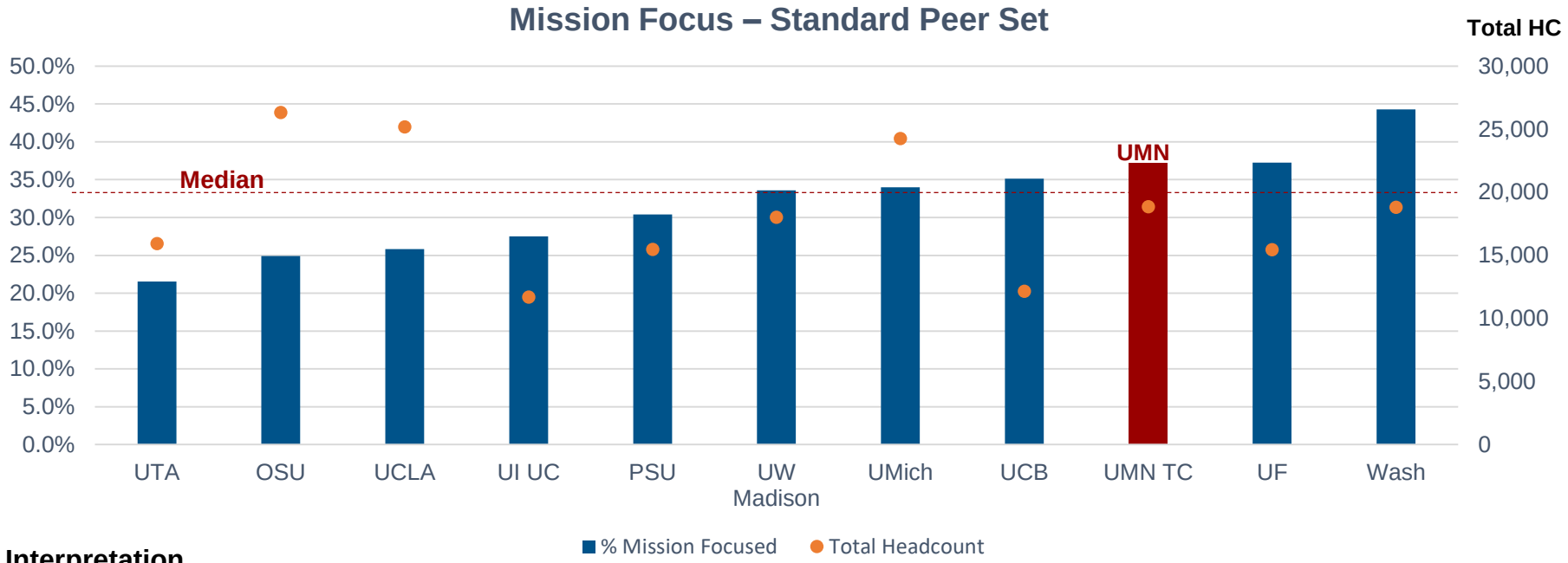
Counts of jobs provided in UMN Workforce Analysis. Data from 2012 9th period (October) payroll
Workforce category counts do not capture effort in these areas performed by individuals with generalist titles (e.g., “coordinator”)

UMN’s 2013-2016 classification and compensation project created a platform for greater job family visibility than some peers currently undertaking similar projects.

Source: UMN Administrative Services Benchmarking and Diagnostic Study, Final Report (June 12, 2013).

Mission-Focused Workforce

UMN's workforce has a higher than average proportion of its workforce dedicated to mission-focused activity



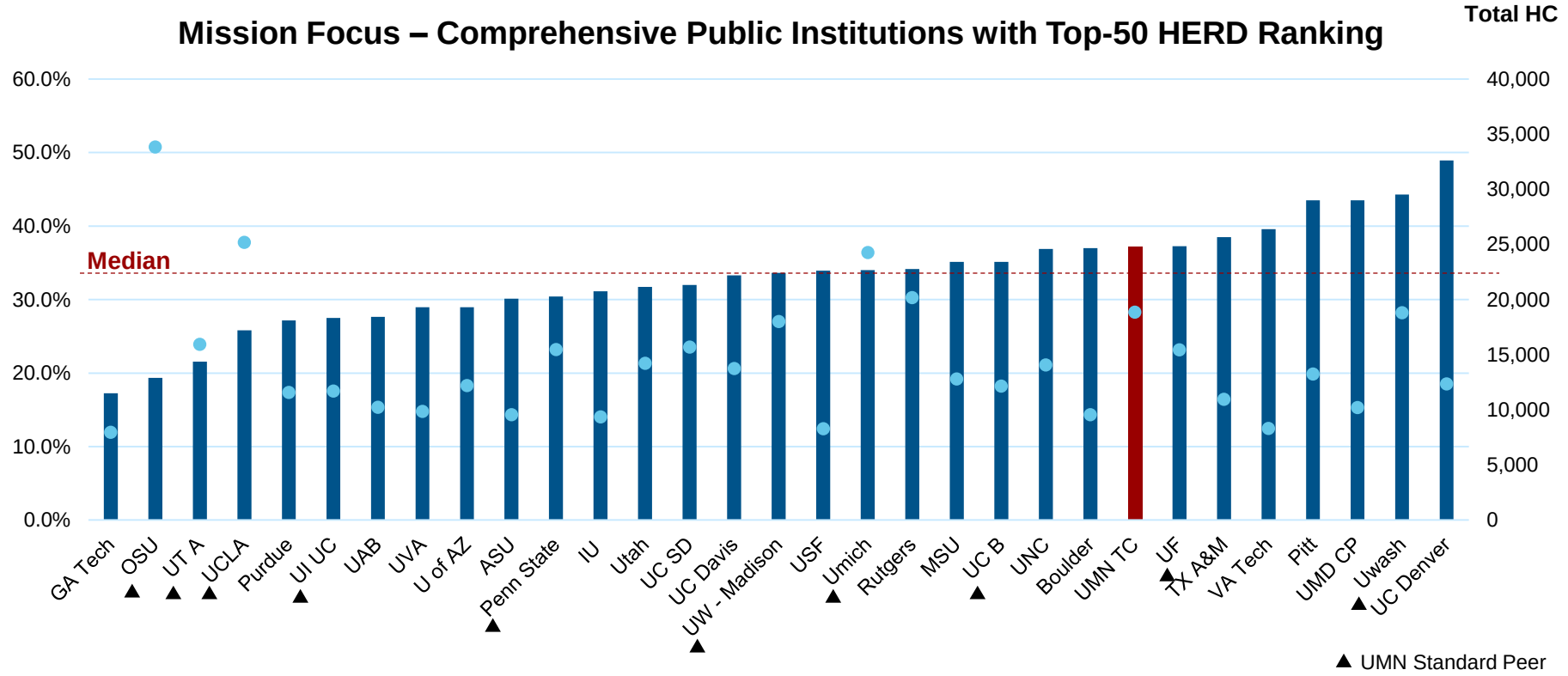
Interpretation

- **Instruction, Research, and Public Service** Headcount was calculated as a percentage of total headcount. A higher number suggests a greater portion of the workforce focused on delivering the mission.
- UMN ranked third highest in the peer group (**37.2 percent**) within the overall range of **22 – 44 percent**.
- Occupational classifications rely on practices employed by the institution. This analysis does not account for compensation and benefits differences.
- Some institutions, like Ohio State and Michigan, include significant numbers of healthcare positions in their headcounts.
- Ongoing investment in Mission parallels results of internal analyses performed by UMN, including the "Administrative Cost Definition and Benchmarking" report presented to the Finance and Operations Committee, December 12, 2019.

Source: IPEDS, Full- and Part-Time Staff by Occupational Category (2018). Does not include Graduate Assistants.
See Glossary for definition of headcount as used by IPEDS.

Mission-Focused Workforce

Even with an expanded set of peers, UMN has a higher percentage of the workforce dedicated to mission activities than the median.



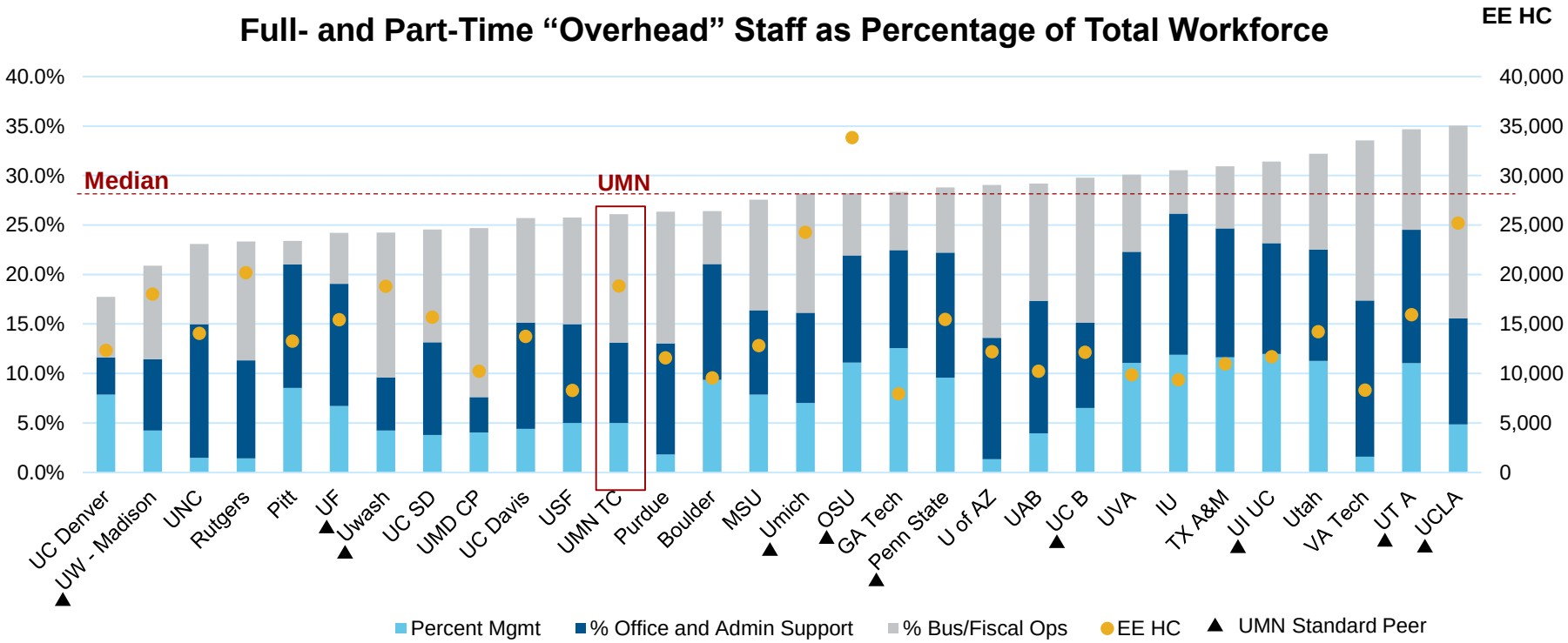
Percentage of FTE dedicated to Teaching, Research, and Public Service	Total Institution	Exclude Med School (Not Pictured)
Min	17.3%	16.6%
Max	48.9%	37.9%
Median	33.6%	27.9%
UMN in Relation to Median (Higher number = more mission focus)	**+10.6%**	**+5.0%**

Source: IPEDS, Full- and Part-Time Staff by Occupational Category (2018). Does not include Graduate Assistants.
See Glossary for definition of headcount as used by IPEDS.

HURON

"Overhead" Workforce

Using the same expanded set of peers, UMN is within the range of percentage of workforce dedicated to "overhead" roles.



Percentage of FTE dedicated to Overhead Roles	Total Institution
Min	17.7%
Max	36.4%
Median	28.2%
UMN	**26.1%**

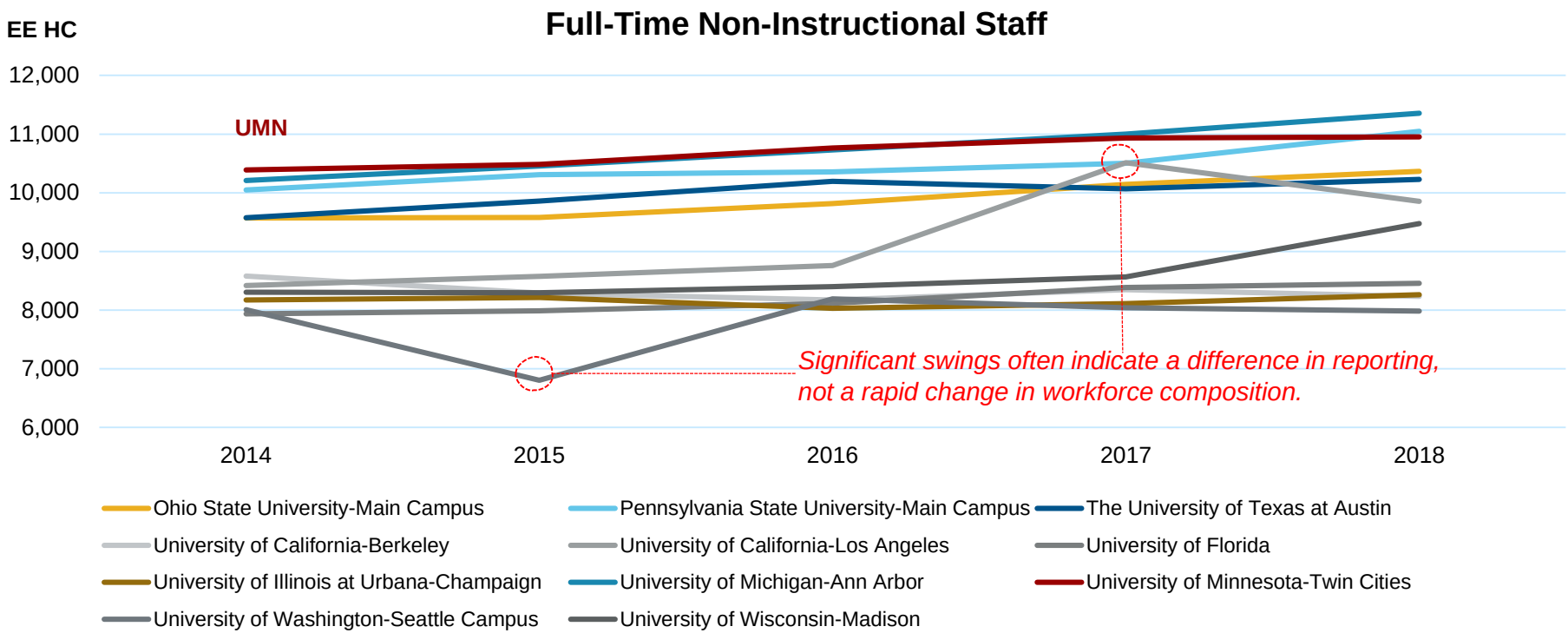
Average salary outlays per FTE for these three functions vary widely across institutions, with spread of 70-130% This variation is not likely just the result of different pay practices and indicates variation in job classification and reporting.

Source: IPEDS, Full- and Part-Time Staff by Occupational Category (2018). Does not include Graduate Assistants.
See Glossary for definition of headcount as used by IPEDS.

HURON

Growth of Non-Instructional Staff

UMN's non-instructional workforce grew slower than peer median and was only higher than 3 other institutions.



Change from 2014-2018 (Cumulative Total)

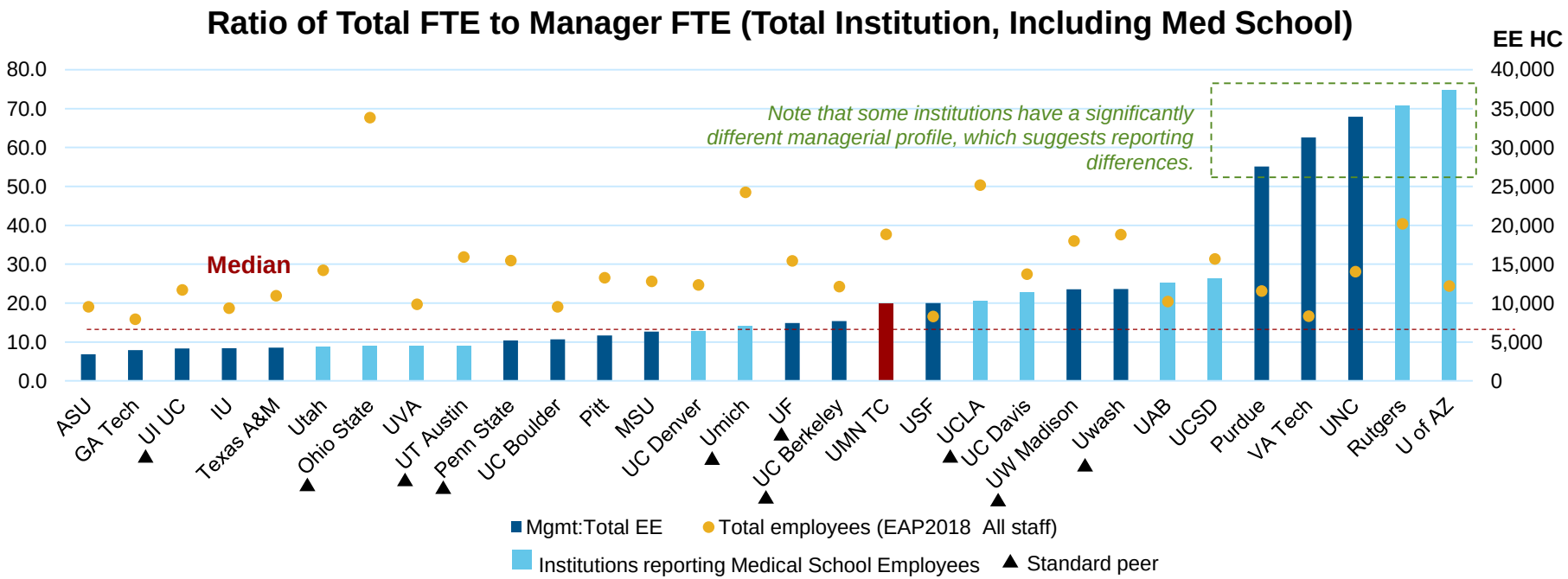
UC Berkeley	UWash	UI UC	UMN	UF	UT A	OSU	Penn State	Umich	UW – Madison	UCLA	Total (Median)
-4.0%	-0.3%	1.1%	5.4%	6.6%	6.8%	8.3%	10.0%	11.2%	14.1%	17.1%	6.8%

Source: IPEDS, Full-Time Non-Instructional Staff (2014 - 2018). Does not include Graduate Assistants.
Includes non-faculty research and public service staff.
See Glossary for definition of headcount as used by IPEDS.

HURON

Ratio of Managers to Total Employees

UMN has a higher percentage of total institutional staff per Manager FTE.



Total Institution FTE to Manager FTE	Total Institution	Exclude Med School (if applicable)	Exclude Mission EE in Denominator
Min	6.9	6.5	4.8
Max	74.8	70.4	53.1
Median	14.9	13.8	9.4
UMN	**20.0**	**18.4**	**12.5**
UMN in Relation to Median (Higher = More Employees per Manager)	**+33.8%**	**+33.5%**	**+33.5%**

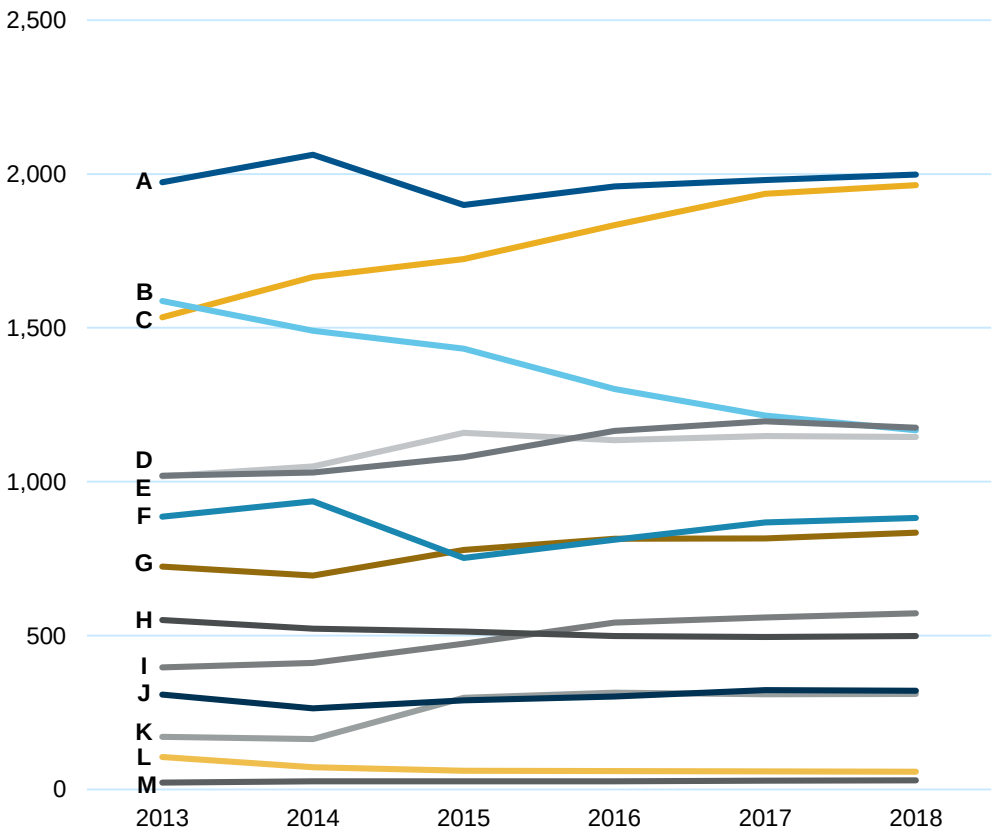
Source: IPEDS, Full- and Part-Time Staff by Occupational Category (2018). Does not include Graduate Assistants.
See Glossary for definition of headcount as used by IPEDS.

HURON

UMN Occupational Category Shifts

A decrease in office/admin support positions and increase in IT and Management may reflect a global trend towards professionalization.

UMN TC Full-Time Non-Instructional Workforce (2013-2018)



Change from 2013-2018 (Cumulative Total)

A	Business and Financial Operations	1.3%
B	Office and Administrative Support	-26.5%
C	Computer Engineering and Sciences	28.0%
D	Research	12.6%
E	Service	15.3%
F	Community Social Service Legal Arts Design Entertainment Sports and Media	-0.5%
G	Management	15.2%
H	Natural Resources Construction and Maintenance	-9.5%
I	Librarians, Curators, Archivists	44.4%
J	Healthcare Practitioners and Technical	4.2%
K	Public Service	81.3%
L	Production, Transportation, and Materials Moving	-45.7%
M	Sales and Related	31.8%
	Total	**6.4%**

Overhead roles appear to be shifting towards management.

Source: IPEDS, Full- and Part-Time Staff by Occupational Category (2013-2018). Twin Cities only.

DATA ANALYSIS – EXPENSES

HURON

Functional Area Definitions

Functional Areas have definitions but offer significant flexibility with regard to reporting.

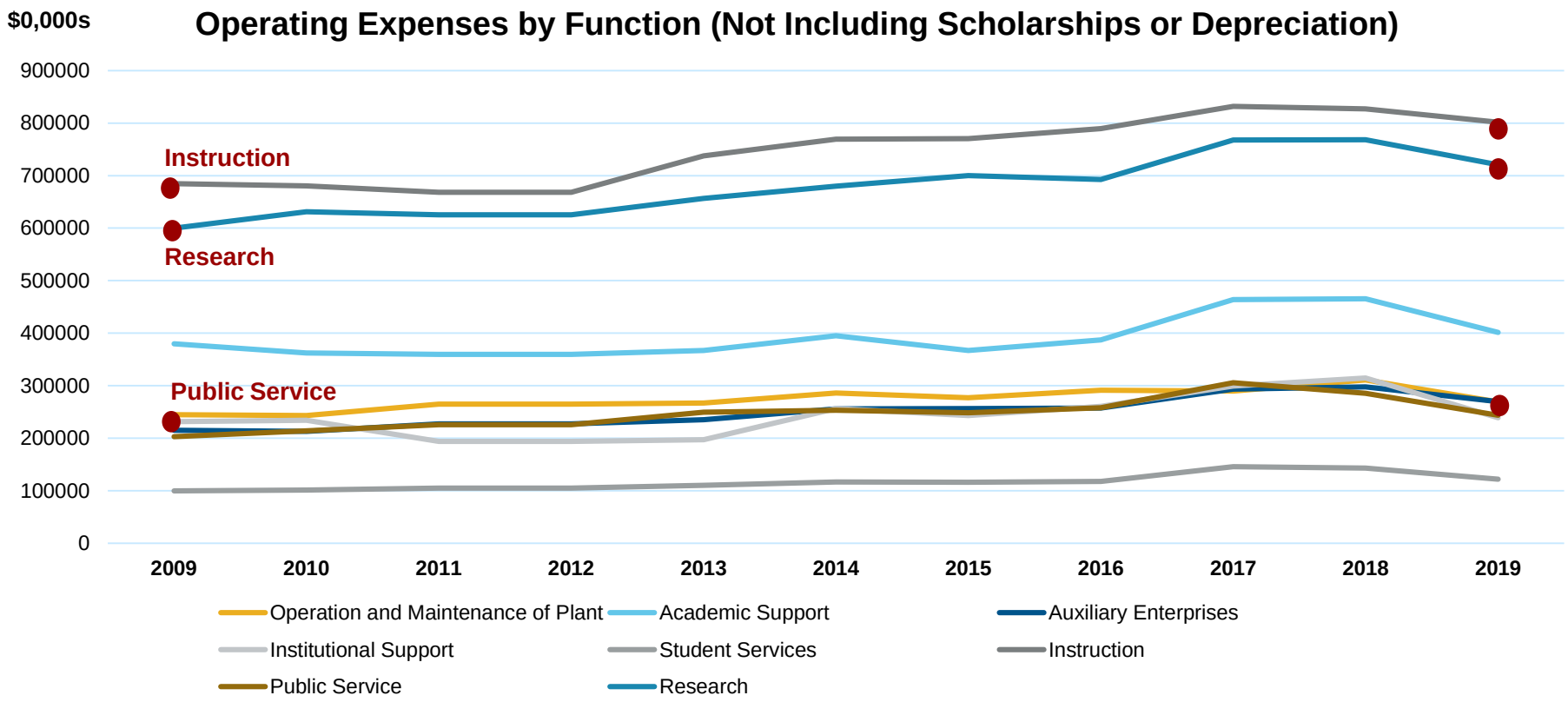
Category	Definition Components
Instruction	All activities that are part of the instructional program. Includes expenses for departmental research and public services that are not separately budgeted for and instructional information technology.
Research	All activities specifically organized to produce research, regardless of funding source. Includes institutes and research centers, individual/project research, and research information technology,
Public Service	Non-instructional services beneficial to individuals or groups outside the institution. Includes community service, cooperative extension, conference, advisory services, radio and television, consulting, non-instructional service. May include related IT expenses.
Academic Support	Support services to primary missions. Includes expenses such as libraries museums, galleries, academic administration, curriculum development and academic AV and IT.
Institutional Support	Central activities concerned with management for the entire institution, such as board administration, legal, fiscal operations, administrative IT, space management, HR, and procurement.
Student Services	Expenses for student services administration as well as for activities that contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program.

The following analyses do not include scholarships, depreciation, auxiliary expenses, and hospital/patient care expenses.

Adapted from NACUBO Accounting Principles Council guidelines

UMN Trendline – Operating Expense

UMN's mission-related operating expenses (Research and Instruction) grew faster than support expenses over a 10-year period.



Over the same period, Institutional Support and Academic Support reduced slightly as a percentage of overall expenses. Student Services increased.

(See detail: Trends in Operating Expenses)

Source: UMN Audited Financial Statements (2009 – 2019). Not adjusted for inflation.

UMN Trends in Operating Expenses

While UMN has grown significantly and academic and institutional support expenses have slowed, the overall structure of expenses has not changed.

Operating Expenses by Natural Classification (Excluding Scholarships and Depreciation)

	Operation and Maintenance of Plant	Auxiliary Enterprises	Academic Support	Institutional Support	Student Services	Instruction	Public Service	Research	Total
Total Expenditure Change 2009-2019	9.9%	25.5%	5.6%	3.2%	22.7%	17.0%	20.0%	20.1%	15.4%
Average Annual Growth Rate 2009-2019	1.0%	1.9%	2.2%	2.8%	3.2%	1.6%	2.6%	2.3%	1.9%
CAGR 2009 -2019	1.0%	2.3%	A 0.6%	0.3%	B 2.1%	C 1.6%	1.8%	1.8%	
Percentage of Total Operating Expenditures									
Min 2009 - 2019	8.5%	8.0%	12.3%	7.0%	3.7%	24.2%	7.6%	22.5%	
Max 2009 - 2019	9.9%	8.8%	14.3%	9.2%	4.3%	26.2%	9.0%	23.6%	
Average 2009 -2019	9.3%	8.5%	13.3%	8.2%	3.9%	25.4%	8.4%	23.1%	
Percentage in 2019	8.8%	8.8%	13.1%	7.8%	4.0%	26.1%	7.9%	23.5%	
Change 2009-2019 (Percentage Points)	-0.43	0.71	-1.20	-0.92	0.24	0.37	0.31	0.92	
Labor as a Percentage of Operating Expenses									
Min	33.6%	36.9%	75.3%	70.5%	76.6%	85.2%	59.3%	62.4%	67.6%
Max	50.3%	47.5%	81.4%	85.4%	81.7%	88.2%	67.5%	66.5%	72.8%
Average	40.8%	40.9%	78.3%	77.1%	79.3%	87.0%	64.4%	64.7%	69.5%
2019	33.6%	36.9%	75.3%	76.2%	77.1%	87.5	59.3%	63.9%	67.6%
Labor Change 2009-2019 (Percentage Points)	-10.4	-2.5	-0.8	D -9.2	-4.6	2.3	-8.1	-1.9	E -2.9

Interpretation

A. Academic Support and Institutional Support grew slower than mission-focused expenses.

B. Student Services did outpace all three categories of mission-focused expenses. This is in line with broad trends in higher education.

C. Instruction, Public Service, and Research grew significantly over the 10-year period.

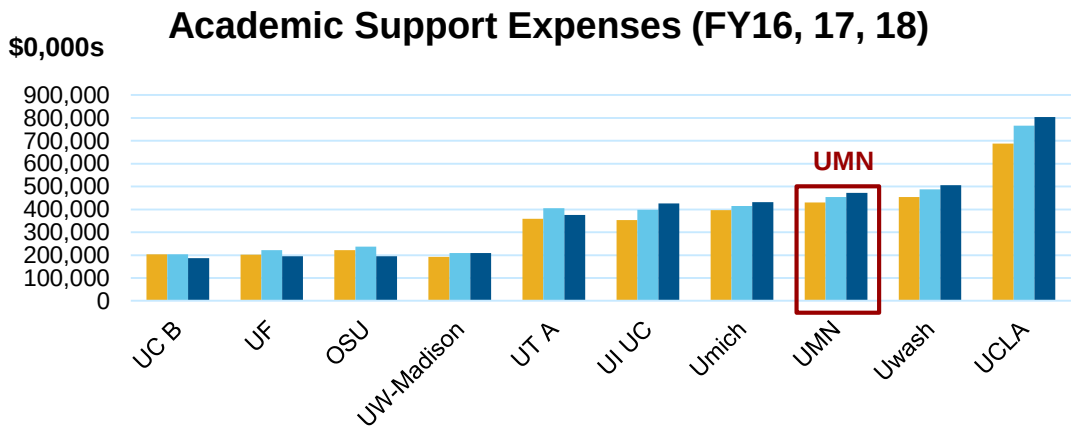
D. Since 2009, labor became a smaller percentage of institutional support costs and in 2019 was below the 10-year average.

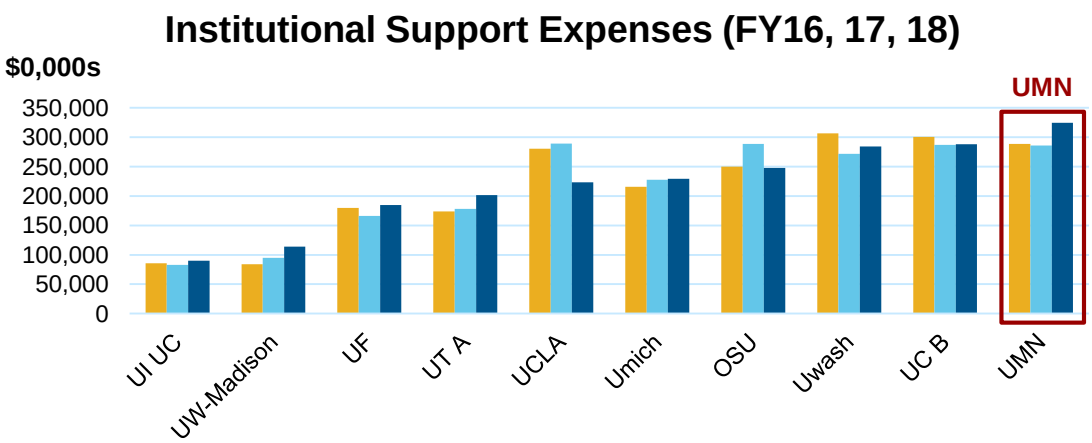
E. Labor as a percentage of total operating expenditures is at the lowest level in 10 years.

Source: UMN Audited Financial Statements (2009 – 2019). Not adjusted for inflation.

Peer Change In Expense by Category

Several peers have increased academic support and institutional expenses.





Total spend and growth on its own does not indicate efficiency.

Where possible, these expenses should be scaled to mission activities or investments.

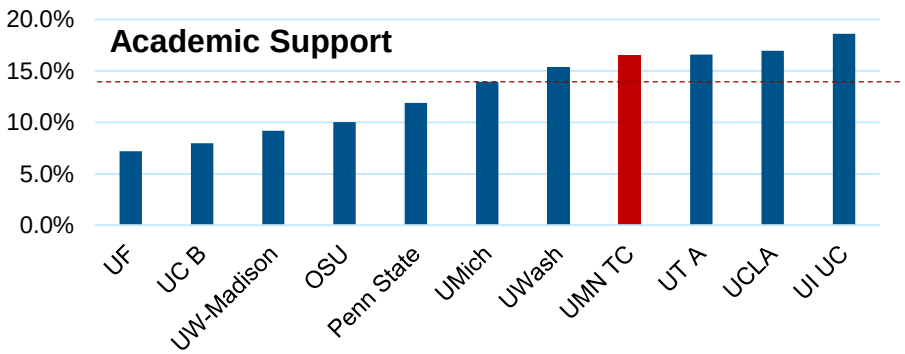
These types of expenses, however, tend to support multiple parts of the mission.

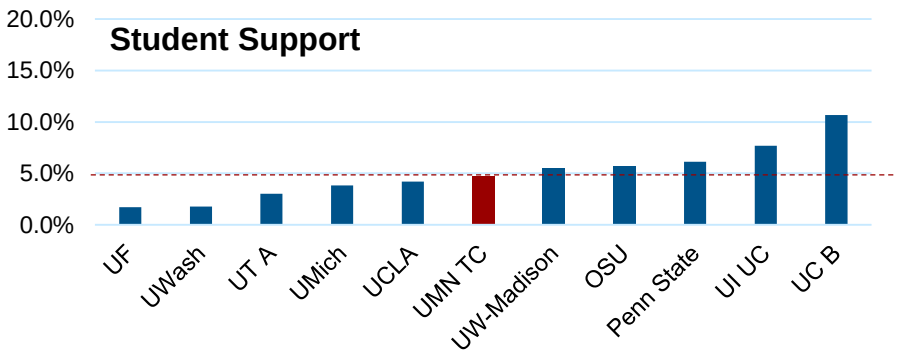
Source: IPEDS Expenses by function and total expenses by natural classification (FY2018).
Penn State reports data using FASB categories (not GASB like other peers). Omitted from this chart.
Not adjusted for inflation.

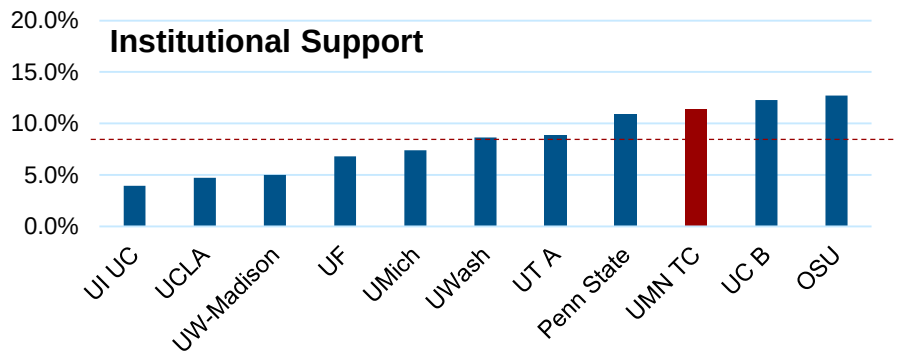
HURON

Support Costs Compared to Peers

UMN TC is within the range of peers for support costs, and FY2019 financial statements suggest that expenses are moving closer to the median.







		Academic Support	Student Support	Institutional Support
1	Minimum	7.2%	1.7%	3.9%
	Maximum	18.6%	10.7%	12.7%
	Median	13.9%	4.8%	8.6%
	UMN per IPEDS 2018	16.6%	4.8%	11.4%
2	UMN Difference from IPEDS Median 2018 (percentage points)	+2.7	0.0	+2.8
3	***Percentage per Financial Statements 2019***	***15.9%***	***4.8%***	***9.4%***

1. The peer spread from minimum to maximum for these metrics is wide (max 2.6 – 6.2 times min).
2. In 2018, UMN was within the range but above the median in proportion of spend on academic and institutional support.
3. Looking at 2019 UMN financial statements, these two metrics have decreased and are closer to the median.
4. This reflects a trend of incremental efficiency gained in business and finance function (slide 43).

Sources:
IPEDS Expenses by function (FY2018).
UMN audited financial statements (FY2019)
Financial statements for FY2019 not available for all peers at the time of the analysis.

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Expense per Total Enrollment FTE

When adjusting for support costs, which are often shared across institutions, UMN compares favorably with other institutions.

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support ($)
Peer Minimum	14,779	6,045	1,041	3,304	953	1,682
Peer Maximum	51,748	26,665	15,473	17,394	5,903	7,533
Peer Median	18,686	16,711	3,514	8,031	2,736	4,832
UMN TC	15,527	17,426	5,650	9,501	2,736	6,534
UMN TC percent of median	83%	104%	161%	118%	100%	**135%**
UMN System Total	13,734	13,974	4,513	8,038	2,620	**5,455**
UMN System Total Relative to Median	73%	84%	128%	100%	96%	**113%**

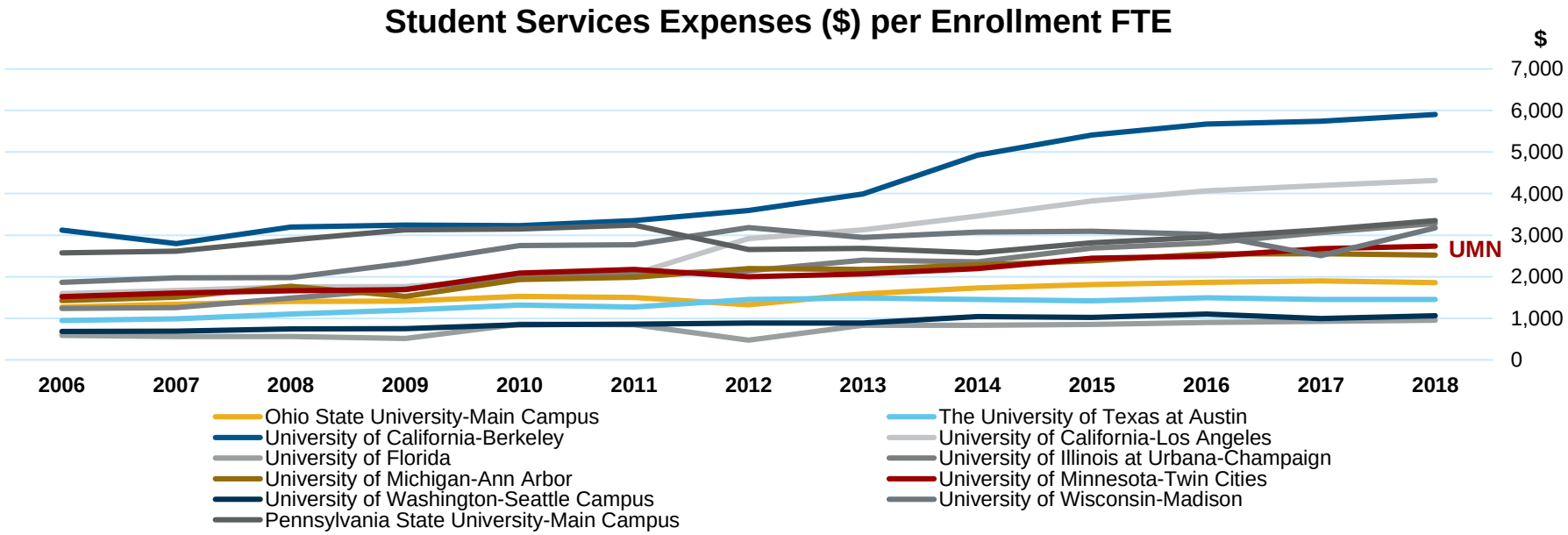
While this type of analysis does provide some degree of scale, it still must be taken into context. **Note 100% = Median.**

1. Institutional support often supports multiple parts of the mission.
2. These calculations assume distributing core expenses just for Twin Cities enrollment, but some of these functions serve other campuses.
3. Enrollment FTE is only one driver of operational needs and may not be comprehensive for an institution with a substantial research portfolio.
4. The National Research Council of the National Academies has put forward alternate measures of productivity[1] that account for credit production and cost of capital and other factors. These metrics are more complex, but face many of the same limitations and are similarly focused primarily on the cost of instruction, not research and public service.

Source: Source: IPEDS Expenses by function and total expenses by natural classification (FY2018).
Penn State reports data using FASB categories (not GASB like other peers), but same categories used
[1]Improving Measurement of Productivity in Higher Education, National Academies Press. 2012

Student Services Per Enrollment FTE

Like many peers, UMN has increased its investment in Student Services relative to its student population.



Peer Comparison (2018)		
Minimum	$	953
Maximum	$	5,903
Median	$	2,628
UMN TC	$	2,736
UMN relative to Median		**UMN is at the Median**

The current peer spread is almost 600%, which again suggests variation in accounting for costs.

Student Services may encompass a whole range of activities that support student mental health, persistence, engagement, and academic success.

Source: IPEDS, Derived Variables, Financial Indicators, Core expenses per FTE enrollment by function (2006-2018). Not adjusted for inflation..

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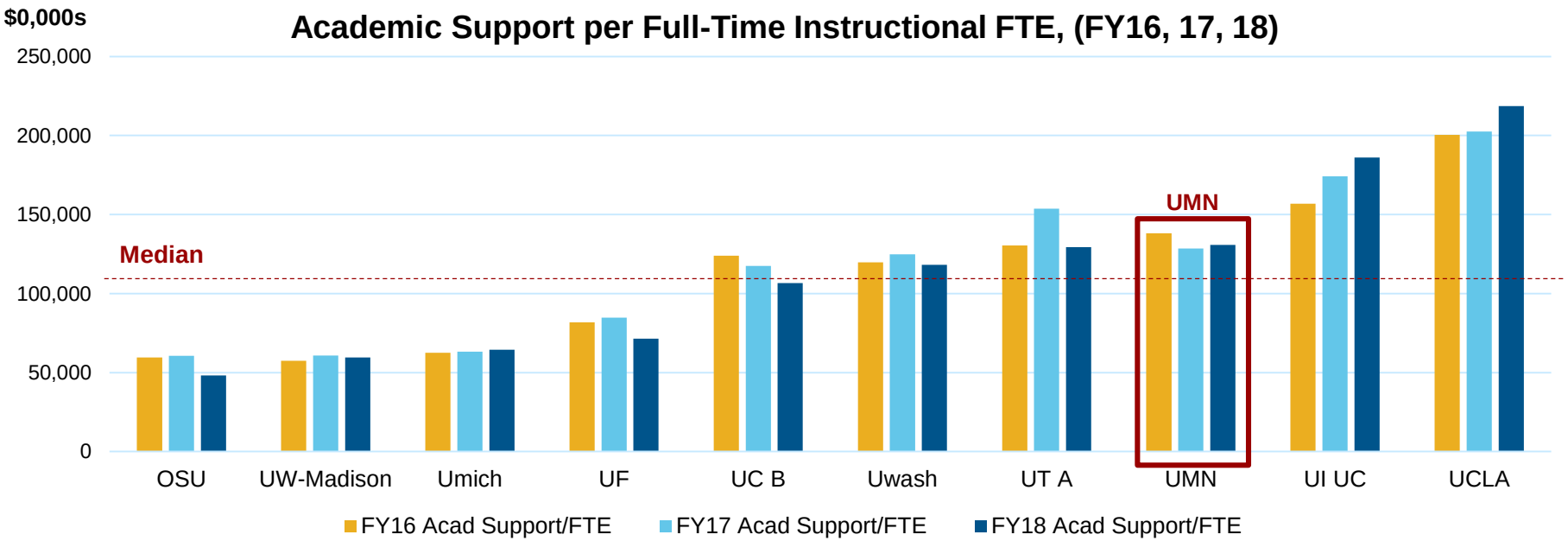
Academic Support / Instruction FTE

UMN's investment in academic support relative to its instructional FTE is also within the range of its peers.



Min	$	48,169
Max	$	218,701
Median	$	112,388
UMN	$	130,736
UMN Relative to Median		**16.3%**

Note the significant spread between minimum and maximum of the peer group. This suggests variation in what costs might be included in this category.

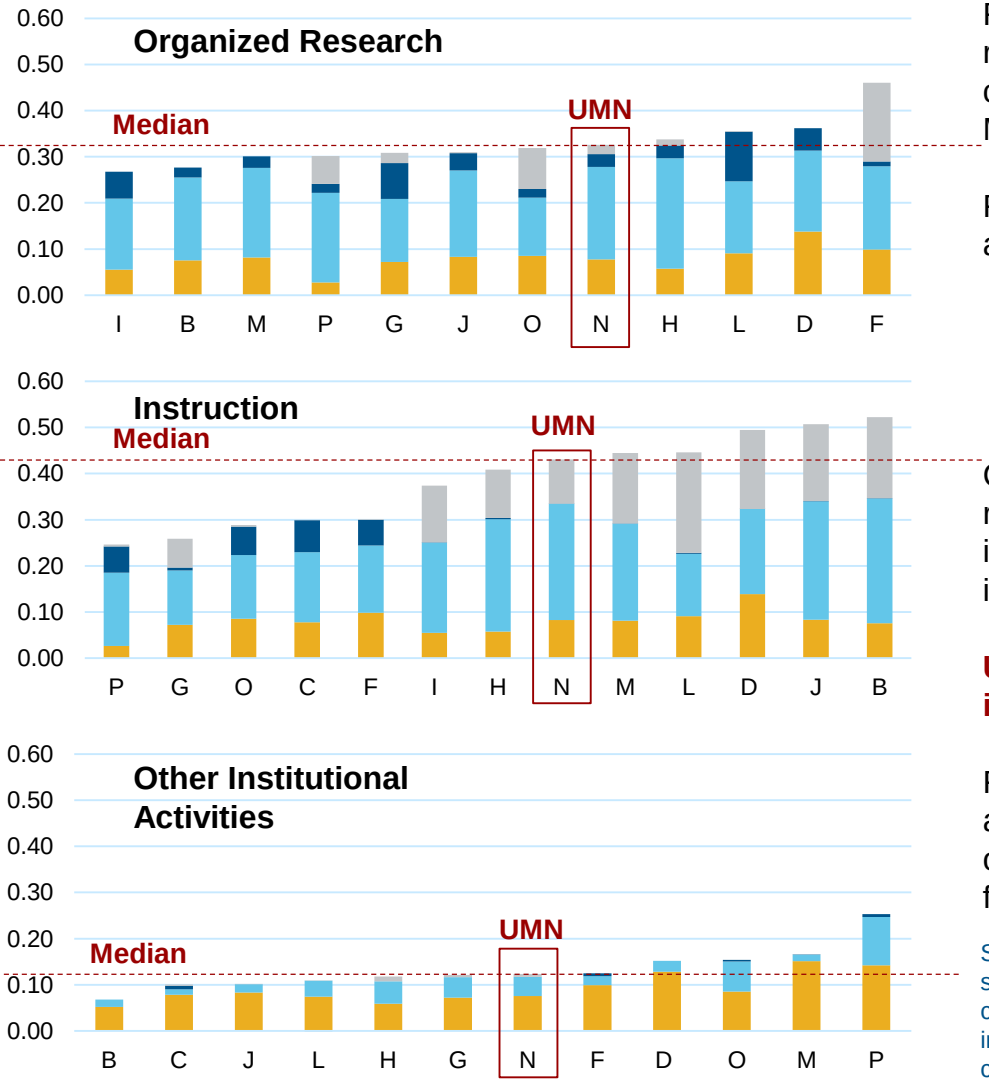
Scaling one functional category according to a relevant driver better links costs with activity. Still, this insight does not immediately indicate an immediate course of action.

Source: Source: IPEDS Expenses by function and total expenses by natural classification (FY2018) and Total Instructional FTE (2018).
Penn State reports data using FASB categories (not GASB like other peers). Omitted from this chart.
Not adjusted for inflation.

HURON

F&A "Administration" Allocations

Facilities and Administrative (F&A) rate calculations provide a mechanism to compare how overhead costs are allocated to core activities.



F&A rate calculation set definitions for types of costs and rules for allocating them to various activities. These comparisons look at allocated costs as a percentage of Modified Total Direct Costs (MTDC).

Four of the types of allocated costs are related to administrative overhead.

- General Administration
- Sponsored Projects Administration
- Department Administration
- Student Services Administration

Comparisons made here draw from past Huron projects with research institution clients. These deidentified institutions include **some** of UMN standard peers, but other research institutions as well.

UMN (TC) appears to be within the range of comparison institutions.

F&A rate calculations and submissions are not performed on an annual basis. Detailed schedules support the calculation of rates are not publicly available. Calculated rates may differ from final negotiated rates.

Source: Huron data from F&A rate submissions. Deidentified for client confidentiality. Several UMN standard peer institutions declined to provide detailed F&A calculation schedules.

HURON

QUESTIONS AND DISCUSSION

APPENDIX

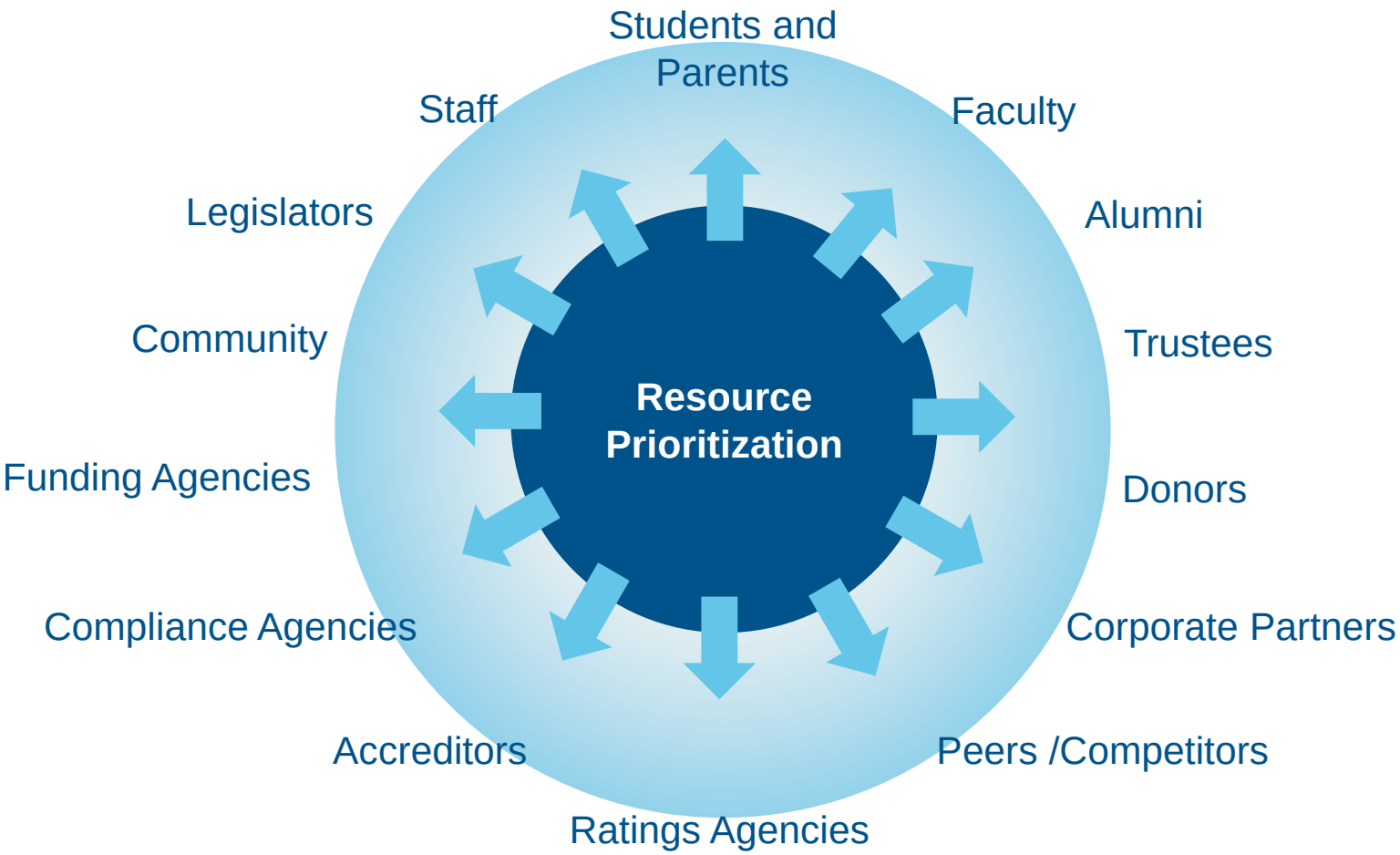
HURON

BENCHMARKING OVERVIEW AND DEFINITIONS

HURON

Stakeholders and Influencers

Universities cannot afford to spend in non-strategic areas but identifying what is strategic (or necessary) means balancing competing priorities.



Variation in Cost Allocation

The wide variation in how labor is allocated to various functional categories confirms that Universities interpret these categories differently.

Labor (Salary/Benefits) as % of Cost of Function (2018)

Measure	Instruction	Research	Public Service	Academic Service	Student Services	Institutional Support	Cumulative
Min	41.5%	39.3%	38.0%	33.3%	31.8%	34.3%	38.2%
Max	68.7%	59.9%	63.2%	63.2%	50.9%	84.5%	61.6%
Spread	27.2%	20.6%	25.2%	29.9%	19.2%	1 **50.2%**	23.4%
Median	57.9%	42.8%	43.3%	48.3%	46.8%	55.3%	50.7%
2 **UMN as % of Median**	104.0%	95.5%	108.2%	108.1%	108.5%	**84.2%**	98.0%

1 Across peers, institutional support shows a substantial spread (more than 50 percentage points) in terms of the percentage of that cost attributable to labor.

2 UMN is very close to the median in all categories except institutional support, which may reflect different types of costs being included in that category (e.g., other technology or operational costs).

Source: IPEDS Expenses and salaries and wages by function and total expenses by natural classification, 2018
Does not include Penn State, which reports expenses according to FASB standards

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Visibility – Workforce Complexity

The nature of the research university workforce creates challenges to understanding the true cost of activities.

Distribution	A significant proportion of resources performing operational and administrative functions are outside of central offices.
Visibility	“Generalist” titles (e.g., “Administrative Coordinator”) are very common. Some institutions are undergoing major job reclassification projects like the one UMN already conducted (e.g., UC System, UW Madison, Ohio State).
Fragmentation	When activity data are collected, individuals are often found performing multiple functions, many of them less than 20 percent of their time.
Consistency	Individuals who perform a given function often have varying titles, compensation, credentials, and reporting structures.

Peer Workforce Observations

Recent Huron workforce analysis at major public research institutions illustrates common themes of distribution, fragmentation, and inconsistency.

Institution	Project	Observations
Big-10 Peer (One of Standard Peer Set)	Title and cost analysis in preparation for administrative transformation (cloud systems and service delivery)	▪ Large population of "general administrators," the cost of which has grown approximately 13% since 2016 ▪ Approximately 25% of the effort of these individuals estimated to be related to financial and HR administration ▪ Central costs of HR and financial administration estimated to be 16.2% and 14.1% respectively ▪ Growth of these distributed functions appears to outpace growth of central resources
Big-10 Peer (One of Standard Peer Set)	Title and spans-and-layers analysis as part of Board affordability review	▪ $96.0M in distributed salary and benefits for IT, Communications, Financial Administration, and Research Administration ▪ $75.3M in salary for 1,200 "general administration" titles ▪ $114.5M in Level 4 and Level 5 Managers ▪ High degree of titling variation of functional support across colleges/units
Top-25 Research Institution	Activity Assessment administered to 3,252 employees across 24 functional areas; Part of a larger University System activity and efficiency assessment	▪ High degree of variation of resourcing of administrative support across colleges ▪ 69% of IT functions fall outside central IT function ▪ 27% of effort in HR, Pay & Benefits related to hiring/onboarding happens outside of central administration

HURON

IPEDS Workforce Definitions

NCES uses standards to classify positions and effort.

Standard Occupational Classification (SOC) codes. The Standard Occupational Classification (SOC) system is a federal statistical standard used by federal agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data. All workers are classified into one of 867 detailed occupations according to their occupational definition. NCES maps SOC codes into workforce categories. https://www.bls.gov/soc/

Occupational Category. The National Center for Education Statistics began to capture full- and part-time data according to occupational categories based on a mapping of SOC codes. This standard data was introduced in 2012.

Full-Time Equivalent (IPEDS). The full-time-equivalent (FTE) of staff is calculated by summing the total number of full-time staff from the Employees by Assigned Position (EAP) component and adding one-third of the total number of part-time staff.

Medical School Staff. Staff employed by or staff working in the medical school (Doctor of Medicine [M.D.] and/or Doctor of Osteopathic Medicine [D.O.]) component of a postsecondary institution or in a free-standing medical school. Does not include staff employed by or employees working strictly in a hospital associated with a medical school or those who work in health or allied health schools or departments such as dentistry, veterinary medicine, nursing or dental hygiene unless the health or allied health schools or departments are affiliated with (housed in or under the authority of) the medical school. https://surveys.nces.ed.gov/ipeds/Downloads/Forms/IPEDSGlossary.pdf

Because of these standards, numbers reported by IPEDS may differ from other reported FTE or headcount calculations.

Financial Definitions

Accounting standards set definitions for revenues and expenses, though interpretations of these standards may vary.

Core Expenses. Total expenses for the essential education activities of the institution. Core expenses for public institutions reporting under GASB standards include expenses for instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, depreciation, scholarships and fellowships, interest and other operating and nonoperating expenses. Core expenses for FASB (primarily private, not-for-profit and for-profit) institutions include expenses on instruction, research, public service, academic support, student services, institutional support, net grant aid to students, and other expenses. For both FASB and GASB institutions, core expenses exclude expenses for auxiliary enterprises (e.g., bookstores, dormitories), hospitals, and independent operations.
https://surveys.nces.ed.gov/ipeds/Downloads/Forms/IPEDSGlossary.pdf

Functional Expenses. A functional expense classification is a method of grouping expenses according to the purpose for which the costs are incurred. The classifications tell why an expense was incurred rather than what was purchased. (NACUBO FARM section 700). http://efarm.nacubo.org/farm/s010?qr=1

The analysis in this presentation excludes operation and maintenance of plant, depreciation, scholarships and fellowships, interest and other operating and nonoperating expenses.

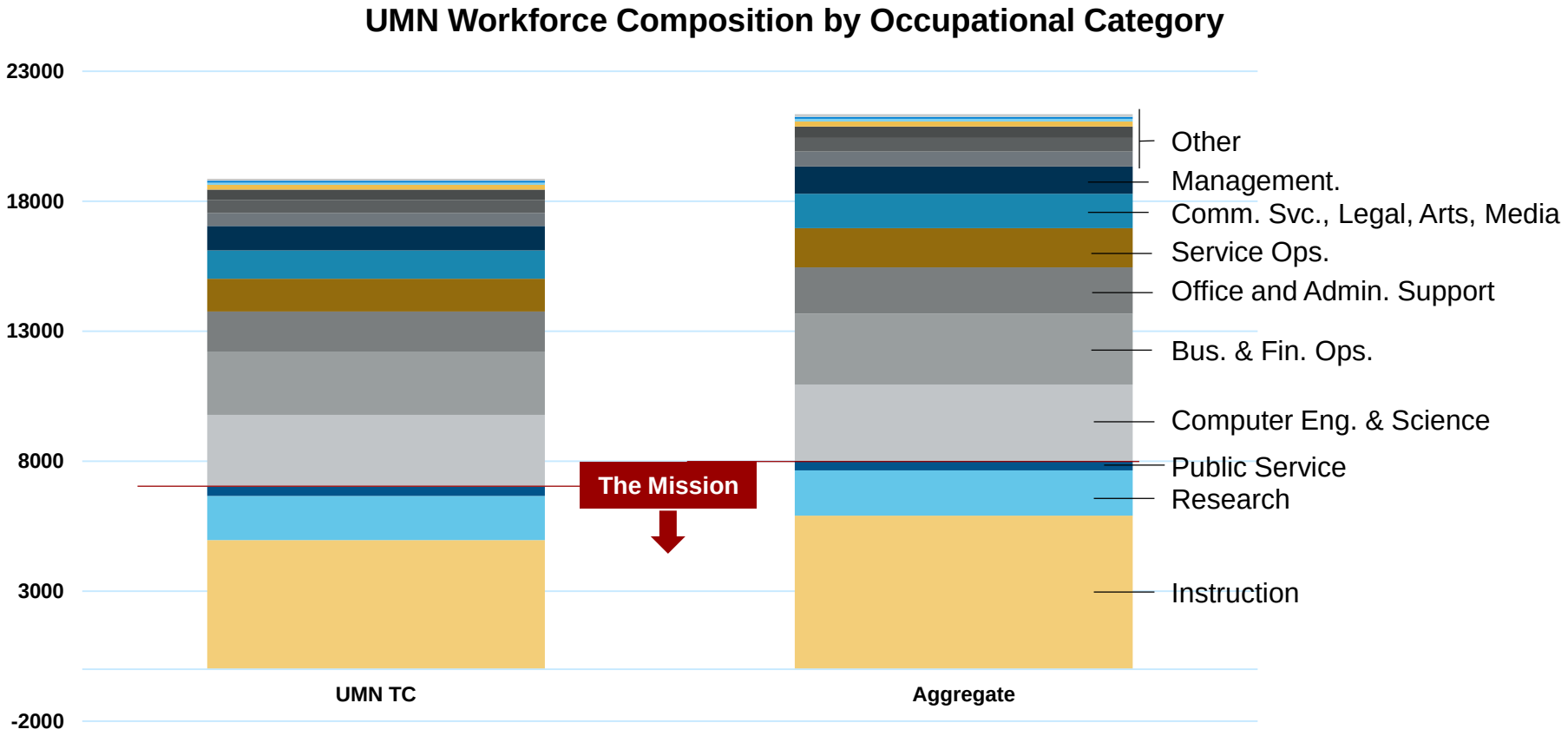
Expenses are typically categorized by funding type, expense type, or organization. Resources that serve multiple functions are not consistently allocated.

UMN SUPPORTING ANALYSIS

HURON

Workforce Composition

UMN's workforce appears to leverage administration across its campuses.



Some UMN resources are dedicated to individual campus while others provide support across them.

Source: IPEDS, Full- and Part-Time Staff by Occupational Category (2014-2018). Twin Cities and other campuses (2018)

UMN Trends in Operating Expenses (Detail)

Year	Operation and Maintenance of Plant	Academic Support	Auxiliary Enterprises	Institutional Support	Student Services	Instruction	Public Service	Research	Grand Total
2008	246,787	331,105	222,778	196,648	89,437	676,125	190,933	564,907	2,518,720
2009	244,543	379,993	214,949	231,295	99,436	684,940	203,107	600,096	2,658,359
2010	243,121	362,163	213,201	234,308	101,371	680,469	213,759	631,206	2,679,598
2011	264,888	359,816	226,996	193,997	104,863	668,042	225,701	625,655	2,669,958
2012	264,888	359,816	226,996	193,997	104,863	668,042	225,701	625,655	2,669,958
2013	266,994	367,265	235,411	197,319	110,230	737,596	249,257	656,551	2,820,623
2014	285,938	394,927	256,068	256,641	116,575	769,479	253,141	679,718	3,012,487
2015	276,783	366,992	256,271	243,153	116,016	770,325	248,451	700,208	2,978,199
2016	291,562	387,044	257,198	260,801	117,453	789,297	257,789	692,666	3,053,810
2017	289,468	464,044	293,644	299,044	145,591	831,881	305,650	767,741	3,397,063
2018	310,683	465,319	297,711	314,769	142,865	827,200	285,251	768,137	3,411,935
2019	268,839	401,418	269,780	238,655	122,009	801,626	243,734	720,614	3,066,675
10-YR Change	9.9%	5.6%	25.5%	3.2%	22.7%	17.0%	20.0%	20.1%	15.4%
CAGR (2009 - 2019)	0.95%	0.55%	2.30%	0.31%	2.07%	1.59%	1.84%	1.85%	1.44%
Percentage of Total									
2009	9.2%	14.3%	8.1%	8.7%	3.7%	25.8%	7.6%	22.6%	
2019	8.8%	13.1%	8.8%	7.8%	4.0%	26.1%	7.9%	23.5%	
Min 2009 - 2019	8.5%	12.3%	8.0%	7.0%	3.7%	24.2%	7.6%	22.5%	
Max 2009 - 2019	9.9%	14.3%	8.8%	9.2%	4.3%	26.2%	9.0%	23.6%	
Average 2009 -2019	9.3%	13.3%	8.5%	8.2%	3.9%	25.4%	8.4%	23.1%	
Change (Percentage Points)	-0.43	-1.20	0.71	-0.92	0.24	0.37	0.31	0.92	

Source: UMN Audited financial statements (2008 – 2019)

Linking Effort and Drivers

Since 2013, UMN has increased the ratio of total expenses and deductions to the number of Business and Finance Operations staff.

	2013	2014	2015	2016	2017	2018	Cumulative Change (%)	Cumulative Change ($)
UMN Twin Cities								
Total Bus. And Fin. Ops Headcount	2,434	2,526	2,294	2,378	2,409	2,443		
Headcount Change from Prior Year	0.1%	3.8%	-5.6%	3.7%	-0.9%	1.4%	0%	9
Total Expenses and Deductions / FTE	$1,160,184	$1,198,641	$1,308,726	$1,296,165	$1,405,561	$1,409,028		
Change from Prior Year UMN TC	3.7%	3.3%	9.2%	-1.0%	8.4%	0.2%	**21%**	**$248,845**
UMN All Campuses Combined								
Total Bus. And Fin. Ops. Headcount	2,630	2,748	2,536	2,632	2,678	2,722		
Headcount Change from Prior Year	0.4%	4.9%	-3.2%	0.5%	2.3%	3.9%	3%	92
Total expenses and deductions / FTE	$1,202,621	$1,226,749	$1,315,191	$1,299,929	$1,404,589	$1,400,603		
Change from Prior Year All Campuses	4.1%	2.0%	7.2%	-1.2%	8.1%	-0.3%	**16%**	**$197,982**

- Among comprehensive public institutions, with Top-50 HERD ranking, this ratio varied significantly (ranging from $1,068,865/FTE to $6,563,254).
- Many of these institutions include significant hospital operations expenses in their totals.
- Linking specific staff to the resources they manage, though, is not possible with available data.

While comparisons are of limited value, monitoring this type of trend over time can help to accelerate efficiency and effectiveness.

Source: IPEDS, Full- and Part-Time Staff by Occupational Category (2014-2018). Twin Cities and other campuses
Expense data also from IPEDS based on same year as staff headcounts.

PEER GROUP AND DEFINITIONS

HURON

Peer Group

For the purposes of several of these analyses, Huron used two different sets of peers.

Primary Peer Group

Financial statements & IPEDS analyses

Selected based on past peer selection

- University of Texas at Austin (UT A)
- University of Illinois at Urbana-Champaign (UI UC)
- University of Florida (UF)
- Ohio State University (OSU)
- University of California-Los Angeles (UCLA)
- UC-Berkeley (UCB)
- University of Wisconsin-Madison (UW-Madison)
- University of Michigan (UMich)
- Pennsylvania Sate University (Penn State)
- University of Washington (UWash)

These peers were used in past analysis and align with UMN on several key variables.

Secondary Peer Group

F&A submission analysis

- Clemson University (2014)
- University of Maryland College Park (2015)
- University of Miami (2016)
- University of Arkansas (2016)
- Mississippi State University (2016)
- University of Wisconsin-Madison (2016)
- University of Southern California (2017)
- University of Kentucky (2018)
- University of Central Florida (2018)
- University of New Hampshire (2018)
- UCLA (2018)x
- Princeton University (2019)
- University of Texas at El Paso (2019)
- University of Wisconsin-Milwaukee (2019)

These peers were based on <u>available</u> data.
Not all peers were used in the analysis.

Alternate Peer Group

Public, comprehensive universities with Top-50 HERD rankings (2018)

IPEDS analysis

- Includes 31 institutions
- Total R&D expenditures range from $515.6M – 1.6B
- Includes a wide range of institutions across the U.S.
- Allows calibration of standard peer set observations by expanding the sample size.

These peers represent a greater breadth of institutions and may not be UMN peers for other purposes.

Peer Comparison

UMN's current public peer set reflects reasonable comparisons based on several variables, though some important variations remain.

Institution	HERD ranking (2018)	Land Grant	Med School	System Office	State Approp as % of Revenue	Setting	Regional CPI Change (2018-2019)
University of Minnesota	17	Y	Y	N	18%	Primarily Residential	2.3
UT Austin	36	**N**	Y	Y	12%	**Primarily Non-residential**	2.1
University of Illinois	37	Y	Y	Y	12%	Highly Residential	2.3
University of Florida	26	Y	Y	N	25%	Primarily Residential	2.1
Ohio State University	25	Y	Y	N	7%	Primarily Residential	2.3
UCLA	6	**N**	Y	Y	6%	Primarily Residential	3.0
UC Berkeley	29	Y	**N**	Y	14%	Highly Residential	2.5
UW – Madison	8	Y	Y	Y	13%	Primarily Residential	2.3
University of Michigan	2	Y	Y	N	3%	Primarily Residential	2.3
Penn State	21	Y	Y	N	4%	Primarily Residential	1.9
University of Washington	5	**N**	Y	N	6%	Primarily Residential	2.2

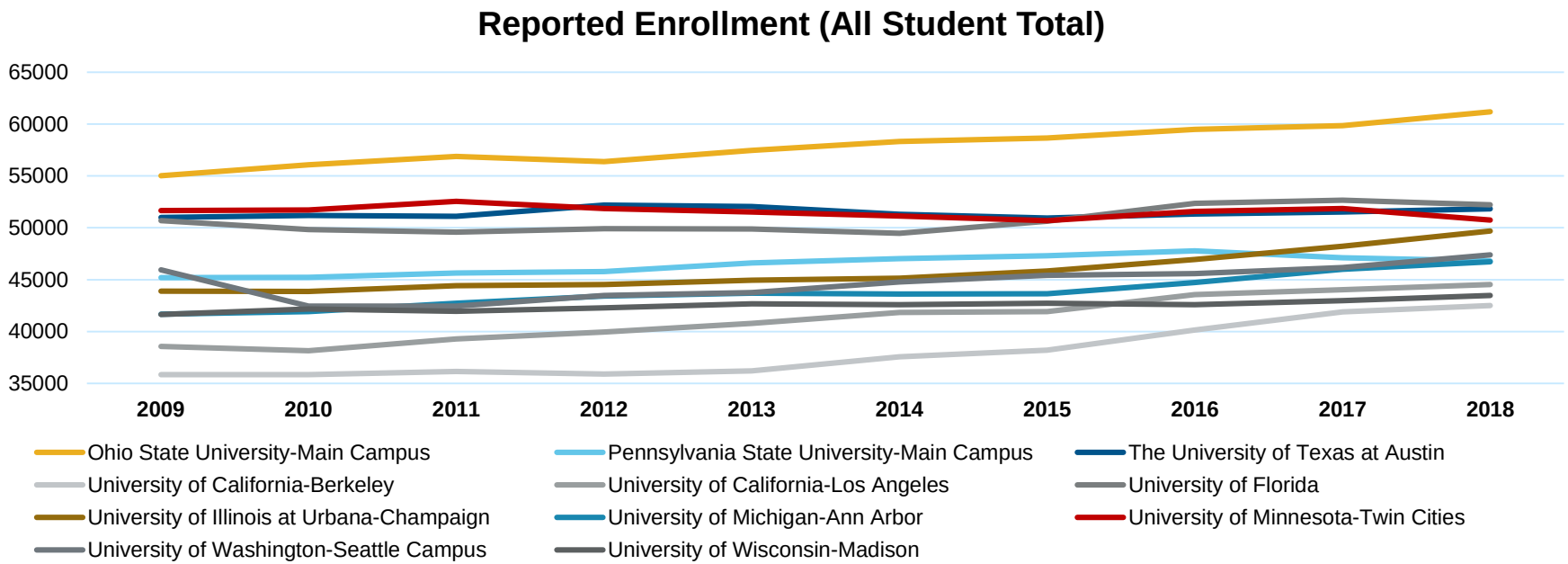
These variables are a subset of ways to compare and contrast institutions.

Source: HERD (Higher Education Research and Development) Survey (FY2018)
Carnegie Classifications, https://carnegieclassifications.iu.edu/index.php
CPI comparisons from the Bureau of Labor Statistics.

HURON

Enrollment Trends

While some institutions have grown in enrollment, UMN's enrollment has declined slightly, paralleling a broader trend in Minnesota higher education.



Peer 5-Year Total Enrollment Growth median was 6.1%

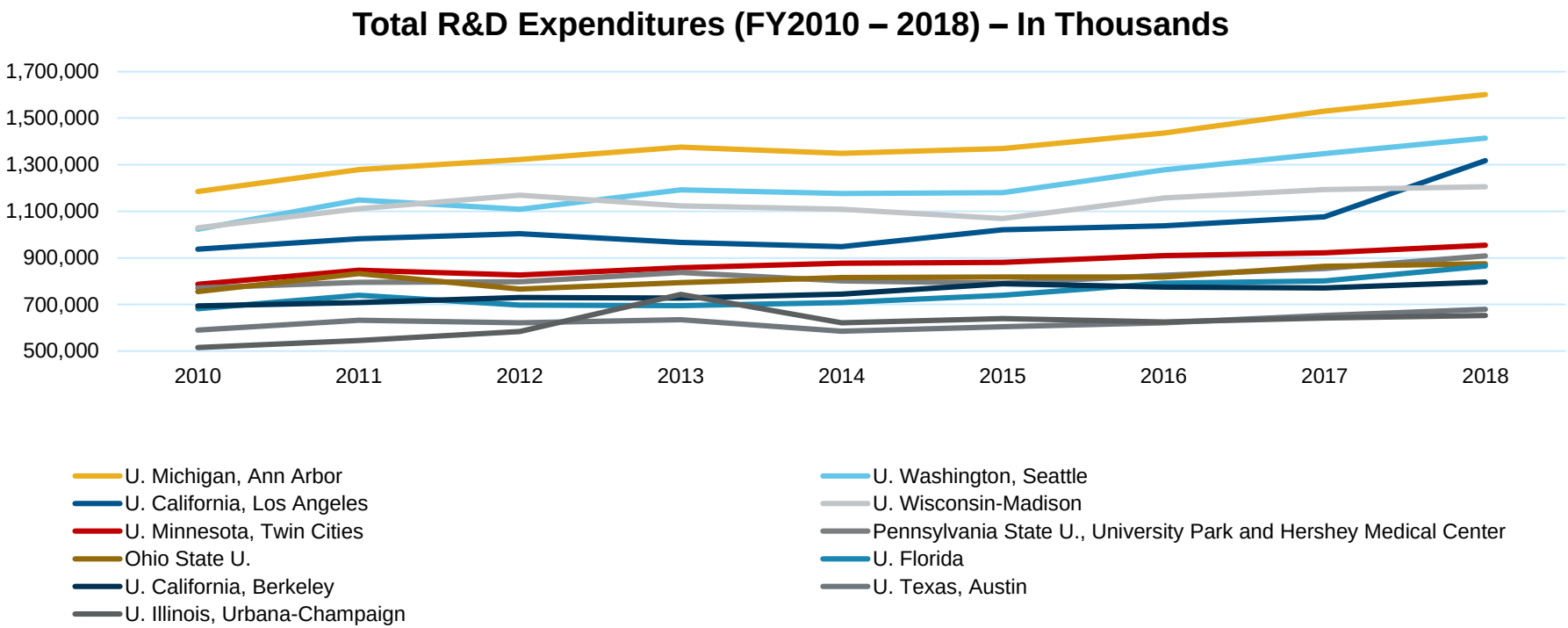
Cumulative Change Over 10 Years

OSU	PSU	UT-A	UC B	UCLA	UF	UI UC	Umich	UMN	UWash	UW-Madison	Grand Total
7%	0%	0%	18%	10%	5%	11%	7%	-2%	8%	2%	5%

Source: IPEDS Enrollment FTE (2009 – 2018)

R&D Trends

Like its peers, UMN has seen a significant growth in its total Research and Development (R&D) expenditures.



Cumulative Increase since 2014

UMich	UWash	UCLA	UW-Madison	UMN	Penn State	OSU	UF	UC B	UT-A	UI UC
18.6%	20.2%	39.0%	8.7%	**8.9%**	13.5%	7.4%	22.1%	7.0%	16.2%	5.0%

Peer median in for the period was 13%.

Source: Higher Education Research and Development Survey (2018).
https://www.nsf.gov/statistics/srvyherd/

HURON

Peer Expense Growth by Function

UMN's rate of growth (CAGR) from 2008-2018 was close to the median of the standard peer set.

Institution Name	Total of Primary Functional Expenses	10-Year CAGR Instruction	Research	Public Service	Academic Support	Student Support	Institutional Support
Ohio State University-Main Campus	$ 1,951,050,494	1.2%	-0.9%	3.1%	4.4%	3.1%	4.8%
The University of Texas at Austin	$ 2,266,674,433	5.1%	4.2%	8.6%	11.1%	3.1%	8.5%
University of Wisconsin-Madison	$ 2,280,208,410	3.3%	4.2%	-0.2%	4.1%	5.6%	8.2%
University of Illinois at Urbana-Champaign	$ 2,291,400,804	8.8%	5.1%	3.8%	11.1%	10.1%	8.4%
University of California-Berkeley	$ 2,347,147,599	4.6%	4.8%	4.5%	4.7%	7.9%	8.5%
University of Florida	$ 2,713,945,000	3.5%	4.9%	16.5%	4.2%	4.2%	4.9%
University of Minnesota-Twin Cities	$ 2,849,292,773	2.6%	4.7%	4.1%	4.3%	6.0%	5.8%
University of Michigan-Ann Arbor	$ 3,098,002,000	3.6%	3.5%	5.1%	4.3%	3.5%	3.8%
Pennsylvania State University-Main Campus	$ 3,219,575,000	4.7%	2.5%	0.2%	3.8%	4.4%	4.9%
University of Washington-Seattle Campus	$ 3,294,182,689	6.6%	3.6%	5.8%	7.2%	7.2%	6.7%
University of California-Los Angeles	$ 4,736,875,548	8.5%	4.5%	7.7%	9.8%	11.3%	5.3%
Minimum		1.2%	-0.9%	-0.2%	3.8%	3.1%	3.8%
Maximum		8.8%	5.1%	16.5%	11.1%	11.3%	8.5%
Median		4.6%	4.2%	4.5%	4.4%	5.6%	5.8%
UMN to Median (Percentage Points)		-2.1	0.5	-0.4	-0.1	0.4	0.0

Note: These numbers are based on IPEDS reported data which may vary from audited financial statements.

UMN broadly followed peer trends during this period, though lagged in the instruction component of its portfolio.

Source: IPEDS Expenses by functional classification (2008 – 2018)

CURRENT BENCHMARKING

HURON

Types of Benchmarking

Universities, including UMN, use a broad range of metrics and comparisons to evaluate and calibrate performance.

- Function-Level Metrics and Practices
- Facilities and Assets
- Financial Strength and Stability

Metrics like
- Primary Reserve Ratio
- Net Income Ratio
- Return on Net Assets
- Viability Ratio

- Compensation and Benefits
- Operational Cost and Effectiveness
- Advancement and External Support
- Student Experience and Outcomes
- Instructional and Research Productivity
- Student Finances and Financial Aid
- Student Costs (Tuition, Fees)
- Culture and Climate
- Student Costs (Tuition, Fees)

UMN already uses many of these types of comparisons to assess performance.
See following slides for detail.

UMN Current Benchmarking

UMN currently participates in a wide range of reporting, benchmarking, and comparative analysis.

Source	Topic	UMN Participation
American Association of College Registrars and Admissions Officers (AACRAO)	Students records management, coaching and mentoring, transfer credit policy, FERPA training, class start times and lengths, and curriculum management	
American Association of University Professors (AAUP) Salary Survey	Tenure and benefits of administrative compensation for senior executives	**Yes, OIR**
American College Health Association (ACHA)	Student services and college health professions	
American College Personnel Association (ACPA)	Publications of original research conducted to advance subjects in student affairs	
American Productivity & Quality Center (APQC)	Administrative and operational, functional and process level costs (not higher education specific)	
APPA - Leadership in Educational Facilities	National clearinghouse for facilities management resources in education	**Yes**
Aramark	Global food service company. Provides data and benchmarking on student dining preferences and experiences, costs and investments	

Huron provided this inventory based on experiences with past clients; UMN participation is self reported. Results may be separately reported by individual unit leaders.

UMN Current Benchmarking

Source	Topic	UMN Participation
Association of American Universities Data Exchange (AAUDE)	Benchmarking and data exchange service hosted by Association of American Universities (AAU) Individual survey description and participation indicators detailed below	**Yes**
▪ Faculty Salary Survey	Salary and faculty status comparisons.	**Yes**
▪ Departmental Faculty Survey	Faculty profiles, including both tenure/track and non-tenure-track populations of headcount, FTE and age, with gender and racial/ethnic parameters	**Yes**
▪ Administrative Salaries Survey	Salary and demographic data for selected administrative positions in colleges and universities. In general, positions at or above the director level are reported in this survey	**Yes**
▪ Graduate Assistant Survey	Graduate assistant stipends, particularly research and teaching assistantships	**Yes**
▪ First Time Freshmen Survey	Summary and demographics of first-time freshmen students enrolled	**Yes**
▪ Degree Survey	Degrees by CIP code awarded previous year	**Yes**
▪ Student Enrollment Survey	Total enrollment by CIP code	**Yes**
▪ Graduation and Retention Survey	Graduation and retention rates by demographic for past ten years	**Yes**

UMN Current Benchmarking

Source	Topic	UMN Participation
AssetWorks	Facilities and operations services: produces an operations and management product data sheet	
Association of College and University Housing Officers – International (ACUHO-I)	Student housing focus. The Knowledge Resources page lists reports and further leads to the Journal of College and University Student Housing and other research/data (such as past Operational Survey reports)	
Association of College Unions International (ACUI)	Student services information including bulletins, program evaluation materials, core competencies, CAS standards, a library, an open forum, and research	**Yes**
Association of Governing Board's (AGB) Benchmarking Service	General data from IPEDS and other sources available to AGB members for a fee	
Association of Higher Education Facilities Officers (AAPA)	Best practices, policies, and procedures across the four core competencies: General Administration and Management; Operations and Maintenance; Energy, Utilities, and Environmental Stewardship; Planning, Design, and Construction	
Association of University Technology Managers (AUTM)	Technology transfer data, including licensing, patents, research, staffing, for universities	**Yes**
Center for Measuring University Performance	National reporting center for a range of data on US research universities	**Yes**
Chronicle of Higher Education	This survey requests public information about an institution's chief executive officer (CEO) and his or her compensation during the calendar year plus the three highest compensated employees	**Yes**
CIRP Freshman Survey	Student success and retention: participants receive an institutional profile, comparisons with similar institutions, significance testing, effect sizes, and a summarization of national results	

UMN Current Benchmarking

Source	Topic	UMN Participation
Clarivate Analytics	Annual rankings survey that looks at staff, student and finance data	
College and University Professional Association for Human Resources (CUPA) Benchmarking Survey of Human Resource Practices in Higher Education	CUPA-HR survey providing balanced scorecard of strategic planning, staffing and compensation, benefits, training and development, performance assessment, leadership, and culture	
CUPA-HR	CUPA-HR survey focused on compensation and benefits comparisons	**Yes**
CUPA-Faculty	CUPA survey focused on faculty	**Yes**
CUPA-Institution	CUPA institutional level survey	**Yes**
College Board	Annual survey sent out by the College Board covering a variety of areas on the University of Minnesota - Twin Cities	**Yes**
College Scorecard	Recipient institution information, admissions, costs, student body, financial aid, completion, outcomes for Title IV students, earnings, and repayment	**Yes**
Common Data Set (CDS)	Enrollment and persistence, admissions, academic offerings, policies, student life, expenses, financial aid, faculty/class size, degrees conferred	**Yes**
CompData Salary Survey	CompData Salary Survey completed annually by OHR in collaboration with OIR	**Yes**
Computer Economics (CE)	Information technology focus. IT spending and staffing benchmarks, salaries, technology trends, outsourcing studies, staffing ratios and trends, etc.	

UMN Current Benchmarking

Source	Topic	UMN Participation
Consortium for Student Retention Data Exchange (CSRDE)	Student success and retention studies: building effective programs, unique groups and needs, faculty engagement, learning assessment, and case studies	**Yes**
Council for Advancement & Support of Education (CASE)	Benchmarking resources for advancement professionals to measure programs, staffing, budget and activity as well as investment outcomes	
Council for Aid to Education (CAE)	Alumni and advancement: Voluntary Support of Education Survey. The survey yields hundreds of variables related to fundraising in public and private colleges and universities and a small number of precollege institutions	**Yes**
Council for Aid to Education Voluntary Support of Education Data Miner	Data on charitable support, including source and size of gifts	**Yes**
Council for the Advancement of Standards in Higher Education (CAS)	Student services and experiences focus. Produces an Individual Self-Assessment Guide (SAG) for each set of individual functional area standards	
Delaware Study of Costs and Productivity	Data on faculty teaching loads, faculty leverage, cost to deliver a student credit hour of instruction, external funding of research and service	**Yes**
Education Advisory Board (EAB)	Academic Affairs, Advancement, Business Affairs, Community Colleges, Enrollment Management, Facilities, IT, Student Affairs, University Systems	
EDUCAUSE	IT staffing and cost comparisons; leading practices in higher education IT delivery	**Yes**
Gartner	IT key metrics and cost benchmarking	**Yes**
Graduate Student in the Research University Survey (gradSERU)	Comprehensive survey of the post baccalaureate student experience in the research university. The gradSERU provides a breadth of information on this student population in relation to a set of peers.	**Yes**

UMN Current Benchmarking

Source	Topic	UMN Participation
GRUP Shanghai Ranking	Annual international rankings survey that looks at staff, student and finance data	**Yes**
Institute of International Education (IIE) & Open Doors	International and study abroad students.	**Yes**
International Association of Campus Law Enforcement Administrators	College and university law enforcement and security officer resources	**Yes**
Kiplinger Survey	Annual ranking survey from Kiplinger including student admissions, and financial aid	**Yes**
Minnesota Department of Employment and Economic Development (DEED)	To complete the Occupational Employment Statistics Report requesting job titles and wages by location for the University of Minnesota	**Yes**
Moody's Municipal Financial Ratio Analysis (MFRA)	Data and analytics which can be utilized to compare institutional financial stability and operating performance	
NACUBO Tuition Discounting Survey	Levels, type, and distribution of students receiving aid	**Yes**
NACUBO-Commonfund Study of Endowments (NCSE)	Data on college/university endowment performance and management	**Yes**
National Association for College Admissions Counseling (NACAC)	College Admissions, International Students, Veteran Students, Undocumented Students, Student Athletes, Transfer Students, Professional Standards, and Diversity and Access	
National Association of College & University Food Services (NACUFS)	Student food services benchmarking, best practice reporting, nutrition and wellness information, and sustainability reports	

UMN Current Benchmarking

Source	Topic	UMN Participation
National Association of College and University Business Officers (NACUBO)	Membership-driven organization whose general research and internal reporting provides insight into college finances, operations, business practices, and other key statistics (ad hoc studies)	**Yes**
National Association of Colleges & Employers (NACE)	Information and benchmarking on career services offerings at various institutions, as well as annual survey on college graduate employment statistics	**Yes**
National Association of Student Financial Aid Administrators (NASFAA)	Student financial aid, financial aid offices, staffing models, salary models	**Yes**
National Center for Education Statistics (NCES: IPEDS)	Institutional Characteristics, Enrollment (Fall and 12-Month), Completions, Graduation Rates and Outcome Measures, Admissions, Student Financial Aid, Human Resources, Finance, and Academic Libraries	**Yes**
National College Access Network (nCAN)	College graduation rates, enrollment rates, and best practices for college access-success programming	
National Higher Education Benchmarking Institute	University Benchmark Project for administrative and student services	
National Resource Center for First Year Experience & Students in Transition	Student experience and services, with information on residential life and dining offerings	
National Science Foundation (NSF) Census Survey	Annual census of R&D expenditures at U.S. colleges and universities that have at least $150,000 in separately accounted for R&D in the fiscal year	**Yes**
National Student Clearinghouse Research Center	Reports on student access, student mobility, credential attainment, and enrollment trends	**Yes**

UMN Current Benchmarking

Source	Topic	UMN Participation
National Survey of Institutional Research Offices	Lists the resources and capabilities of Institutional research offices	**Yes**
National Survey of Student Engagement (NSSE)	Annual Results reports with topical research and trends in student engagement. Participating institutions receive several reports that compare their students' responses with those of students at self-selected comparison institutions	**Yes**
National Collegiate Athletic Association (NCAA)	Annual required reporting on cohort of athletes who graduation, left with eligibility, or neither	**Yes**
Peterson's Survey	Survey on financial aid data mostly found in the Common Data Set.	**Yes**
Pew Charitable Trust	This parent organization of Pew Research will occasionally create large data sets and associated surveys on higher education funding, structure, efficacy, and internal operations	
Pew Research Center	Several targeted reports on higher education, as well as a 2013 data set from a Pew-administered survey on Higher Education, Gender, and Work	**Yes**
QS World University Rankings	Annual survey that covers world universities	**Yes**
RADIUS (Huron)	Research administration organizational structure and staffing; investments in research	
Ruffalo Noel Levitz	Recruitment, Marketing, and Financial Aid, Student Retention and Completion, Fundraising and Donor Engagement, Organization-Wide Strategy	**Yes**
Sightlines	Facilities costs and investments analysis	**Yes**

UMN Current Benchmarking

Source	Topic	UMN Participation
Society for College and University Planning (SCUP) Campus Facility Inventory	Physical size and growth patterns of Colleges and Universities	**Yes**
Sodexo	Global food service company that provides data and benchmarking on student dining preferences and experiences	
Student Achievement Measure (SAM)	Reporting of student graduation rates that includes cohorts beyond the more limited federal cohort, such as transfer and non-first-time -full-time students, for bachelors and associate/certificate students	**Yes**
Student Affairs Administrators in Higher Ed (NASPA)	Research sponsored by NASPA is open access and supports best practices in student affairs	
Student Experience in the Research University (SERU) Survey	The Student Experience in the Research University (SERU) Consortium is an academic and policy research collaboration The generation of institutional, comparative, and longitudinal data on the student experience in research universities, including administration of on-line census SERU Undergraduate and Graduate Surveys	**Yes**
The Association for the Accreditation of Human Research Protection Programs, Inc. (AAHRPP)	Research and institutional information: filterable list of AAHRPP clients who have achieved full accreditation, as well as an information database to help stakeholders identify and support high-performing practices for HRPPs. The data range from types of research and conformance with regulations and guidance to financial and personnel resources and IRB review times	
The Outcomes Survey	Rates of employment, continued education, and other post-graduation activities by various measures (e.g. degree level, sex, geography, etc.)	**Yes**
The Princeton Review	Annual profile for publication in “The Princeton Review's Best Colleges”	**Yes**

UMN Current Benchmarking

Source	Topic	UMN Participation
The Southern Association for College Admission Counseling (SACAC)	Access and Success in College, SAT, Early Application Process, Legislative Relations and Regulations, and Undocumented Students	
Time Higher Education	Annual survey of HR, student and finance data reported by subject groups as specified by THE and used for world rankings.	**Yes**
U.S. News and World Report	Annual survey sent out by U.S. News and World Report for ranking purposes	**Yes**
Voluntary Alumni Engagement in Support of Education (VAESE)	Information on Alumni Engagement departments relating to organizational structures, staffing, technology, budgeting, marketing & communication, membership, and programming	
Washington Monthly	Annual ranking of US 4-year institutions based on their contribution to the public good in three broad categories: social mobility, research, and providing opportunities for public service	**Yes**
Wintergreen Orchard House	Annual survey to submit to the Wintergreen Orchard House for external use	**Yes**

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

AGENDA ITEM: Long Range Financial Planning Update & FY 2021 Annual Operating Budget Framework

☐ **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 and to continue the discussion from the October meeting regarding the budget planning assumptions for the fiscal year beginning July 1, 2020 (FY 2021).

Long Range Financial Planning Update

While providing an opportunity for strategic thinking beyond next year's budget, long range financial planning 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.

The Board will review and act 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 Regents to provide input and guidance reflecting their priorities and expectations for the budget.

History

Over the last 10 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 Indirect Cost Recovery (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.

FY 2021 Annual Operating Budget Framework

This discussion will revisit information related to the budget framework revenue and expense categories, and provide current estimates of incremental changes for FY 2021 related to those categories. This will be the final committee discussion on the FY 2021 budget variables prior to the presentation of the President's Recommended Annual Operating Budget for FY 2021 at the May meeting.

Budget Framework

Budget planning starts each year with development of the budget framework: a very high-level set of assumptions regarding changes in revenues and expenditures that summarize plans for achieving a balanced budget. It focuses on the significant unrestricted funds available to support the maintenance and operations of the University's core missions: state appropriation

and tuition. The other funds of the institution (fees, auxiliary and other unrestricted sales, restricted grants, contracts, gifts, etc.) are incorporated into detailed budget planning for each relevant unit and are included in the President's Recommended Annual Operating Budget, but they are only a very small component of the budget framework.

In developing the budget framework, two fundamental areas of emphasis guide planning: maintain the core, and expand and enhance program/service.

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

- salary and fringe benefit costs for existing employees;
- regulatory requirements and fees;
- software licensing/maintenance agreements;
- accommodations for students and employees;
- insurance;
- facility maintenance; and
- utilities.

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

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

The budget development process includes an iterative process of asking and answering questions about what to plan as the incremental changes for each major resource and each major expenditure category. For example, answering questions about the goals for tuition rate changes and internal reallocations, coupled with goals for salary increases and addressing strategic initiatives, may first lead to an imbalanced budget. If so, that will require going back to each question and adjusting the answers until the final plans balance the budget in a way that addresses University goals in the best way possible.

Resource Categories

To begin the budget development process, the first questions relate to resources. The resource assumptions previously discussed for the framework include:

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

<u>State Appropriation</u>

The recurring state appropriation increase to the University for FY21 is $1,740,000. It is an increase to the unrestricted Operations & Maintenance (O&M) appropriation for general operations with no additional riders.

In addition, of the $20,880,000 incremental increase to the FY20 O&M appropriation, $8,000,000 was held uncommitted in the FY20 budget, allowing it to be combined with the incremental increase in law for FY 2021. Thus the incremental "new" O&M appropriation available to address costs and investments in FY21 is $9,740,000.

Tuition

The decision for resident undergraduate rates in FY21 will consider a variety of factors:

- the trade-offs between stable or minimally increased rates and inflationary costs plus desired investments in excellence;
- the rank by campus in their various comparison groups;
- the availability of need-based financial aid for students; and
- the financial burden placed on all students and families.

For FY21, each one percent increase in resident undergraduate tuition is equivalent to the following in estimated incremental new tuition revenue:

- Twin Cities campus = $3.2 million
- Other system campuses combined = $1.2 million

In recent years, questions have been raised around the current pricing of tuition on the Crookston, Duluth, Morris, and Rochester campuses. Concerns about tuition levels for these campuses in comparison to competitor schools has contributed to the decisions to implement very minimal increases in the resident undergraduate tuition rates on these campuses in the last six years. The nonresident/non-reciprocity (NRNR) rates on these campuses, where they exist, have been stable or have increased very little over this time frame.

The situation has been slightly different for the Twin Cities campus where high demand and a mid-level position in the resident undergraduate tuition rate compared to peers has led to more frequent and sometimes slightly higher tuition rate increases. In addition, to be more consistent with the resident rate in reflecting the high-quality academic experience for students, relatively significant increases in the Twin Cities undergraduate NRNR tuition rate for incoming freshmen, ranging from 7 percent to 15 percent, were implemented over the last five years. Discounting strategies, lower rates of increase for continuing students, and enhanced national recruiting efforts have been necessary and will need to continue into the future to maintain enrollment for this group. The strategy for NRNR tuition rates will be revisited each year in order to make adjustments as necessary based on enrollment patterns.

For FY21, each one percent increase in NRNR undergraduate tuition is equivalent to the following in estimated incremental new tuition revenue:

- Twin Cities campus = $1.4 million (up to 5.5 percent; then $350,000 beyond that)
- Other system campuses combined = $0.1 million

The graduate and professional tuition rates vary by school and program, often reflecting rates in their individual markets, unique program rankings and student demand, earnings potential for students and student debt load at graduation. These rates have generally increased in the zero percent to three percent range over the last several years. Each one percent increase in these tuition rates (if all were to be increased at the same rate) is equivalent to an estimated $3.6 million in new tuition revenue.

The docket contains tables of campus tuition rate comparisons for the current fiscal year (FY20).

Reallocation

Reallocation in the budget planning context means that decisions are made to reduce spending in some areas/activities in order to pay for cost increases and investments in other areas/activities. In each of the last six years, planned reallocations have been incorporated into the budget framework at one to two percent of total unit allocations (state appropriation and tuition for academic units and general O&M for support units). The amount of reallocation required by unit has not been implemented across-the-board; it has varied based on the unique financial circumstances and needs of each unit. The total amount incorporated into the budget has been calculated as that needed to balance the budget in combination with the planned revenue increases and priority costs and investments.

As the University plans the budget for FY21 and beyond, reallocations will continue to be an important part of balancing the budget. The focus or goals may shift from year to year, but the need to reprioritize the use of resources will remain. There will always be opportunities to gain efficiencies and lower costs, or at least the growth in some costs, so the expectation for managers across the system to find and implement those opportunities will continue as a part of the budget process. While some amount of re-prioritization within existing resources can be implemented annually in most units, significant expenditure reductions cannot continue each year without an impact on programs and services. Reallocation expectations can reach a level where implementation will jeopardize the University's ability to maintain quality and remain competitive. Clear direction on the desired scope of programming and tactical goals associated with strategic plans will aid in determining the appropriate placement of those impacts.

Finding that appropriate level of reallocation is one of the tasks of budget development. A targeted reallocation of one percent on the traditional reallocation base yields approximately $20 million in available resources for the state and tuition funded activities.

Expenditure Categories

To continue the budget development process, the next questions relate to expenditures.

Compensation

Over the past twenty years, compensation has accounted for a steady 60-65 percent of University annual spending. Consistent with Board policy, compensation must be competitive relative to institutional peers and relevant labor markets, reward meritorious performance, and consider a faculty or staff member's work responsibilities, experience and expertise. Compensation must be delivered in a fair and equitable manner, and internal equity must be considered. These principles guide the setting of an initial salary for a faculty or staff member, and also guide their compensation increases thereafter.

The annual percentage change in the general compensation pool represents an average increase across all employees and is established by the University as part of the budgeting process. The "pool" increase is determined by a variety of factors:

- the national/regional cost of living;

- average projected compensation increases in competitive industries or institutions; and
- the balance between available resources (including required internal reallocations), other framework costs and strategic investment plans.

For FY21 budget planning, the cost related to fringe benefits and each one percent increase in the general salary pool would be as follows:

- Fringe with no salary increase framework funds = $10.0 million
- One percent salary increase (on top of the fringe $10.0m) framework funds = $12.8 million
- Fringe with no salary increase all funds = $19.9 million
- One percent salary increase (on top of the fringe $19.9m) all funds = $24.1 million

Facilities/Operations/Strategic Choices

In all other categories of spending for FY21, there are costs the University must address and there are choices to be made from a longer-term, strategic perspective that will have immediate budgetary implications. Funding for items such as utilities, debt service, vendor licensing and maintenance contracts, hazardous material disposal, disability resources, etc. will be incorporated into the recommended budget based on known or estimated cost increases.

Recent experience in these costs has been as follows:

- Strategic Choices = $10.0 - $20.0 million
- Facilities Expenses = $3.0 - $5.0 million
- Operations = $1.0 - $3.0 million

Scenarios for the FY 2021 Budget

The act of building a budget framework for FY21 involves making choices among all the variables just described. It is a successful exercise to the extent it results in a budget that does three things:

- reflects the priorities of University leadership;
- makes each unit as successful as possible given resource constraints; and
- is responsible and balanced.

Estimated increases in revenues and expenditures for each variable (in the framework funds of state appropriation and tuition only as relevant) are summarized below to aid in thinking about different framework scenarios.

Incremental Resources - Examples

Tuition	0%	1%	2%
TC Resident Undergraduate	$0	$3.2m	$6.4m
Greater MN Campuses Undergraduate	$0	$1.2m	$2.4m
TC NRNR Undergraduate*	$0	$1.4m	$2.8m
Greater MN Campuses NRNR Undergraduate	$0	$0.1m	$0.2m
Resident Graduate & Professional	$0	$2.1m	$4.2m
NRNR Graduate & Professional	$0	$1.5m	$3.0m

*estimated revenue per 1% after a 5.5% increase = $350,000

State Appropriation — known increase = $9.7 million

	0.50%	0.75%	1.00%
Internal Reallocation	$10.0m	$15.0m	$20.0m

Incremental Expenditures – Examples

Compensation	1.0%	2.0%	2.5%	Other
Fringe Alone				$10.0m
Salary Increase (+ associated fringe)	$12.8m	$25.6m	$32.0m	

Other Costs	Minimum	Invest	Advance
Facilities	$3.5m	$5.0m	$7.0m+
Technology	$1.2m	$3.5m	$5.0m+
Maintain/Strengthen Core	$6.0m	$10.0m	$15.0m+
Strategic Program Pool	$0	$5.0m	$10.0m+

BACKGROUND INFORMATION

The committee previously discussed the FY 2021 annual operating budget framework at the October 2019 meeting.

TUITION RATE COMPARISONS

FY 2020 Resident Undergraduate Tuition – Twin Cities and Big 10

	% Tuition Increase Over Prior Year	Tuition & Fees	Total COA
Northwestern University	3.0%	$56,232	$78,684
Pennsylvania State University	0%	$19,150	$35,086
University of Michigan	1.9%	$16,540	$31,056
University of Illinois	0%	$16,210	$31,390
Michigan State University	0%	$15,707	$30,406
Rutgers University	2.9%	$15,249	$34,706
University of Minnesota	2.0%	$15,236	$29,028
Ohio State University	3.3%	$11,684	$27,912
Indiana University	2.5%	$10,948	$25,658
University of Maryland	2.0%	$10,778	$27,424
University of Wisconsin	0%	$10,556	$26,444
Purdue University	0%	$9,992	$22,812
University of Iowa	3.9%	$9,605	$25,030
University of Nebraska	2.75%	$9,522	$25,780

FY 2020 Nonresident Undergraduate Tuition – Twin Cities and Big 10

	Tuition & Fees	International Surcharge
Northwestern University	$56,232	
University of Michigan	$51,200	
Michigan State University	$39,630	+$1,500
University of Wisconsin	$37,615	+$1,000
University of Maryland	$36,890	
Indiana University	$36,512	+$410
Pennsylvania State University	$35,514	+$1,500
University of Minnesota	$33,534	+$500
University of Illinois	$33,352	+$875
Ohio State University	$32,061	+$2,928
Rutgers University	$31,709	
University of Iowa	$31,568	+$595
Purdue University	$28,794	+$2,000
University of Nebraska	$25,828	

FY 2020 Resident Undergraduate Tuition: University Campuses and Regional Universities

University of Minnesota Campuses

Campus	Tuition & Fees	Campus	Tuition & Fees
Crookston	$12,116	Morris	$13,578
Duluth	$13,680	Rochester	$12,944

MnSCU 4-year Universities

Campus	Tuition & Fees	Campus	Tuition & Fees
Bemidji	$8,940	St. Cloud	$8,656
Moorhead	$8,954	Southwest	$8,908
Mankato	$8,438	Winona	$8,698
Metro	$8,114		

Illustrative regional universities (tuition for MN residents)

Campus	Tuition & Fees	Campus	Tuition & Fees
North Dakota	$10,721	North Dakota State	$10,612
South Dakota	$9,693	South Dakota State	$9,554
UW -Eau Claire	$8,838	UW – La Crosse	$9,270
UW - Superior	$9,130	St. Thomas	$44,760

Long Range Financial Planning and FY 2021 Annual Operating Budget Framework

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

Finance & Operations Committee

February 13, 2020

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

UNIVERSITY BUDGET

UNIVERSITY OF MINNESOTA

Long Range Financial Planning

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 FY 2021 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

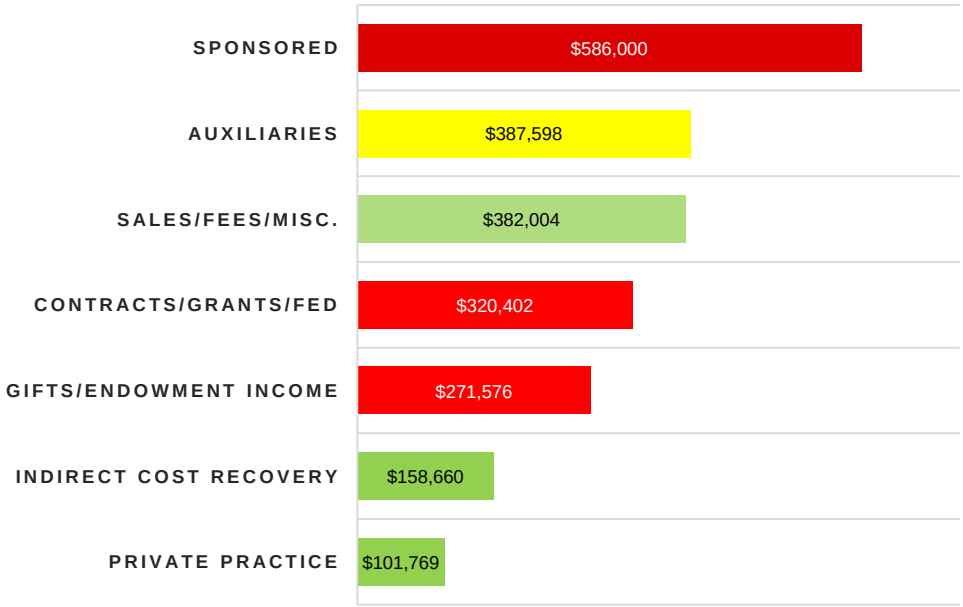
- Academic and Support Unit Ambitions/Opportunities: $TBD
  - Faculty and Program/Project Staff
  - Research/Instructional Infrastructure
  - Program Growth

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)*



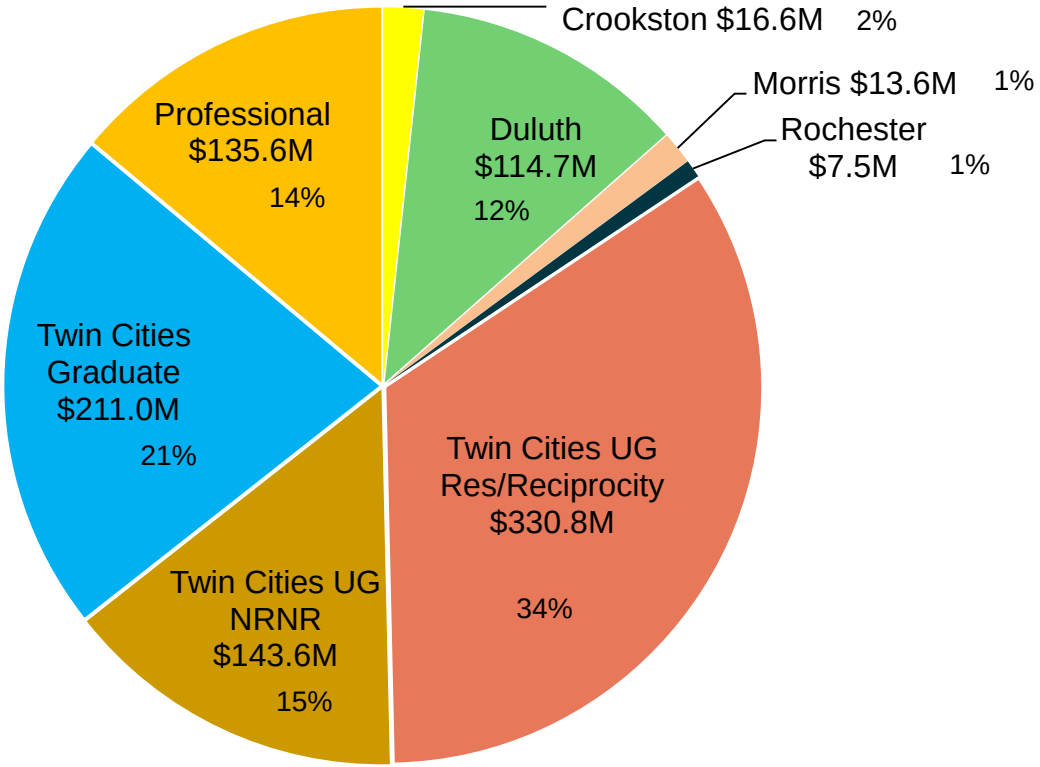
- 15% growth over last 6 years - potential for annual growth varies by source
- Expected to grow to support inflationary, personnel, and program enhancement cost increases of associated activities
- Budget process/model incents units to seek out and increase these revenues

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 FY 2020 Tuition Revenue - $973.4M



Revenue Trends –Tuition

Revenues	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**

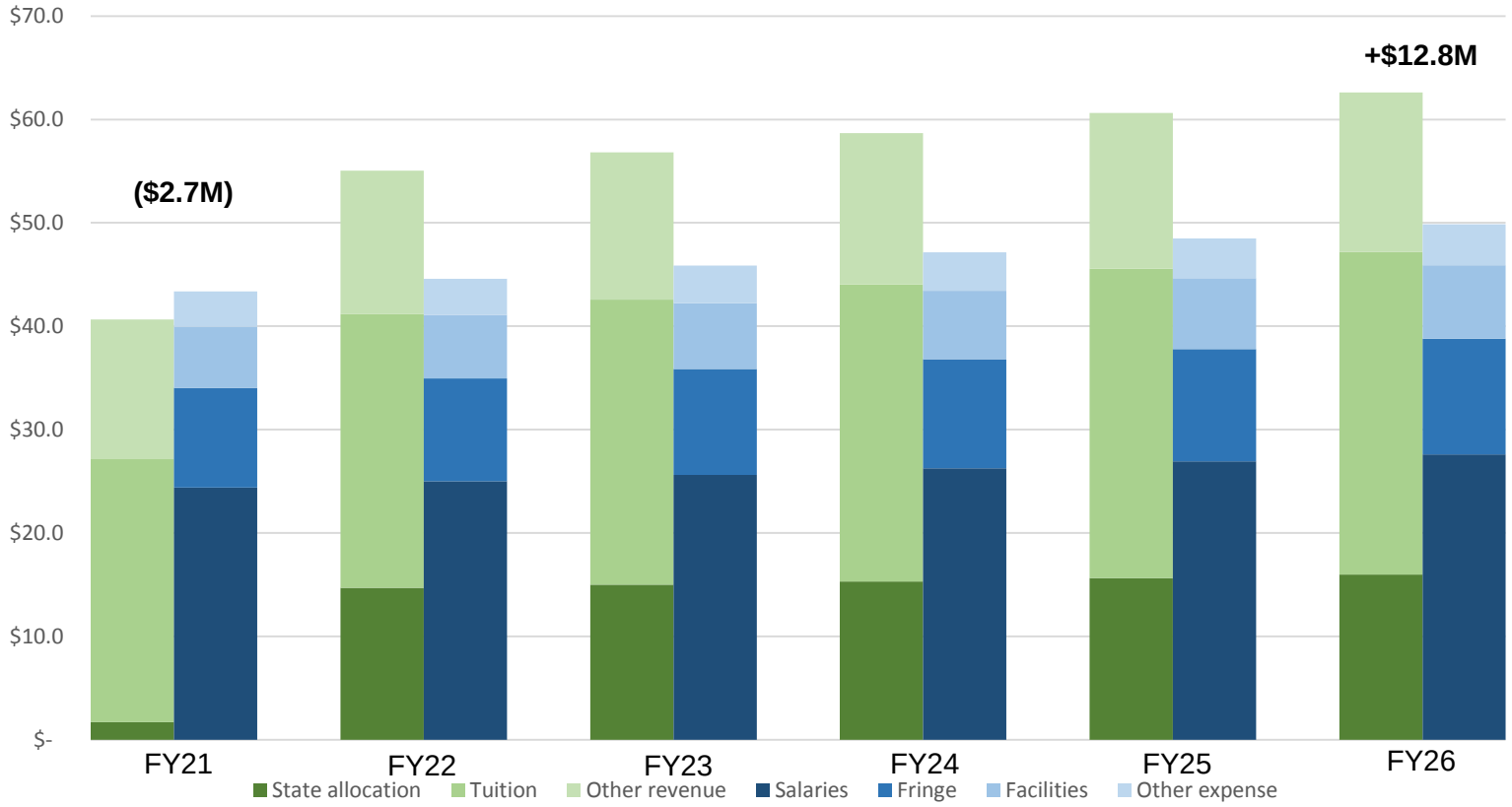
Expense Trends

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

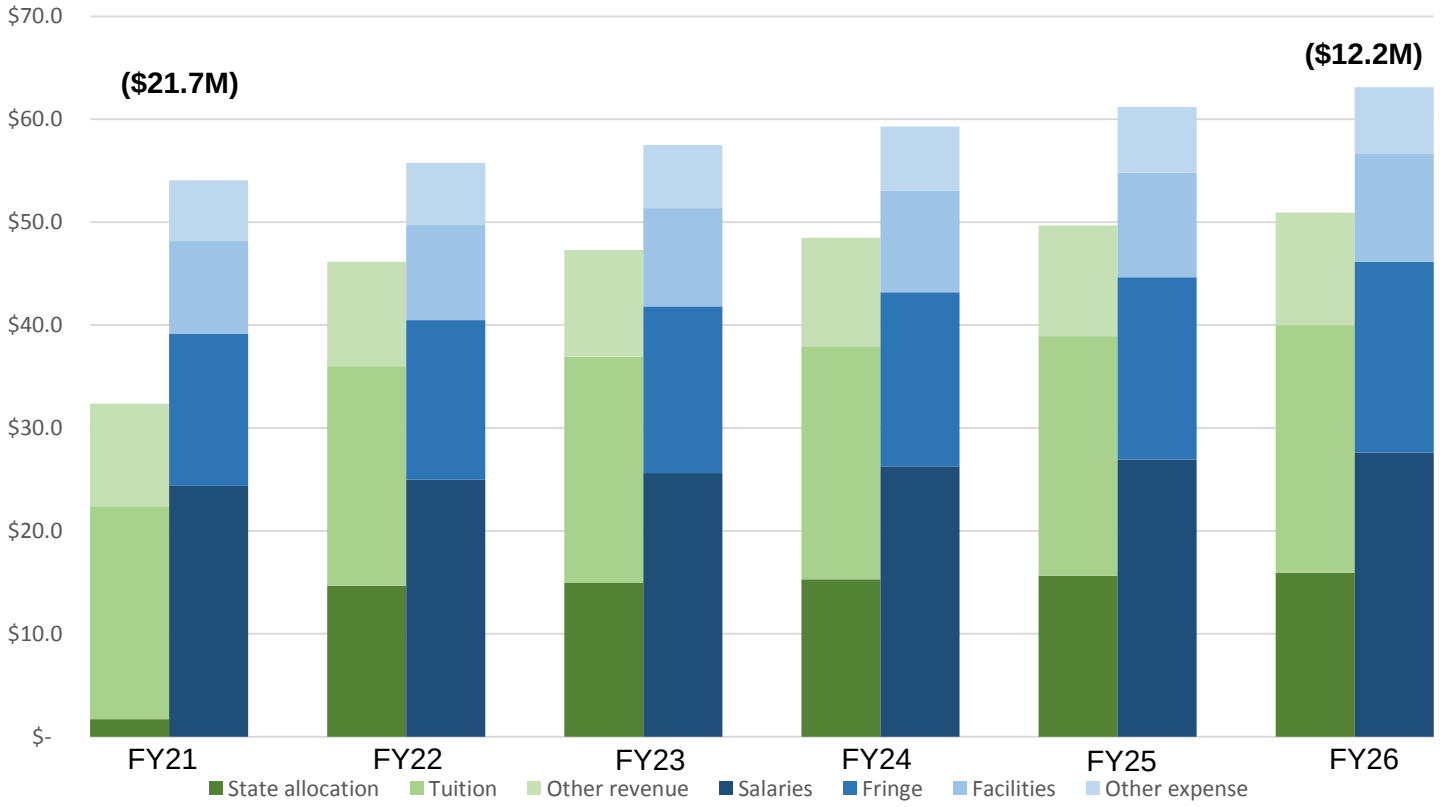
Expense Trends

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?

FY 2021 Annual Operating Budget Framework

In October we discussed the primary components of FY 2021 budget development

- Timeline for this “transition year budget”
- Cost variables and drivers
- Revenue variables and growth potential/impact
- Savings from efficiencies/reduced spending – potential/impact
- “Budget Framework” - O&M appropriation/tuition funds
- Questions to guide decision making process – Board input

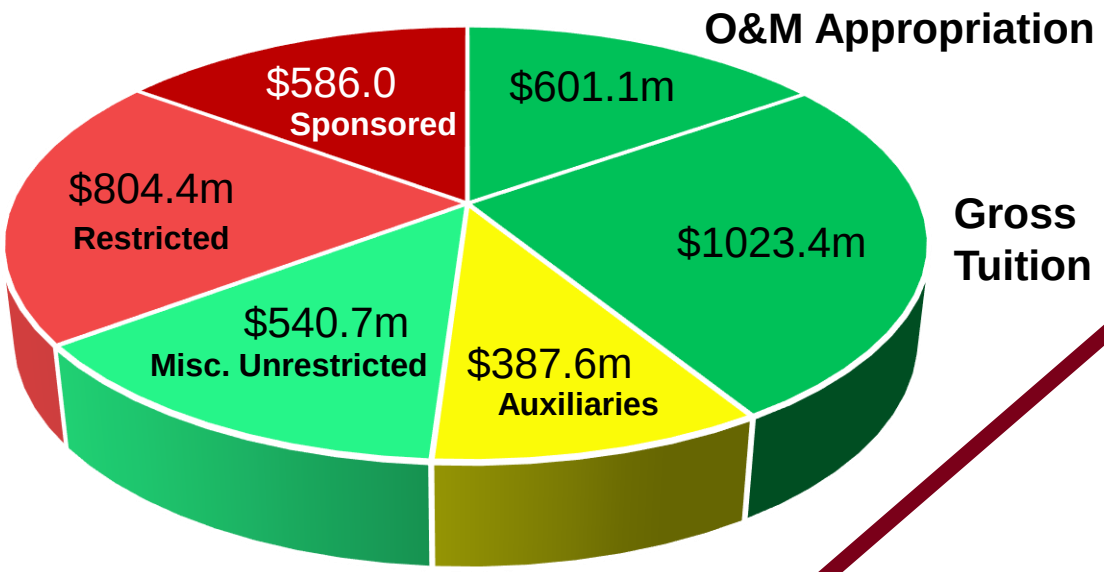
In building the budget we have to answer a series of questions, all beginning with:

"What do we want to plan……."

- for a change in state appropriations?
- for a change in tuition rates at each level and for each campus?
- for a targeted reallocation across all units?
- for growth in other resources to apply to framework costs?

- for a general salary increase (applying known fringe rate changes)?
- for "must-do" cost increases related to facilities, technology, safety, compliance?
- for the layer of investment beyond "must do" – priorities that we should address?

Revenue Focus for Budget Framework: $1.6B in Tuition and State Support (FY20 Budget)



Supplemented by Internal Reallocations

Resource Options & Planning: Constrained by Available Resources

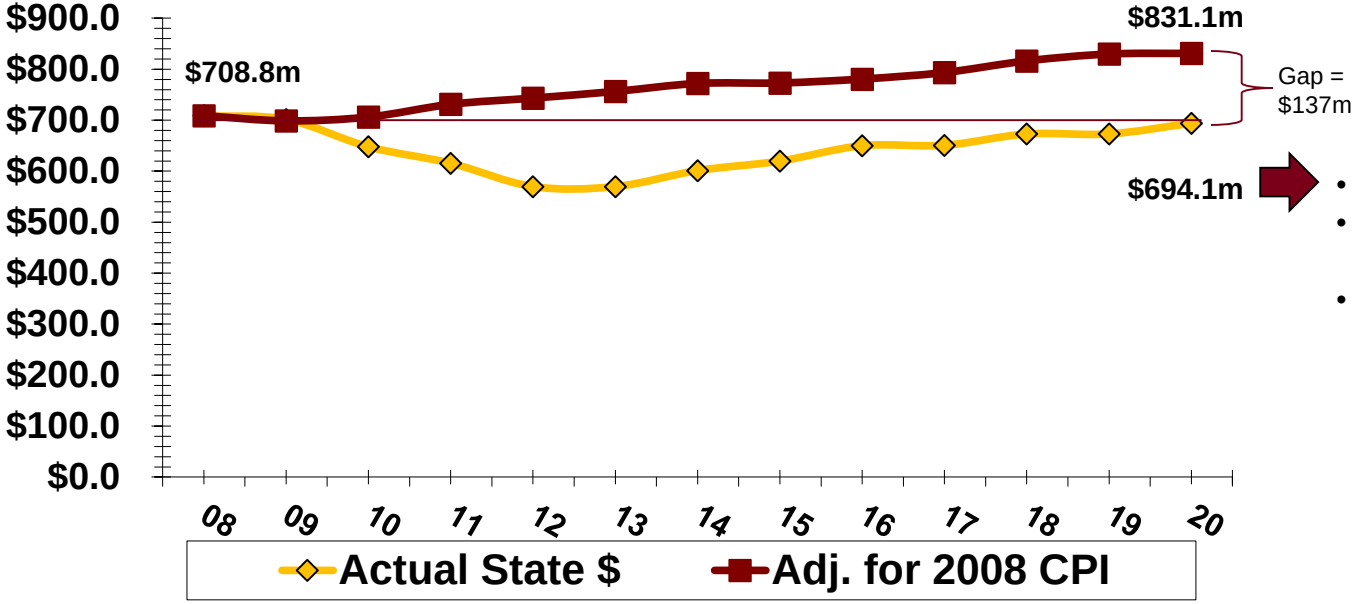
State $$

Tuition

Reallocations

The actual $708.8m appropriation* in 2008, if adjusted for CPI, would equal $831.1m in 2020.

The actual appropriation in 2020 is $694.1m



- Increase for FY21 = $1.7m
- Plus shifted $8.0m from FY20 to FY21
- Incremental growth for next year for budget planning = $9.7m

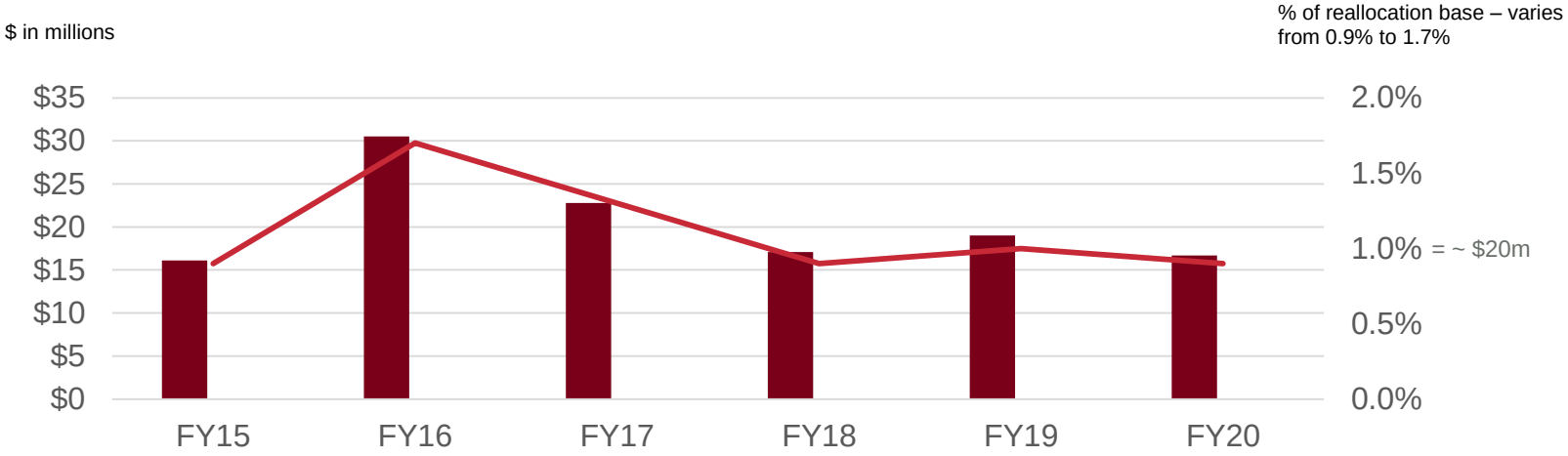
*Includes Cigarette Tax and MnCare – excludes nonrecurring project appropriations

Tuition Goals

	Estimate/Potential for FY21
• Resident undergraduate TC – *under inflation*	$3.2m per 1%
• NRNR undergraduate TC – *increase but remain in middle of Big10 for new freshmen*	$1.4m per 1% (to 5.5%/then $350k)
• Resident and NRNR undergraduate system campuses – *small increases or remain flat*	$1.3m per 1%
• Graduate and professional – *keep within inflation*	$3.6m per 1%

Repurposing Existing Resources

"Reallocations" approved in the budget (state and tuition funds):



Note: FY16 included an $8m separate reallocation pool for the TC campus to fund strategic plan initiatives

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

Expenditure Estimates and Planning

Maintain the Core

	Estimate/Potential for FY21 ***Framework Funds***
• Base compensation (benefits alone)	$10.0m
• Base compensation (salary)	$12.8m per 1%
• Facility operations and maintenance	$3.5m
• Technology maintenance	$1.5m
• Compliance with federal and state regulations • Safety – for students, employees, and the public • Negative fluctuations in units' revenue/cost balance	~$7.0m

Address Strategic Plan Goals

Academic and support units

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

"Typical" investment pool goal = $10.0m to $20.0m
Less when resources particularly constrained

Pulling it all together:

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

Framework Funds

Incremental Resources - Examples			
Tuition	0%	1%	2%
TC Resident Undergrad	$0.0m	$3.2m	$6.4m
Other Resident Undergrad	$0.0m	$1.2m	$2.4m
TC NRNR Undergrad*	$0.0m	$1.4m	$2.8m
Other NRNR Undergrad	$0.0m	$0.1m	$0.2m
Resident Grad Professional	$0.0m	$2.1m	$4.2m
NRNR Grad & Professiona	$0.0m	$1.5m	$3.0m
* $1.4m/% up to 5.5%; then $350k/%			
State Appropriation	known increase = $9.7m		
	0.50%	0.75%	1.00%
Internal Reallocation	$10.0m	$15.0m	$20.0m
	Low	Medium	High
Other Revenues	$1.0m	$3.0m	$5.0m

Incremental Expenditures - Examples				
Compensation	1.0%	2.0%	2.5%	Other
Fringe Alone				$10.0m
Salary Increase (assoc. fringe)	$12.8m	$25.6m	$32.0m	
Other Costs	Minimum	Invest	Advance	
Facilities	$3.5m	$5.0m	$7.0m+	
Technology	$1.2m	$3.5m	$5.0m+	
Maintain/Strengthen Core	$6.0m	$10.0m	$15.0m+	
Strategic Program Pool	$0.0m	$5.0m	$10.0m+	

Thoughts, Questions, and Input

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

AGENDA ITEM: Unit Reserves Policy Framework

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

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

PRESENTERS: Julie Tonneson, Associate Vice President and Budget Director

PURPOSE & KEY POINTS

This discussion will summarize how the institution defines, monitors and manages unit level reserves/balances. From a budget management perspective, a subtle distinction can be made between a "reserve" and a "balance":

- Reserve = funds purposely set aside for a particular purchase in the future (large piece of equipment or faculty set-ups for example) or to offset a particular financial risk (unanticipated expenditure obligation or revenue loss).
- Balance = unexpended funds on any particular day. A balance can be:
  - A planned "reserve" as described in the first bullet.
  - Unplanned funds available when revenues exceed what was planned and budgeted to cover expenditures (e.g., student credit hours are more than expected generating more tuition than planned) or when expenditures fall short of expectations (e.g., employees retire or leave and there is a lapse before open positions are filled).
  - The result of cash flow scenarios in which revenues are recorded in large amounts in a concentrated time frame and then spent over time; this can occur over fiscal year-end (summer session tuition received in May and spent in the June-August time frame, or royalty income received near year-end and spent in the following fiscal year, for example).

Generally, balances (unexpended funds) are calculated, monitored and reported at fiscal year-end. That year-end balance or "carryforward" into the next fiscal year can represent funds purposefully held in "reserve" or funds unencumbered and available for spending.

Balances from the Institutional Level Perspective

At the institutional level, management focuses on pooling and investing the unexpended funds. The combined total of all unit balances on any given day:

- is the source of investment through the Temporary Investment Pool (TIP), the earnings from which are recorded as revenue in Central Reserves;
- serves to meet the University's daily cash flow need;
- provides self-liquidity on outstanding variable rate debt/commercial paper; and

- is used in rating agency calculations of the University's ability to cover operating expenses without new revenues and to repay bondholders over a specified period of time.

Central Reserves

As required by Board of Regents Policy: *Central Reserves Fund*, investment earnings derived from TIP are recorded as revenue in the institutional reserve (Central Reserves). This is a separate fund managed at the institutional level. Board policy requires that Central Reserves should be four percent of the state appropriation or $25 million, whichever is greater. Earnings (combined with some miscellaneous revenues) are used in three ways:

1. Co-mingled with state appropriation to support the general Operations & Maintenance (O&M) budget ($6.9m in FY 2020).
2. Allocated directly to units for particular operations or initiatives ($14.3m in FY 2020).
3. Held in reserve for unanticipated needs (currently estimated to be $55.2m at fiscal year-end 2020).

Balances from the Unit Level Perspective

The current operating principle in the University's budget model is that year-end balances, regardless of non-sponsored fund source, are retained in individual budgetary accounts throughout the institution. This means that each "account" in the ledger, managed by faculty members, directors, department administrators and so on, retains the year-end balance for carry-forward into the next fiscal year. For unrestricted funds, unit leaders (chancellors, deans, vice presidents) have the discretion to consolidate balances, or a portion of them, within the larger college, system campus or support unit, if that best meets their management goals. Either at the individual manager level or the unit level, wherever the balance sits, decisions are made annually about how best to maximize the use of that resource, and that fosters a strong sense of financial stewardship and "resource responsibility."

Why balances are necessary

Within a Responsibility Center Management (RCM) budget model, accountability for budget management is distributed out to the operating units; the campuses, colleges and support units that generate revenue, conduct the University's mission, and provide services. To be most effective, this type of model expects that fiscal managers understand and strategically plan the use of all resources available to them. Year-end balances, or carryforward, is considered a resource and is necessary, in combination with annual revenues, to:

- Act as a reserve against unanticipated revenue losses (enrollment declines, sponsored grant fluctuations, swings in clinical income, etc.).
- Act as a reserve against unanticipated expenditure increases (utility spikes, external fee increases for things like lab testing, library materials, travel arrangements, etc.).
- Act as a reserve for large dollar purchases in the future (savings account for things like grant matches, significant equipment, system improvements, faculty recruitment packages, etc.).
- Invest in one-time items as part of the annual budget (employee lump sum bonuses, pilot projects to test the value of a new initiative, consultant costs, etc.).

For each of these situations, the University expects the units to make decisions and take the corresponding action to address them. There is no University pool of dollars held to address these situations. The University only intervenes in cases where the unit is not able to respond

appropriately or where the needs and University level priorities are aligned as part of allocating incremental new revenues through the budget development process.

How balances are monitored and reported

Every three years the University conducts an in-depth and extensive review of unit level balances (unit defined as resource responsibility center or RRC). This activity requires a great deal of time and effort at many levels of the organization, but the result is a deeper understanding of what the balances represent as determined by the managers within the departments.

This analysis requires units to categorize the balances (by O&M, State Special, Other Non-Sponsored and Plant funds) into purposes or intent. It also gives them an opportunity to explain any examples or situations in a narrative response that better describes their plans or requirements. In addition to the annual review of balances by unit and the incremental change from the prior year (see next paragraph), it forces units to provide a rationale behind the numbers. The administration can then develop a better understanding of the relative financial strength of each unit and the opportunities available by unit to address budgetary needs.

Every year, the administration runs fiscal year-end balance reviews by major fund group and unit. This analysis lacks the more in-depth explanation of what the balances represent, but it does serve as an annual check on where the balances are relative to the previous two years. This can often be the first indication of financial challenges and/or increasing financial health at the unit level. In addition, it provides an opportunity to assess the balances of each unit relative to others and the actual results compared to expectations discussed as part of the budget process.

As a subset of this reporting, the administration has also created a structural balance analysis report that displays annual earned revenues against annual expenditures (budget and actual) and the resulting impact on the year-end balance. This report is run by RRC and reviews O&M, other unrestricted funds, restricted funds, and all funds combined. Viewed in this way, the information indicates where a structural imbalance may exist or may be emerging, which leads to more customized and in-depth analysis for relevant units.

At the University level, the total non-sponsored balances of the institution are reported to the Board as part of the annual operating budget. The University Fiscal Page contains three years of actual balances, one year of an estimated balance (for the relevant current year) and one year of a projected balance (for the budget year).

Finally, a periodic review is done of negative balances (deficits) at the fund/department level. Further analysis is conducted to determine if there are offsetting positive balances to accompany those deficits within the same unit, which means the deficits are nestled within an overall positive balance. Discussions take place between the administration and the unit regarding budget plans for elimination of deficits.

Throughout the year balance information is available daily to anyone at the University through standard reports. Units can access information at the full unit level, by department or other organizational unit, and by detailed activity. They can view balances for all funds combined, groups of funds, or an individual fund. Financial managers are responsible for monitoring financial activity on an ongoing basis to ensure that resources and expenditures are occurring as planned in order to avoid unexpected deficits at year end. Balance monitoring is one aspect of that responsibility. The basic financial model contained in reports displays:

Carryforward from the Prior Year + Annual Revenues – Expenditures + Net Transfers = Ending Balance

During budget entry units also are required to estimate and enter the projected carryforward from the prior year for each chart string (i.e. an individual account) in the ledger. This allows for a comprehensive budget plan incorporating all resources, and it allows for reports containing budget-to-actual comparisons during the year. Variances between the two can then be questioned and explained and can help inform future estimates and plans.

How balances are managed in the budget development/resource allocation process

As referenced above, the annual review of balances and the structural balance analysis, combined with the more in-depth balances analysis done every three years, provide rich information for reviewing unit level budgets. During the budget development process, a budget framework for the upcoming year is projected for each unit. In addition, a meeting is held between each unit and University leadership regarding budget needs and proposals for the upcoming year. All parties work together to create a realistic picture of what the financial issues are, what the programmatic opportunities are, and what the resource solutions might be.

Within that structure, balances are reviewed and determined to be:

- stable or increasing and potentially available to fund one-time needs or bridges;
- decreasing consistent with planned spending for one-time items (funds saved for this purpose); or
- decreasing due to unanticipated financial challenges or structural imbalances.

Separate decisions are then made on each unit's budget in the context of this review. Senior leadership discusses the balances for each unit (levels and trends) and accounts for these changes as resource allocation decisions are made. Where they exist and are available, the balances are considered a resource and units are directed to use them for priority purposes. In this way, balances are actively managed along with other revenues and expenditures.

Policy on Balances

There is no official University policy specific to the level or management of balances in the policy library, just as there is no official University policy on the level or make-up of revenues and expenditures as part of the budget. Administrative Policy: *Budget Development and Oversight for Current Non-Sponsored Funds* addresses balances as one of the financial resources available to departments in the development of annual financial plans. There are transactional level policies, but the composition of resources and expenditures, and the practice of deploying them within each unit, are embedded within the University's financial framework and model, rather than in policy. The distributed budget management model in place at the University requires flexibility and discretion at the unit level.

In part, balances do not lend themselves to a consistent policy application because the characteristics of the units that generate and manage them can be significantly different. The adequacy of balances in any given unit is assessed by reviewing factors such as:

- Type of unit (campus, college, auxiliary business, support unit, etc.).
- Volatility of funding sources for the unit (tuition, grants, external sales, etc.).
- Future programmatic plans and obligations (faculty expansion, capital projects, etc.).

- Annual expenditure levels.
- Diversity of revenue sources to support general operations.

Units with more risk around revenue or expenditure volatility (college) are expected to carry balances equal to a higher percentage of their budget than a unit receiving only an annual allocation of operating dollars with little turnover in staffing (small administrative support unit).

BACKGROUND INFORMATION

The Board last received the three-year review as part of the FY 2016 Year End Balances Report in February 2017.

Unit Reserves Policy Framework

Julie Tonneson, Associate Vice President and Budget Director

Finance & Operations

February 13, 2020

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

UNIVERSITY BUDGET

UNIVERSITY OF MINNESOTA

Reserve/Balance/Carryforward: Explained

Balances	**=**	**Unexpended funds on any given day**
Carryforward	**=**	**Balance on June 30 that will "carry forward" into the next fiscal year**

WHY?

"Reserve"

Set aside for particular purchase – Or offset to a financial risk

"Unplanned"

Revenues exceed budget - Or Expenditures fall short of expectations

"Cash Flow"

Significant revenues recorded at one time: associated spending over time

Institutional Focus:

- Unexpended funds are pooled and invested by the institution through the TIP
- Unexpended funds are necessary to meet daily cash flow needs of the University
- Unexpended funds provide self-liquidity on variable rate debt/commercial paper
- Unexpended funds total is used in rating agency calculations

Central Reserves

- Supports O&M Allocations
- Direct CR Allocations to Units
- Held in Reserve for Unanticipated Needs (Board Policy = $25m or 4% of State Appropriation, whichever is greater)

Why are Balances Necessary at the Unit Level?

- Reserve against unanticipated revenue losses
- Reserve against unanticipated expenditure increases
- Reserve for large planned purchase in the future
- Source of funds for one-time investments

Central administration does not hold funds for these purposes.
"The University" budgets for and addresses these unit level situations only in critical situations or specifically to advance University priorities.

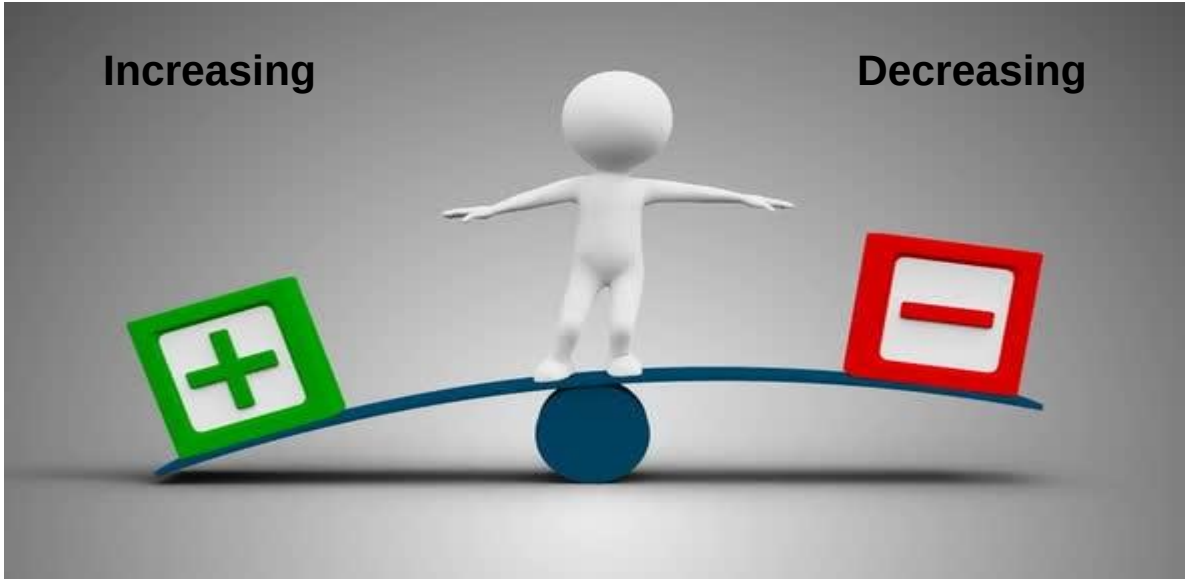
How are balances monitored and reported?

EVERY 3 YEARS	EVERY YEAR - Administration	EVERY YEAR – RRCs
In-depth comprehensive review of balances at the RRC level. Involves a categorization and explanation by major fund group.	Administration reviews fiscal year-end balances by RRC and major fund group and the corresponding trend over three years.	Units required to enter estimated "carryforward" into the financial system as part of budget entry.
	Administration reviews structural balance analysis by RRC and major fund group.	
	Total University balance reported to the Board of Regents as part of the operating budget.	
	Administration analyzes negative/deficit balances in context of total balances and budget plans.	

<u>Basic Financial Model:</u>
CF from prior year
+ earned revenues
- expenditures
+ net transfers
= ending balance

How are balances managed in the budget development/resource allocation process?

Units directed to allocate balances to one-time needs.



Units directed to explain decreases and address structural issues.

Always reviewed and factored into decisions.

The composition of resources and expenditures, and the practice of deploying them within each unit, are embedded within the University's financial framework and model, rather than in policy.

Varying unit characteristics impact balances and don't lend to consistent "policy":

- Type of unit (campus, college, auxiliary business, support unit, etc.)
- Volatility of funding sources for the unit (tuition, grants, external sales, etc.)
- Programmatic plans and obligations (faculty expansion, capital projects, etc.)
- Annual expenditure levels
- Diversity of revenue sources to support general operations

Thoughts,questions, and discussion

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

AGENDA ITEM: Real Estate Transaction

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

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

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

PURPOSE & KEY POINTS

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

A. Purchase of Three Properties at 818 Essex Street SE, 924 Essex Street SE, and 510 Ontario Street SE, Minneapolis, Minnesota (Twin Cities campus)

BACKGROUND INFORMATION

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

PRESIDENT'S RECOMMENDATION

The President recommends approval of the following real estate transaction:

A. Purchase of Three Properties at 818 Essex Street SE, 924 Essex Street SE, and 510 Ontario Street SE, Minneapolis, Minnesota (Twin Cities campus)

PURCHASE OF THREE PROPERTIES AT 818 ESSEX ST SE, 824 ESSEX ST SE, AND 510 ONTARIO STREET SE, MINNEAPOLIS (TWIN CITIES CAMPUS)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to purchase 818 Essex St SE, 824 Essex St SE, and 510 Ontario St SE, Minneapolis, Hennepin County, Minnesota.

2. Location and Description of the Property

The subject properties consist of three separate tax parcels totaling 13,206 square feet or 0.303 acres, located at the intersection of Essex St SE and Ontario St SE on Block 11. The properties currently include three residential structures: two duplexes (510 Ontario St SE and 824 Essex St SE) and a triplex (818 Essex St SE).

The University currently owns 10 separate parcels to the south/southwest on Block 11, which is currently used as a parking lot.

The legal descriptions of the properties are: Lots 1 and 4, except the westerly 50 feet, Block 11, Bakers Addition, Hennepin County.

3. Basis for Request

The University has identified Block 11 as the potential future site of the University's proposed Clinical Research Facility, for which the University is requesting design and property acquisition funds from the State as part of the 2020 State Capital Request. The extent of the University's property acquisition will determine the design of the facility. The University is able to construct the Clinical Research Facility on property currently owned by the University on the southerly half of the block. If the University is successful at acquiring additional property, the University will design the Clinical Research Facility in a manner that utilizes the subject properties. If the University is unsuccessful at acquiring additional land on the block, the University likely will utilize the subject properties for construction staging and then either parking or open space following construction (and land banking for a future project).

4. Details of Transaction

The total purchase price for subject properties will be $2,905,320, which will involve three separate purchase agreements as follows. The purchase prices are consistent with the appraised values of the properties.

Purchase Agreement #1 - 818 Essex St SE
The current owner and seller is Samm and Sons, LLC. This property will be purchased by the University for $990,440, with a closing date set for March 16, 2020. The University will then ground lease the property to Paul Poteat and William Currie (a subset of the LLC) from the closing date to September 14, 2020, which coincides with the expiration of the current leases with University students. During the term of the ground lease, rental income will be shared 50/50 with the University. Following the expiration of the ground lease, the University will then proceed to demolish the structures, after all tenants and sub-tenants have formally vacated the property.

Purchase Agreement #2 - 510 Ontario St SE.
The current owners and sellers are: Eric Lonergan, Holly Lonergan, David Mathis, Megan Mathis, William Currie, and Theresa Currie. This property will be purchased by the University for $924,440, with a closing date set for March 16, 2020. The University will then ground lease the property to Paul Poteat and William Currie from the closing date to September 14, 2020, which coincides with the expiration of the current leases with University students. During the term of the ground lease, rental income will be shared 50/50 with the University. Following the expiration of the ground lease, the University will then proceed to demolish the structures, after all tenants and sub-tenants have formally vacated the property.

Purchase Agreement #3 - 824 Essex St SE.
The current owners and sellers are Paul Poteat, Samatha Poteat, William Currie, and Theresa Currie. This property will be purchased by the University for $990,440, with a closing date set for March 16, 2020. The University will then ground lease the property to Paul Poteat and William Currie from the closing date to September 14, 2020, which coincides with the expiration of the current leases with University students. During the term of the ground lease, rental income will be shared 50/50 with the University. Following the expiration of the ground lease, the University will then proceed to demolish the structures, after all tenants and sub-tenants have formally vacated the property.

As part of the negotiations for Purchase Agreement #3, the University will ground lease to Paul Poteat and William Currie 617 Erie St SE and 619/621 Erie St SE, properties that the University recently acquired with the intent of utilizing for land swaps from Block 11 or for long term land banking. The sellers of 824 Essex St SE intend to continue their housing and ministry operations for University students in the ground leased properties.

The ground lease is for two properties rather than one because the current property at 824 Essex includes ten bedrooms. Two properties on Erie Street are required to replace the same number of bedrooms the sellers currently have at 824 Essex St SE. The ground lease is desirable for both the University and the sellers/ground lease tenants because the University will retain the long term ownership of the Erie Street Properties while reducing carrying

costs, and at the same time, the sellers/ground lease tenant will continue to earn rental income, which was a condition of the sale of their property.

The ground lease is effective upon the closing date of the 824 Essex St SE property. The term of the ground lease is for 10 years, and the tenant has two 5-year options for renewal. During the first 2½ years of the ground lease, the University will not share in the rental income and the ground tenant will make necessary improvements to the properties in order to bring them to a similar quality as the 824 Essex St property. During the remaining term of the ground lease, the rental income will be shared 50/50 with the University. The tenant will be responsible for all taxes, utilities, and other operating expenses. At the termination of the ground lease, title for all improvements shall return to the University.

5. Use of Properties

The structures at 814 Essex St SE, 824 Essex St SE, and 510 Ontario St SE will be demolished and the properties are intended to be utilized to support the proposed Clinical Research Facility as outlined above. If the Clinical Research Facility is not constructed on this site, the properties likely will be used for open space or parking (and land banking for a future project).

6. Environmental

The University will complete Phase I environmental site assessments of the three properties at 814 Essex St SE, 824 Essex St SE, and 510 Ontario St SE to confirm the properties are in acceptable environmental condition prior to close.

7. Source of Funding

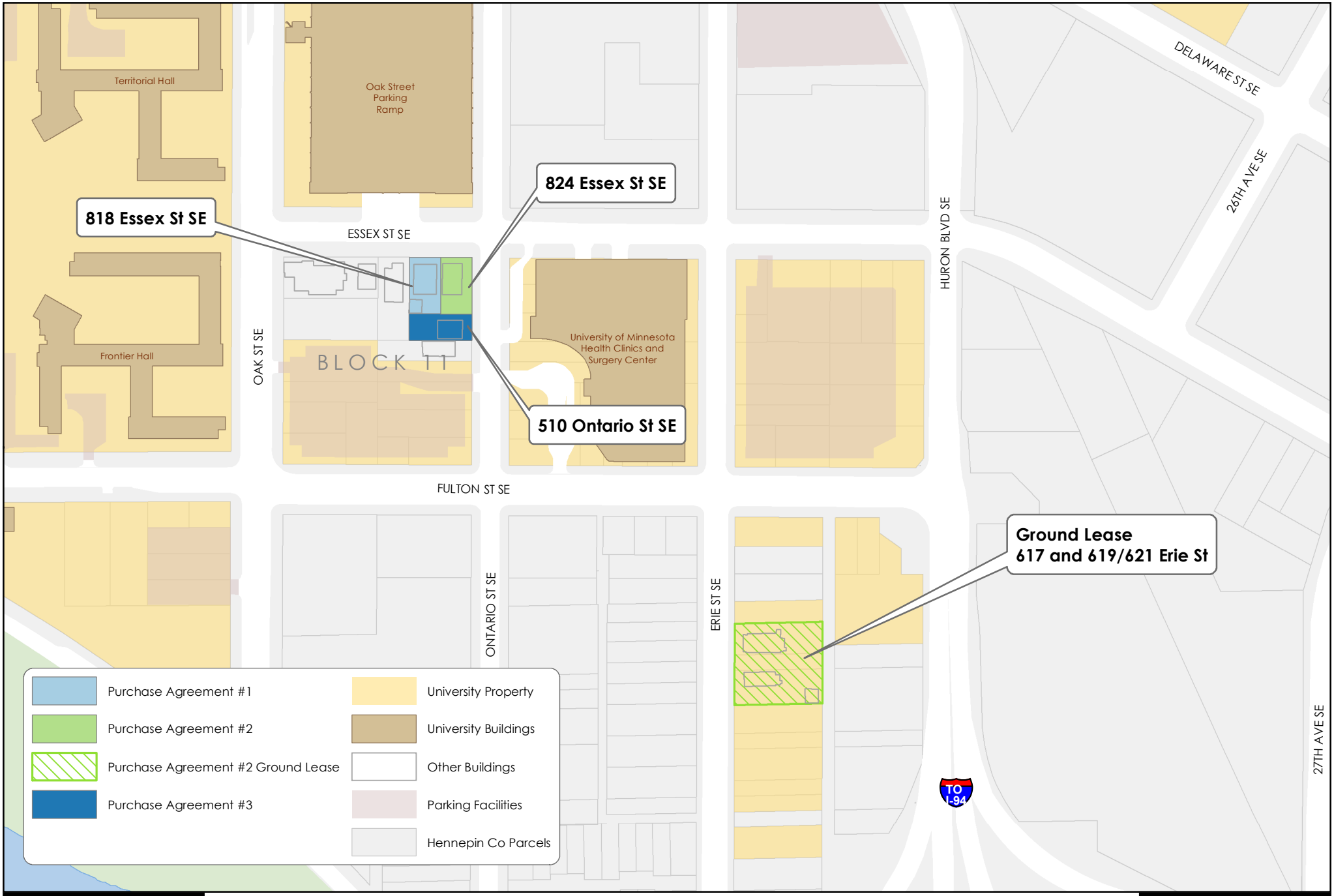
The University has requested funding from the State of Minnesota to assist with the acquisition of these properties as part of the University's 2020 State Capital Request. The University will issue debt to fund its share of the purchase (or the entire purchase if the State does not support the funding request).

8. 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

Purchase of Three Properties at
818 Essex St SE, 824 Essex St SE, and 510 Ontario St SE
Minneapolis (Twin Cities Campus)

N

0 400 Ft

This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Base Data: Real Estate Office MNDNR, MNDOT, MetCouncil, U Services GIS

1/27/2020

Real Estate Transaction: Purchase of Three Properties at 818 Essex St SE, 824 Essex St SE, and 510 Ontario St SE, Minneapolis

(Twin Cities campus)

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

Finance & Operations Committee

February 13, 2020

SENIOR VICE PRESIDENT FOR FINANCE AND PLANNING

World Class Services for a World Class University

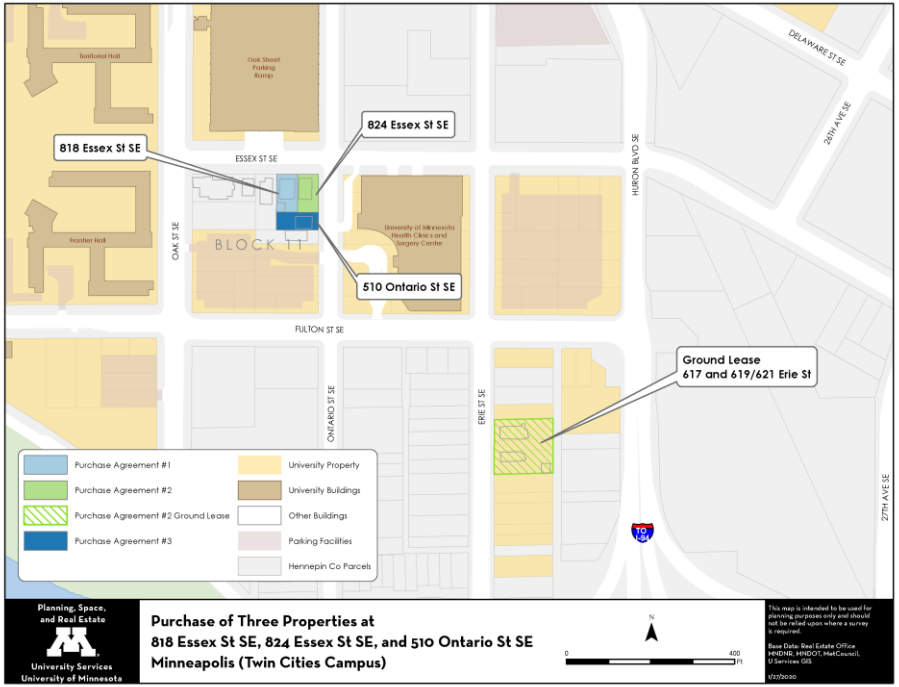
University Services

Stewardship • Integrity

Respect • Innovation • Safety

Property Overview

- Three parcels totaling 13,206 square feet or .303 acres
- Located on “Block 11” at intersection of Essex St SE and Ontario St SE
- University already owns 10 separate parcels on Block 11, currently used as a parking lot



Property Overview

- Three residential structures: two duplexes and a triplex
- Rental units currently owned by the Campus Ministries Group
- Existing structures to be demolished
- Potential future site of University's proposed Clinical Research Facility

What is the strategic value to the University in acquiring this property?

The University is acquiring property on this block for the potential home of the University's proposed Clinical Research Facility. The extent of the University's property acquisition will determine the design of the Facility. If additional property is not acquired, these specific properties will be used for construction staging and then open space or parking.

Transaction Overview

Three Purchase Agreements: $2,905,320 total

Addresses	Owner	Land Size	Purchase Price
818 Essex St SE	Samm and Sons, LLC	4,502 sq. ft.	$990,440
824 Essex St SE	Paul Poteat, Samatha Poteat, William Currie, and Theresa Currie	4,502 sq. ft.	$990,440
510 Ontario St SE	Eric Lonergan, Holly Lonergan, David Mathis, Megan Mathis, William Currie, and Theresa Currie	4,202 sq. ft.	$924,440

Transaction Overview

- Closing Date March 16, 2020
- University will ground lease/lease back properties until current student leases expire September 14, 2020
- Sellers of 824 Essex St SE will continue housing/ministry operations at University-owned Erie St properties through a ground lease of 617 and 619/621 Erie St SE

UNIVERSITY OF MINNESOTA

Driven to Discover®

Crookston Duluth Morris Rochester Twin Cities

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

AGENDA ITEM: Collective Bargaining Agreements

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

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

PRESENTERS: Kenneth Horstman, Interim Vice President, Office of Human Resources

PURPOSE & KEY POINTS

The purpose of this item is for the committee to review and act on collective bargaining agreements (CBA) between the Regents of the University of Minnesota and:

A. AFSCME Council 5, Clerical and Office Unit Locals 3800 and 3801
B. AFSCME Council 5, Health Care and Non-Professionals Unit Local 3260
C. AFSCME Council 5, Technical Unit Locals 3937 and 3801

Once approved, the CBAs will define the terms and conditions of employment for covered employees between the date of signing and June 30, 2021. Outlined below is a description of the covered employees, a summary of each contract's economic provisions, and the associated financial impact of each agreement.

A. AFSCME Council 5, Health Care and Non-Professionals Unit Local 3260

Covered Employees

The employees covered by this CBA are clerical and office support employees. The total number of employees is 1,518.

Summary Economic Highlights

During the contract year June 8, 2019 through June 7, 2020, employees in all classifications will receive a 2.25 percent salary range adjustment effective on December 23, 2019.

During the contract year June 8, 2020 through June 30, 2021, employees in all classifications will receive a 2.25 percent salary range adjustment effective June 8, 2020.

Financial Impact

This is a two-year agreement, June 9, 2019 through June 30, 2021.

<u>Year 1 Recurring Costs:</u>

Base Annual Payroll	$133,186,177.43
Base Salary Adjustments	$3,730,032.56
Total Recurring Cost	$136,916,209.99

Year 2 Recurring Costs:

Base Annual Payroll	$136,916,209.99
Base Salary Adjustments	$4,044,472.72
Total Recurring Cost	$140,960,682.71

Negotiation Timeline

Negotiations began on June 24, 2019. The parties reached a tentative agreement on December 11, 2019. The Union's contract ratification process was completed on January 21, 2020.

B. AFSCME Council 5, Health Care and Non-Professionals Unit Local 3260

Covered Employees

The employees covered by this CBA are health care employees. The total number of employees is 204.

Summary Economic Highlights

During the contract year June 8, 2019 through June 7, 2020, employees in all classifications will receive a 2.25 percent salary range adjustment effective on December 23, 2019.

During the contract year June 8, 2020 through June 30, 2021, employees in all classifications will receive a 2.25 percent salary range adjustment effective June 8, 2020.

Financial Impact

This is a two-year agreement, June 9, 2019 through June 30, 2021.

Year 1 Recurring Costs:

Base Annual Payroll	$9,143,566.77
Base Salary Adjustments	$197,432.48
Total Recurring Cost	$9,340,999.25

Year 2 Recurring Costs:

Base Annual Payroll	$9,340,999.25
Base Salary Adjustments	$312,669.48
Total Recurring Cost	$9,653,668.73

Negotiation Timeline

Negotiations began on June 24, 2019. The parties reached a tentative agreement on November 18, 2019. The Union's contract ratification process was completed on January 21, 2020.

C. AFSCME Council 5, Technical Unit Locals 3937 and 3801

Covered Employees

The employees covered by this CBA are technical employees. The total number of employees is 708.

Summary Economic Highlights

During the contract year June 8, 2019 through June 7, 2020, employees in all classifications will receive a 2.25 percent salary range adjustment effective on June 24, 2019.

During the contract year June 8, 2020 through June 30, 2021, employees in all classifications will receive a 2.25 percent salary range adjustment effective June 8, 2020.

Financial Impact

This is a two-year agreement, June 9, 2019 through June 30, 2021.

Year 1 Recurring Costs:

Base Annual Payroll	$28,735,814.78
Base Salary Adjustments	$1,053,080.83
Total Recurring Cost	$29,788,895.61

Year 2 Recurring Costs*:*

Base Annual Payroll	$29,788,895.61
Base Salary Adjustments	$1,076,755.15
Total Recurring Cost	$30,865,670.76

Negotiation Timeline

Negotiations began on June 24, 2019. The parties reached a tentative agreement on December 11, 2019. The Union's contract ratification process was completed on January 21, 2020.

BACKGROUND INFORMATION

Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board authority to approve collective bargaining agreements.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the following collective bargaining agreements:

A. AFSCME Council 5, Clerical and Office Unit Locals 3800 and 3801
B. AFSCME Council 5, Health Care and Non-Professionals Unit Local 3260
C. AFSCME Council 5, Technical Unit Locals 3937 and 3801

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The Proposed Labor Agreement with AFSCME Council 5, Clerical and Office Support Unit Locals 3800 and 3801

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

WHEREAS, AFSCME Council 5, Clerical and Office Support Unit Locals 3800 and 3801 have ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the Finance & Operations Committee docket for February 13, 2020.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The Proposed Labor Agreement with AFSCME Council 5,
Health Care and Non-Professional Unit Local 3260

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

WHEREAS, AFSCME Council 5, Health Care and Non-Professional Unit Local 3260 has ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the Finance & Operations Committee docket for February 13, 2020.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The Proposed Labor Agreement with AFSCME Council 5, Technical Unit Locals 3937 and 3801

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

WHEREAS, AFSCME Council 5, Technical Unit Locals 3937 and 3801 have ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the Finance & Operations Committee docket for February 13, 2020.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

AGENDA ITEM: Resolution Related to Sale of KUMD to Duluth-Superior Area Educational Television Corporation

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

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

PRESENTERS: Lendley C. Black, Chancellor, University of Minnesota Duluth

PURPOSE & KEY POINTS

The purpose of this item is to review the proposed sale of KUMD-FM radio, its assets, and licenses to the Duluth-Superior Area Educational Television Corporation (DSAETC). The FM broadcast station license with the Federal Communications Commission (FCC) to operate this station is owned by the University.

KUMD is the Duluth alternative radio station, broadcasting music and local information 24 hours a day, 365 days a year, reaching listeners in an 80-mile radius at 103.3 FM and worldwide at kumd.org. The station is part of the local arts and music community, providing music and sponsoring local concerts and cultural events such as the Duluth Homegrown Music Festival.

UMD's current financial challenges do not allow for the allocation of O&M funds to support the ongoing operation of KUMD or the maintenance of its broadcasting equipment and studios. KUMD does not operate as either a solely student-run station, such as KUOM (Radio K) on the Twin Cities campus, nor as a laboratory experience for a broadcast journalism program since UMD does not offer such an academic program. Staff have been reduced to a minimal level of five, and critical, expensive broadcasting equipment is well beyond the end of its useful life.

Given those challenges, in August 2018 an external media broker was engaged. The broker provided the University with a high-level estimated fair market value for the sale of KUMD, which was approximately $350,000. If the University used a media broker the commission on a sale to an external party would be 25 percent, leaving a net return to the University of approximately $262,000. There is no guarantee that any purchaser of KUMD station would pay $350,000 or continue to operate a public radio station in northeast Minnesota, given the license would also permit commercial broadcasting.

Patty Mester, President and General Manager of DSAETC, first approached UMD approximately two and a half years ago about exploring the possibility of DSAETC purchasing KUMD. DSAETC is a longstanding local public television station whose vision is to be essential to the communities it serves. DSAETC operates the northeastern Minnesota station WDSE, and is located on the Duluth campus. Negotiation for the sale of the station license and equipment took place over the past two years and resulted in a letter of intent (LOI) that describes the terms of the sale and the benefits of

the station operation that will be provide to the UMD community. The LOI is included in the docket materials.

Although the negotiated price of $175,000 is less than the estimated net proceeds provided in the August 2018 analysis, sale to DSAETC does not require a media broker, saving the University from paying a commission. This transaction also retains a public radio presence in northeast Minnesota that will broadcast from the Duluth campus. DSAETC understands and honors the community commitment that has been such a long-standing tradition for KUMD. Key points of the transaction as agreed to within the LOI include:

- The cash purchase price of the station is $175,000. Proceeds will be retained in the Chancellor's unit to cover employee severance costs, expenses associated with closing and transfer of grants, costs related to finalizing the sale, and facility renovation needs.
- KUMD staff will be offered similar positions with DSAETC operating the station.
- KUMD will continue to operate in its current facilities on the Duluth campus until renovations and/or additions to DSAETC's facilities, also located on the Duluth campus, are complete.
- An FCC hearing on the transfer of the license is required and that process will be initiated once the Board and DSAETC have approved the sale and transfer of the license.
- The current lease that DSAETC has with the University will be reviewed and amended or re-issued to align with the revised operating conditions.
- UMD staff will work with DSAETC staff to inventory assets and review any KUMD grants and contracts with the granting entity and DSAETC staff to assure transfer is appropriate, and whether DSAETC is interested in continuing the grant or contract work. In any situation where DSEAETC does not wish to continue those agreements, UMD will work with the granting agency to bring them to a close.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the resolution related to the sale of KUMD to Duluth-Superior Area Educational Television Corporation.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Sale of KUMD to Duluth-Superior Area Educational Television Corporation

WHEREAS, the University of Minnesota (University) owns KUMD, a Federal Communications Commission (FCC) licensed radio station, operating out of the Duluth campus (UMD); and

WHEREAS, the University and Duluth-Superior Area Educational Television Corporation (DSAETC) have entered into a non-binding letter of intent, which describes the terms under which the University will sell and transfer to DSAETC and DSAETC will purchase certain of the property, licenses and rights used by the University to operate KUMD, subject to the approval of the Board of Regents (the Proposed Transaction); and

WHEREAS, DSAETC operates television studios located on the Duluth campus; and

WHEREAS, under the Proposed Transaction, among other things, DSAETC will agree to (i) pay to the University an agreed upon amount for the transferred property, licenses, and rights, (ii) operate KUMD, and (iii) offer employment to all University employees working at KUMD on a specified date.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents (Board) hereby approves the Proposed Transaction as defined in the non-binding letter of intent.

BE IT FURTHER RESOLVED that the Board hereby authorizes and directs the President or delegate to execute and deliver all agreements, instruments and other documents, in the name of the University, to consummate and perform the Proposed Transaction.

BE IT FURTHER RESOLVED that the Board hereby authorizes and directs the President or delegate to execute and deliver to the FCC all agreements, instruments, or other documents, in the name of the University, necessary or desirable to cause the transfer of the FCC license as contemplated in the Proposed Transaction.

January 17, 2020

Chancellor Lendley C. Black
University of Minnesota, Duluth
515 Administration Building
1049 University Drive
Duluth, MN 55812-3011

Re: Duluth-Superior Area Educational Television Corporation and Regents of the University of Minnesota Letter of Intent Regarding KUMD

Dear Chancellor Black;

This letter, if accepted by Regents of the University of Minnesota (herein, "UMD"), to constitute a non-binding agreement in principle with respect to the proposal made by Duluth-Superior Area Educational Television Corporation (herein, "DSAETC") to acquire all the assets of UMD licensed radio station KUMD (herein, "KUMD")(herein collectively, the "Parties"). To that end, this letter sets forth DSAETC's proposal for the business terms for the transaction to acquire KUMD's assets (herein, the "Transaction").

WDSE•WRPT expects to invest between $1.6 Million and $3.0 Million to integrate KUMD into WDSE•WRPT's programming and building. This includes investments in a new transmitter, studio and editing suites, strategic plan, marketing, roll out, and integration costs.

The Parties intend that the Transaction described in this letter below will be memorialized by further negotiation, preparation and execution of one or more long-form definitive agreements between the Parties, or with certain of their affiliates or other relevant parties (herein, the "Asset Purchase Agreement").

Except for paragraph 11 and the exclusivity terms of this paragraph, the Parties agree that this letter does not create a legally binding obligation upon either Party. The Parties will nevertheless endeavor to reach a fully definitive agreement within sixty days of the date of approval of the proposed terms set forth herein. Notwithstanding anything in this letter to the contrary, the UMD agrees that, for a period of one hundred twenty (120) days from the delivery of a countersigned copy of this letter to SDAETC, the parties shall work exclusively with each other to conclude the definitive agreement and UMD shall not during such one hundred twenty (120) day period hold any discussions concerning the sale or transfer of the Station with any other party or parties.

Proposed Transaction Terms

1. Transaction Description/Purpose

DSAETC, upon payment of the Purchase Price (*viz.*, Cash Purchase Price and Additional Purchase Price), shall acquire certain mutually agreed UMD-owned tangible or intangible assets used to operate KUMD, expressly including all licensed broadcasting rights, contract rights and intellectual property rights, but excluding all of KUMD's cash and cash equivalents, receivables, and collection of vinyl records and other recorded media. For purposes of clarity, all liabilities of KUMD as of the date of the Transaction, shall remain liabilities of UMD.

2. Purchase Price

(a) The Cash Purchase Price shall be $175,000.00, to be paid by DSAETC to UMD in full at the Closing.

(b) The Cash Purchase Price shall be deemed inclusive of all base rental attributable to the occupancy of the current KUMD facility for a period of 36 months, commencing on the date of the Closing.

3. Transaction Closing Date/Location

The Parties acknowledge that UMD's consummation of the Transaction is subject to review and approval by the Board of Regents of the University of Minnesota in two public meetings. Following such approval, the Transaction shall close (the "Closing") on the later of 120 days following FCC approval of the broadcasting license transfer, or the completion of the due diligence review period, unless otherwise requested by DSAETC to occur at an earlier date. Closing shall occur at a location to be determined.

4. Due Diligence Review Period

Commencing with the consummation of an Asset Purchase Agreement, DSAETC shall have no less than 90 days to perform a due diligence review of the business of KUMD, inclusive of reasonable document and contract review verification.

5. FCC Approval Contingency

Consummation of the Transaction shall be contingent upon approval by the Federal Communications Commission of the transfer of the current licensed broadcasting rights of KUMD to DSAETC. UMD shall, take all necessary actions to facilitate the transfer of the licensing rights to DSAETC, expressly including all FCC-required public notice and review requirements.

6. Contract/Sponsorship Assignment

UMD shall make reasonable efforts in cooperation with DSAETC to facilitate the assignment and/or transfer of any contract rights related to the on-going operation and sponsorship of KUMD's business activities. In particular, the Parties will review jointly KUMD's current grants and contracts to determine if further discussions with granting organizations, e.g., Corporation for

Public Broadcasting and the Minnesota Department of Administration, should be initiated to determine if these grants/contracts and required related services should or could be assigned to DSAETC in connection with the Transaction. Also, the Parties will review jointly broadcasting equipment and any programming or software licenses owned or held by UMD as of the date hereof and DSAETC shall decide which, if any, of such assets shall be transferred as part of the Transaction.

7. Maintenance of Operation Pending Closing

Through Closing, UMD shall continue to operate KUMD's business and affairs in a like manner to that as of the date of this letter, without material change except as may be expressly communicated to and discussed with DSAETC. UMD shall exercise reasonable care to preserve the value of all assets and contract rights inclusive of any sponsorship and advertising income streams.

8. Asset Purchase Agreement

The Asset Purchase Agreement shall have standard provisions as are normally included with regard to business purchase agreements, including, but not limited to, cross-indemnification, reconciliation of transition operational expenses, warranties and representations as to corporate transactional authority.

9. Lease Agreements

(a) In connection with the Transaction, the Parties expect to enter into a new or an amendment to that certain Ground Lease, dated January 2, 1976. Such new lease or amendment shall continue the current land lease rental of $1 per year and, among other provisions, shall provide that:

(i) DSAETC, at its expense, may build up to an 8 new parking spaces within the Leased Premises. At DSAETC's written request, UMD will offer up to five DSAETC employees an opportunity to purchase annual parking maroon lot permits for the three-year period commencing on the date of the Closing. The Parties will review available parking at the end of such period. UMD will provide DSAETC the opportunity to purchase five (5) bus passes from DTA at the same yearly rate as UMD employees." These are yearly passes that run from July1 to June 30 each year.

(ii) UMD shall provide snow removal services for the Leased Premises and DSAETC shall pay for such services in monthly billings throughout the period ending 36 months after the date of the Closing in an annual amount not to exceed $1,000.

(iii) In connection with the Transaction, the Parties may enter into a Facility Use Agreement or similar office space lease. Such agreement, among other things, shall provide that the amount of base rent shall be at no cost for the thirty-six-month period commencing on the date of the Closing and for a lease term thereafter, base rent shall be billed at all-inclusive rental cost of approximately $12.00 per square foot.

10. Post-Closing Operation of KUMD

(a) DSAETC shall have full direction and control of all affairs of KUMD, provided however representing the following to be its intentions with respect to operation for the period following the Transaction:

- DSAETC will offer employment to all employees of KUMD as of the date of the Transaction, provided however, DSAETC shall have no obligation to satisfy, undertake or pay any entitlements, benefits or unpaid leave benefits earned or accrued prior to the Closing.

(b) In connection with the Transaction, UMD shall agree to perform the following (i) deliver to DSAETC a list of KUMD members, subject to UMD's compliance with applicable privacy rules.

11. Communications/ Publicity

DSAETC will develop a communications plan in conjunction with UMD's University Marketing and Public Relations, concerning the acquisition of KUMD, and future format and programming. Until such time as the Parties execute a long-form definitive agreement in place of this letter, this letter and the information exchanged by the Parties pursuant to the transactions contemplated herein, shall be deemed confidential, not to be disclosed except as may be necessary for consideration of the terms hereof on a need-to-know basis.

No Party will make any public announcement regarding the existence of this letter, or the status of any negotiations between the Parties, without the prior approval of the other Party.

12. General Provisions

(a) Amendment. This letter may be amended only by a written instrument signed by the Parties.

(b) Liability. Each Party shall be solely responsible and liable for its and its employees', agents' and contractors' acts and omissions.

(c) Damage Remedies. **EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, A PARTY SHALL NOT BE LIABLE FOR (A) PERSONAL INJURY OR PROPERTY DAMAGES (EXCEPT TO THE EXTENT OF THE PARTY'S WILLFUL, WANTON, OR INTENTIONAL ACTS) OR (B) LOST PROFITS, LOST BUSINESS OPPORTUNITY, INVENTORY LOSS, WORK STOPPAGE, LOST DATA OR ANY OTHER RELIANCE OR EXPECTANCY, DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OF ANY KIND.**

(d) This letter shall have no force or effect if the Transaction has not closed by December 31, 2020.

Please indicate agreement with the terms of this letter by the signatures below.

DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION, by

Patricia Mester

Patricia Mester
President and General Manager

Dated: January 17, 2020

REGENTS OF THE UNIVERSITY OF MINNESOTA, by

Lendley C. Black

Chancellor Lendley Black
Chancellor, University of Minnesota Duluth

Dated: 1/17/20

10096919

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

AGENDA ITEM: Consent Report - **REVISED**

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

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

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

PURPOSE & KEY POINTS

General Contingency

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

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

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

- To Allied Blacktop Co., for an estimated $900,000 for maintenance of Twin Cities campus asphalt surfaces (includes streets, parking lots, loading zones, etc.), for Parking and Transportation Services (PTS), for the period of April 1, 2020 through March 31, 2021, with optional contract extensions through March 31, 2025. Total contract value, if all extensions are exercised, would be an estimated $4,500,000. PTS is self-funded through parking revenue. For the current FY 2020 budget year, $900,000 has been budgeted relating to asphalt projects. Future projections are currently at the same dollar value as the initial year, but are subject to change. After a competitive Request for Proposal process, Allied Blacktop Co. was selected because they provided the best value based on a combination of price, work plan, past references, and level of equipment/staff readily available to complete the work. Two suppliers responded to the RFP.

- To HUB Parking Technology USA, Inc. for $9,500,000 to provide, install, and maintain equipment and software for a new Parking Access & Revenue Control System (PARCS) for Parking and Transportation Services (PTS) for the period of February 17, 2020 through December 31, 2029. PTS is self-funded through parking revenue. PTS will be using fund balance reserves for the one-time cost of system implementation and future parking revenue for on-going yearly recurring costs. Through a competitive Request for Proposal process, HUB Parking Technology USA, Inc., a new supplier, provided the best value based on a combination of their price, references, quality of the equipment/software, and level of service needed for implementation and maintenance. Eight suppliers responded to the RFP.

- To Saint Paul Regional Water Services (SPRWS) for an estimated $1,950,000 (estimate based on past usage) for water supplied to the Saint Paul campus domestic water system at wholesale rates as established from time to time by the Board of Water Commissioners of the city of Saint Paul for Facilities Management for the period of January 1, 2020 to December 31, 2022 with optional contract extension through December 31, 2037 for an estimated additional $9,750,000. Total estimated contract value, if all options are exercised, would be approximately $11,700,000. Purchase of domestic water to SPRWS, the current supplier, is paid from funds received through the water utility ISO based on usage. See enclosed documentation for basis of supplier selection.

Amendments to Civil Service Rules

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

Employment Agreements

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

- Janet Schrunk Ericksen as Vice Chancellor for Academic Affairs and Dean, Morris campus
- Michael Sanford as Offensive Coordinator Football Coach, Twin Cities campus
- Employment Agreement Amendment for Joe Rossi, Defensive Coordinator Football Coach, Twin Cities campus
- Employment Agreement Amendment for Lindsay Whalen, Head Women's Basketball Coach, Twin Cities campus
- Mark Coyle as Director of Intercollegiate Athletics, Twin Cities campus

Capital Budget Amendments

The purpose of this item is to review and act on amendments to the FY 2020 Annual Capital Improvement Budget for the following projects:

- Institute for Child and Adolescent Brain Health, Twin Cities campus
- Child Care Facility, Twin Cities campus

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

Real Estate Transaction

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

- Lease for a Twenty-Five Year Term for a Child Care Center, Twin Cities campus

A transaction narrative sheet is included that addresses the basis for request, lease terms, and costs. A site map locating the facility on the Twin Cities campus is also included.

Schematic Designs

The purpose of this item is review and action on schematic designs for the following project:

- University of Minnesota Medical Center Resident Fellow Health and Rest Suite, Twin Cities campus

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

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.
- Amendments to Civil Service Rules: *Reservation and Delegation of Authority,* Sec. XI, Subd. 2.
- Employment Agreements: *Reservation and Delegation of Authority*, Article I, Section IV, Subd. 1.
- Capital Budget Amendments: *Reservation and Delegation of Authority,* Article I, Section VIII, Subd. 8
- Lease Transactions: *Reservation and Delegation of Authority,* Article I, Section VIII, Subd. 2
- Schematic Designs: *Reservation and Delegation of Authority,* Article I, Section VIII, Subd. 9.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Consent Report.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

AGENDA ITEM: Consent Report

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

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

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

PURPOSE & KEY POINTS

General Contingency

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

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

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

- To Allied Blacktop Co., for an estimated $900,000 for maintenance of Twin Cities campus asphalt surfaces (includes streets, parking lots, loading zones, etc.), for Parking and Transportation Services (PTS), for the period of April 1, 2020 through March 31, 2021, with optional contract extensions through March 31, 2025. Total contract value, if all extensions are exercised, would be an estimated $4,500,000. PTS is self-funded through parking revenue. For the current FY 2020 budget year, $900,000 has been budgeted relating to asphalt projects. Future projections are currently at the same dollar value as the initial year, but are subject to change. After a competitive Request for Proposal process, Allied Blacktop Co. was selected because they provided the best value based on a combination of price, work plan, past references, and level of equipment/staff readily available to complete the work. Two suppliers responded to the RFP.

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- Schematic Designs: *Reservation and Delegation of Authority,* Article I, Section VIII, Subd. 9.

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.
6	University Relations	(116,938)	2,417,110	University President inauguration activities, final. $250,000 budget authority approved June, 2019.
5	**New items this reporting period:**			
6	Office of the Board of Regents	(361,635)	2,055,475	University President search & transition activities, final. $350,000 budget authority approved October, 2018. Additional $11,635 budget authority approved December, 2019.
7	**Current Balance**		**2,055,475**	

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

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

To Allied Blacktop Co., for an estimated $900,000 for maintenance of Twin Cities campus asphalt surfaces (includes streets, parking lots, loading zones, etc.), for Parking and Transportation Services (PTS), for the period of April 1, 2020 through March 31, 2021, with optional contract extensions through March 31, 2025. Total contract value, if all extensions are exercised, would be an estimated $4,500,000.

PTS is responsible for the administration of all Twin City campus area streets and parking facilities, which includes approximately 14.3 miles of streets and over 100 separate parking lots.

Comprehensive seasonal maintenance, including curb/gutter repair, power sweeping, seal coating, patching, leveling, and other repairs, is required to ensure the accessibility, safety, cleanliness, and structural integrity and longevity of these asphalt surfaces.

Through a competitive process, Allied Blacktop Co. provided the best value based on a combination of price, work plan, past references, and level of equipment/staff readily available to complete the work.

PTS is self-funded through parking revenue. For the upcoming FY20 budget year, $900,000 has been budgeted relating to asphalt projects. Future projections are currently at the same dollar value as initial year, but are subject to change.

Submitted by: Sandra Cullen, Assistant Director
Facilities and Transportation Systems
Parking and Transportation Services
Twin Cities Campus
Phone (612) 625-6009
Fax (612) 624-8899

Approval for this item requested by:

Mike Berthelsen

Mike Berthelsen
Vice President for University Services

1-16-20
Date

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

To HUB Parking Technology USA, Inc. for $9,500,000 to provide, install, and maintain equipment and software for a new Parking Access & Revenue Control System (PARCS) for Parking and Transportation Services (PTS) for the period of February 17, 2020 through December 31, 2029.

PTS is responsible for the administration, operation, and maintenance of reliable and efficient transportation services on the Twin Cities campus. Management of these parking services includes 9 garages, 8 ramps, and 115 surface lots that provide over 20,000 parking spaces to approximately 5.4 million cars each year.

The PARCS manages the 35 facilities that have gated access. The current PARCS has been in place since 1994 and is in need of replacement. Exit pay stations were installed in 2011 and will lose maintenance support in 2020.

Through a competitive Request for Proposal process, HUB Parking Technology USA, Inc. provided the best value based on a combination of their price, references, quality of the equipment/software, and level of service needed for implementation and maintenance.

The total cost is broken down as follows:

$6,831,188	*Total Equipment (plus contingency), Installation, and 2-year Warranty*
$2,668,812	*Total Maintenance and Licensing Fees Years 3-9*
$9,500,000	*Total Contract*

PTS is self-funded through parking revenue. PTS will be using fund balance reserves for the one-time cost of system implementation and future parking revenue for on-going yearly recurring costs.

Submitted by: Ross Allanson, Director
Parking and Transportation Services
511 Washington Ave S.E.
Minneapolis, MN 55455
Phone: 612-625-9543
Fax: 612-624-8899

Approval for this item requested by:

Mike Berthelsen

Mike Berthelsen
Vice President for University Services

1-16-20
Date

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

To Saint Paul Regional Water Services for an estimated $1,950,000 (estimate based on past usage) for water supplied to the Saint Paul campus domestic water system at wholesale rates as established from time to time by the Board of Water Commissioners of the city of Saint Paul for Facilities Management for the period of January 1, 2020 to December 31, 2022 with optional contract extension through December 31, 2037 for an estimated additional $9,750,000. Total estimated contract value, if all options are exercised, would be approximately $11,700,000.

The University of Minnesota owns and operates a municipal style domestic water distribution system on the Saint Paul campus. The water is supplied by Saint Paul Regional Water Services (SPRWS) at two connection points with the University responsible for pumping, storage, and distribution to the buildings. This contract is necessary to establish the University as a wholesale customer of SPRWS. Status as a wholesale customer allows SPRWS to charge a lesser rate per unit of water and helps clarify responsibilities with regard to the campus water system.

SPRWS is the only available provider of domestic water for the Saint Paul campus. The execution of this contract effectively changes the status of the University from a retail to a wholesale water customer of SPRWS and is expected to result in an annual savings of $50,000 in utility fees.

Purchase of domestic water is paid from funds received through the water utility ISO based on usage.

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

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

1-10-20

Date

Rationale for Exception to Competitive Bidding

This contract has not been competitively bid because purchased municipal water is delivered via extensive underground pipe networks. Saint Paul Regional Water Services (SPRWS) is the municipal source for the cities of St Paul and Falcon Heights. The City of Minneapolis is the next closest source but accessing it would require the installation of over one mile of new water main which would be logistically challenging and cost prohibitive. Also, Minneapolis has higher water rates than SPRWS.

The rate proposed for the University was collaboratively developed by integrating the University's specific customer data into SPRWS existing Cost of Services methodology in use for their other two wholesale customers, the cities of Roseville and Little Canada. The resulting per unit wholesale rate for the University will be lower than the previous retail rate established for SPRWS customers inside the City of Falcon Heights.

The Director of Purchasing and the University Controller concluded that that the process used resulted in a fair and reasonable price to the University.

Proposed Amendments for Bereavement Leave
Civil Service Employment Rules

Updated: January 22, 2020

Reason for Civil Service Employment Rule amendment:

This proposal is to provide Civil Service employees paid bereavement leave upon the death of an immediate or other family member or University colleague. The University is supportive of the employees who are experiencing a significant personal loss.

There is a hardship for Civil Service employees who experience a personal loss and their sick/vacation time is exhausted or nearly exhausted. For extended absence, the University strongly encourages responsible administrators/supervisors to be flexible in granting requests for additional paid (as available and appropriate) and unpaid leave time beyond the paid bereavement leave provisions.

Proposed Civil Service Employment Rule amendments:

Definition:

Domestic partner. Two persons of the same or different sex who are (1) engaged in a committed relationship, and (2) not related by blood closer than permitted under Minnesota marriage laws.

11.5 General Provisions for Sick Leave <u>and Bereavement Leave</u>

11.5.13 ~~Sick leave may be used with appropriate notification when a death occurs in the employee's family. Employee's family in this instance shall mean spouse, domestic partner, children (including foster children and step children), siblings, parents, parents-in-law of the employee, grandparents, guardian, wards or grandchildren of the employee or employee's spouse or domestic partner. The time shall be limited to what is reasonably necessary to make funeral arrangements and/or to attend funeral services~~. <u>The University provides eligible employees working 50% or more with paid bereavement leave upon the death of an immediate or other family member or University colleague. This leave is granted for purposes of:</u>

- <u>Attending the funeral, services, ceremonies, and/or interment</u>
- <u>Making necessary arrangements</u>
- <u>Travel related to the death</u>
- <u>Bereavement time</u>

The following chart details the provisions related to the death of an immediate or other family member or University Colleague.

Relation to Employee	**Provisions**
Immediate Family Member	Up to three work days paid bereavement leave and up to two additional work days of leave at the discretion of the responsible administrator/supervisor and upon consideration of the funeral location (local or long distance), cultural expectations, rituals, ceremonies and other pertinent factors
Other Family Member	One work day paid bereavement leave
University Colleague	Reasonable paid bereavement leave to attend the funeral or service. Leave is subject to the needs of the department as determined by the responsible administrator/supervisor.

The employee's immediate family includes;

- Employee's spouse or domestic partner;
- Employee's biological, adoptive, step or foster child or ward
- Employee's parent or parental equivalent
- Employee's sibling
- Employee's spouse/domestic partner's biological, adoptive, step or foster child or ward
- Employee's spouse/domestic partner's parent or parental equivalent
- Employee's spouse/domestic partner's sibling.

Employee's other family member in this instance shall mean:

- Employee's or employee's spouse/domestic partner's children-in-law (or equivalent)
- Employee's grandparents, grandchildren, aunts, uncles, nieces, nephews and first cousins of the employee.

11.5.14 ~~In addition, with~~ With the approval of the supervisor or responsible administrator, employees may use sick leave to serve as pallbearers or attend funerals of other individuals not identified above.

Finance & Operations Committee
Board of Regents Meeting
Consent Report
February 13, 2020

Personnel Appointment

Pending approval by the Board of Regents, Dr. Janet Schrunk Ericksen will be appointed vice chancellor for academic affairs and dean of the University of Minnesota Morris, effective July 1, 2020.

Position Overview

As Vice Chancellor for Academic Affairs and Dean Dr. Ericksen will serve as the chief academic officer of the University of Minnesota Morris (UMN Morris). She will provide strategic and intellectual leadership and administrative oversight for the academic unit at Morris and will collaborate with other campus and system leaders to advance UMN Morris's mission and strategic vision and plan. Dr. Ericksen will provide visionary leadership and administrative oversight of, and accountability for, academic affairs at UMN Morris. She will be a visible leader for the campus and engage with both internal and external stakeholders. As vice chancellor for academic affairs and dean, Dr. Ericksen will promote and represent the campus. She will be engaged on various leadership councils and participate in raising the academic profile of the University nationally and internationally.

Appointee's Background and Qualifications

Dr. Janet Schrunk Ericksen has served as Interim Vice Chancellor for Academic Affairs and Dean (VCAA/dean) at the University of Minnesota Morris (UMN Morris) since August 2017. As Interim VCAA/dean at Morris, Dr. Ericksen successfully authored two grants: a Fulbright Scholar-in-Residence proposal to bring an early childhood education expert to Morris in collaboration with the West Central Initiative and an Andrew W. Mellon Foundation Governors' grant ("Engaged and Engaging Humanities"). In addition, she served as principal investigator on an existing Margaret A Cargill Philanthropies grant ("Sustainability Leaders for the Future"). She worked collaboratively with others on campus to restructure several campus units in order to better coordinate student services. Finally, she has implemented new programing to support early career faculty.

Dr. Ericksen began her career at UMN Morris in 1998 as an Assistant Professor of English. Since then she has held a variety of administrative roles on the Morris campus including English Discipline Coordinator, Director of the Honors Program, and Chair of the Division of the Humanities. Additionally, she has been an active participant in University of Minnesota governance, including as a University Senator and two terms as a member of FCC.

Dr. Ericksen, an internationally recognized medieval scholar, continues to pursue her research. Most recently, she authored a forthcoming University of Toronto Press monograph, *Reading Old English Biblical Poetry: The Book and the Poem in Junius 11*. A Horace T. Morse Award winning teacher and member of the UMN Academy of Distinguished Teaching, Dr. Ericksen also continues to be active in the classroom and as a faculty advisor.

Recommended Salary and Appointment Type

Dr. Ericksen's annual salary will be $160,000. Her appointment as Vice Chancellor for Academic Affairs and Dean is a 100%-time, A-term (12-month), L-type (limited) appointment, reporting to and serving at the pleasure of the Chancellor of the University of Minnesota Morris. The full employment agreement between the University of Minnesota and Dr. Ericksen is attached as an exhibit.

Individually Negotiated Terms of Employment or Separation Agreements

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

Comparable Market Data

Benchmarking with the *CUPA Administrators in Higher Education* salary survey for the position of Chief Academic Affairs Officer/Provost for the University of Minnesota Morris peer group (aged to July 1, 2020):

$161,525 - 10th percentile
$179,549 - 25th percentile
$204,909 - 50th percentile
$238,295 - 75th percentile
$254,198 – 90th percentile

Recommendation

The President recommends the appointment of Dr. Ericksen as Vice Chancellor for Academic Affairs and Dean at the University of Minnesota Morris.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 28th day of January, 2020, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Dr. Janet Schrunk Ericksen ("you").

WHEREAS, the University wishes to employ Dr. Janet Schrunk Ericksen as the Vice Chancellor for Academic Affairs and Dean of the University of Minnesota Morris and Dr. Janet Schrunk Ericksen wishes to accept employment as Vice Chancellor for Academic Affairs and Dean of the University of Minnesota Morris;

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. Janet Schrunk Ericksen 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. Janet Schrunk Ericksen as the Vice Chancellor for Academic Affairs and Dean of the University of Minnesota Morris and she agrees to be so employed by the University commencing on July 1, 2020. The Vice Chancellor for Academic Affairs and Dean of the University of Minnesota Morris 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 Chancellor of the University of Minnesota Morris. As such, you report to and serve at the pleasure of the Chancellor of the University of Minnesota Morris and your appointment may be terminated at any time without advance notification.

II. DUTIES

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

- **A.** Work collaboratively with faculty, students, staff, and others across the University and externally to advance UMN Morris's overall quality, reputation, and aspirational goals;
- **B.** Provide administrative oversight of academic affairs at the University of Minnesota Morris, including overall strategic leadership and accountability; oversee planning, stewardship, and management of academic affairs' fiscal and human resources at the University of Minnesota Morris;
- **C.** Promote and represent the interests of the campus in positive fashion in private and public forums; serve as a leader for faculty research, scholarship, teaching, and engagement in the University community and the broader community;

D. Provide the creative, strategic leadership, resource management skills, and collaborative leadership to leverage the full interdisciplinary breadth of the University of Minnesota Morris, incorporate forward-looking trends in higher education, and catalyze new opportunities for innovation and collaboration;

E. Oversee recruitment and mentorship of faculty leaders and innovators, and collaborate in the recruitment and support of outstanding students;

F. Support the University of Minnesota Morris through fundraising; contribute to efforts to secure philanthropic support; and garner support for the University of Minnesota Morris from both internal and external stakeholders, as appropriate;

G. Promote and strengthen international and multicultural research and education; advance diversity across the College and productive engagement with local and global communities;

H. Work with other Vice Chancellors and advocate for the University of Minnesota Morris in University-level discussions to advance the educational mission of the University and to develop joint educational and research activities;

I. Perform such other duties as related to your employment position and assigned to you by the chancellor.

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

During the time you serve as Vice Chancellor for Academic Affairs and Dean of the University of Minnesota Morris you will not receive any compensation for your faculty appointment, but a salary for this appointment will be established each year by the University, based on the average increase to base of your same-ranked collegiate peers. In the event you no longer are employed as Vice Chancellor for Academic Affairs and Dean of the University of Minnesota Morris 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 One Hundred and Sixty Thousand and No/100 Dollars ($160,000).

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 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. SEPARATION

A. Your appointment as Vice Chancellor for Academic Affairs and Dean of the University of Minnesota Morris is an L appointment, which means you serve at the pleasure of your appointing authority. Your appointment may be terminated without any required notice period.

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

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

VIII. UNIVERSITY POLICIES AND GENERAL CONDITIONS

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

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

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

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

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

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

IX. BOARD OF REGENTS APPROVAL AND APPROVAL OF TENURED APPOINTMENT

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

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

By: _____
Janet Schrunk Ericksen

REGENTS OF THE UNIVERSITY OF MINNESOTA

By: _____
Michelle Behr
Chancellor

Approved as to Form and Execution

By: _____
Douglas R. Peterson
General Counsel

Position Description: Vice Chancellor for Academic Affairs and Dean
University of Minnesota Morris

Qualifications

The University of Minnesota Morris Seeks a Vice Chancellor for Academic Affairs and Dean (VCAA/DEAN). The qualifications are as follows:

Required qualifications.
The successful candidate will bring a record of substantial administrative experience, including leadership of academic divisions, departments, or major programs, supervision and evaluation of faculty and staff, and responsibility for planning and managing budgets. The candidate must present a terminal degree from a regionally accredited institution (or equivalent if from a foreign institution). The candidate must also demonstrate a level of professional achievement in teaching and scholarship commensurate with the rank of tenured full professor at UMN Morris. A strong commitment to the values of a liberal arts education is essential, as is the ability to articulate those values to both internal and external constituencies. In keeping with Morris's distinctively inclusive culture of shared governance, the candidate must possess excellent listening, collaborative, and consensus-building skills, including the ability to listen to, consider, and incorporate the perspectives of others as well as effectively convey information to various campus constituencies. UMN Morris is committed to a diverse and inclusive learning community and requires the successful candidate to share this commitment, demonstrate a strong record of building a diverse and inclusive learning community, and understand the relationship between diversity, access, academic excellence, and our mission as a public liberal arts college.

In addition, the following characteristics are highly desirable:

- Experience working at an undergraduate focused, residential, liberal arts college.
- Ability to lead the faculty and advocate for their work as teachers and scholars.
- Familiarity with current national issues in higher education and awareness of their implications for liberal arts colleges.
- Capacity to think strategically and to work creatively and the administrative and people-skills to bring initiatives to fruition.
- Excellent leadership and managerial skills to recruit, support, retain, and develop faculty and staff in Academic Affairs throughout the career arc.
- Experience in program evaluation, curriculum development, and assessment of educational outcomes, including regional accreditation.
- Strong analytical skills and the ability to manage complex budgets.
- Ability to lead and collaborate in campus efforts to highlight and foster a respect for diversity in persons, ideas, and experiences.
- Ability to represent campus effectively and in various capacities at the University of Minnesota System level.

About the Job

The Vice Chancellor for Academic Affairs and Dean (VCAA/Dean) serves as UMN Morris's chief academic officer and dean of the faculty and is responsible for all aspects of academic and faculty affairs. To promote the core mission of student learning and success, the VCAA/Dean's responsibilities include serving as a member of the University's leadership team, as leader of and advocate for the faculty, and as a manager of academic affairs programs. The VCAA/Dean will advance the University's mission and vision, cultivate strong partnerships with the campus community, build relationships with and initiatives serving regional constituents, build a diverse and inclusive learning community, nurture continuous improvement, build upon existing programs designed to support faculty and ensure student success, and work collaboratively with the other members of the Chancellor's team to forward campus-wide efforts and projects.

The VCAA/Dean reports directly to the Chancellor and works closely and cooperatively with the other members of the leadership team, including the Vice Chancellor for Finance and Facilities, Vice Chancellor for Student Affairs, Chief Development Officer, Director of Communications and Marketing, and Vice Chancellor for Enrollment Management and Senior Director of Institutional Effectiveness.

Reporting to and working closely with the VCAA/Dean are the chairs of the four academic divisions: Education, Humanities, Science and Mathematics, and Social Sciences. The VCAA/Dean also helps to sustain and support innovation in interdisciplinary areas that cross the boundaries of traditional divisions. The VCAA/Dean supervises offices in support of the academic enterprise which include academic support resources (registrar, one stop, financial aid), grants development, academic success offices and programs (including disability services and advising), Center for Small Towns, the Academic Center of Enrichment (study away, career services, honors program, undergraduate research), and the library.

The next Vice Chancellor for Academic Affairs and Dean will:

Promote a unified vision and continue progress on strategic vision and key initiatives. Morris is dedicated to its mission and its commitment to the liberal arts. It is a place where faculty are passionate about learning and educating students, where there are opportunities to experiment and innovate, and where strong faculty scholarship is encouraged and supported. While UMN Morris is dedicated to the liberal arts tradition it, like many other liberal arts institutions, is faced with changing demands and needs and is challenged with how best to champion the liberal arts in the 21st century. With input from Morris's campus community, the VCAA/Dean will be a strong advocate for the shared institutional vision and aspirational statements recently adopted by Morris's Campus Assembly, will sustain a common purpose and identity, and will help to galvanize the entire community around it.

Key initiatives. The UMN Morris campus community has been at work developing a strategic vision and supporting aspirational statements since fall 2017. Work is currently underway in building out the vision and aspirational statements with a set of concrete strategic plans. Among the top priorities adopted by Campus Assembly in support of the strategic vision in

spring 2019 are work on general education and the academic component of the first year student experience. The VCAA/Dean will work with campus governance and administrative offices to examine, and where appropriate, propose changes to current curricula.

UMN Morris seeks a strong academic leader who is able to articulate the University's unique strengths, imagine how they can be enhanced, and build upon them. At the same time, UMN Morris seeks a leader who understands that it is important to consult and delegate in order to achieve campus goals.

Advocate for and support outstanding faculty and staff. The VCAA/Dean will build and maintain relationships with faculty and staff that are key to UMN Morris's success and sense of community. The VCAA/Dean must be able to serve as a compelling advocate for faculty and staff and lead in a transparent and collaborative way. As liberal arts colleges across the country learn to adapt to changing academic expectations, the VCAA/Dean has the opportunity for innovation with a small and nimble faculty that is open to new ideas; the faculty will respond particularly well to a Dean who seeks to empower them through soliciting ideas and input, who communicates decisions openly, and who can decentralize decision-making when appropriate. The award-winning faculty, actively engaged in research and artistic production, anticipate that the VCAA/Dean will continue to support and promote opportunities to engage in scholarly and creative work.

Grow and strengthen UMN Morris's diverse and inclusive community. The VCAA/Dean will bring a strong commitment to developing, enhancing, and sustaining a diverse student body, faculty, and staff. Forty percent of UMN Morris students are Native American, persons of color, or of international origin. Over forty percent are first-generation college students. UMN Morris will benefit from a leader who will continue efforts to diversify the faculty and ensure the richness of diversity in all areas of academic life including access, curriculum and scholarship, and campus climate and who will work with others across campus to achieve these goals.

Represent UMN Morris externally. UMN Morris is part of the University of Minnesota system, and while that provides opportunities to leverage the strengths of the University of Minnesota Twin Cities—the system's flagship campus— and the other three University of Minnesota campuses, it also adds complexity. The VCAA/Dean will be expected to play a key role in sustaining strong and productive relationships across the five campus UMN system while simultaneously advocating for the priorities, goals, and objectives of the UMN Morris campus.

Additionally, the VCAA/Dean is often called upon to represent the University in the local community, in making connections with alumni and potential donors, and at higher education organizations.

Board of Regents
February 13, 2020

Employment Agreement

Subject to Board of Regents approval, the Athletic Department and Offensive Coordinator Michael Sanford have reached an agreement on a two-year contract.

Position Overview

Offensive Coordinator is a leadership position reporting directly to the Head Football Coach.

It is expected that the Offensive Coordinator will manage the roster of offensive players, oversee assistant coaches, develop the offensive game plan, and call plays for the offense during the game. The Offensive Coordinator typically manages multiple assistant coaches, each of whom are responsible for various positions on the team.

Summary of Employment Agreement

- Term is January 8, 2020 to January 31, 2022.
- First year of the contract will run from January 8, 2020 to January 31, 2021. Contract year two runs from February 1, 2021 – January 31, 2022.
- Coach Sanford's total salary will be $625,000 in year one and $650,000 in year two.
- This contract is one-hundred percent guaranteed. Research shows that Coordinator contracts are typically guaranteed at 100 percent at peer institutions.
- The contract includes a financial penalty of $125,000 paid to the University should Coach Sanford choose to leave prior to the end of this contract.

Please note that this agreement includes a mitigation clause in the event of the University choosing to terminate the initial agreement.

Comparable Market Data

Based on market data available, Coach Sanford's salary ranks 12th (out of 14) in the Big Ten.

Recommendation

The president recommends approval of this employment agreement for Michael Sanford as Offensive Coordinator, University of Minnesota, Twin Cities.

Employment Agreement

This Employment Agreement ("Agreement") is entered into between Michael Sanford ("Coach") and Mark Coyle, Director of Intercollegiate Athletics ("Director"), acting for and on behalf of Regents of the University of Minnesota ("University"). Effective January 8, 2020, this Agreement supersedes all prior agreements and governs the relationship between the parties. The parties hereby agree as follows:

1. Coach will serve as the Offensive Coordinator/Quarterbacks for the University's Gopher Football Team (the "Team"). Coach's appointment will run January 8, 2020, through January 31, 2022. If it has not previously terminated in accordance with the terms of this Agreement, Coach's appointment will end when its term expires on January 31, 2022, without any further rights or benefits, and with no requirement that the University provide any other notice. For purposes of this Agreement, contract year one runs from the effective date through January 31, 2021. Subsequent contract years run from February 1 through January 31.

2. Coach's annual base salary for contract year one is six hundred and twenty five thousand dollars ($625,000). Coach's annual base salary for contract year two is six hundred and fifty thousand dollars ($650,000). The University will also pay incentive bonuses in accordance with Exhibit A to this Agreement. No incentive bonus will be earned or paid unless/until the University has determined that the conditions related to the payment have been met, including Coach's compliance with all terms of this Agreement and any other conditions set forth in Exhibit A. No competition related bonus will be earned or paid unless Coach is working on the final day of the regular season or any post-season play, whichever is later; and no other bonus will be earned or paid unless Coach is working on the final day of classes for the spring semester of the academic year.

3. Except as otherwise set forth in this Agreement, Coach's appointment is subject to and governed by all University policies and procedures applicable to the Professional and Administrative ("P&A") employee classification. Coach is expected to know and follow those policies and procedures, as well as the terms, conditions, and requirements of this Agreement. In the event of a conflict between the policies and procedures and this Agreement, the Agreement shall govern.

4. Coach is entitled to receive the standard benefits package provided to P&A employees, in accordance with and subject to applicable University policies and procedures. A summary of benefits can be found at https://humanresources.umn.edu/questions-about-employment/benefits-summaries-prospective-employees. Coach will receive a one time lump sum payment in the amount of twenty four thousand dollars ($24,000.00) to cover

relocation expenses. The payment is subject to the IRS supplemental tax rate. If Coach resigns within the first 12 months of employment, Coach will be required to reimburse the University for the full amount of the payment.

5. As a member of the University's Wheel Club, Coach will receive the use of an automobile, subject to the terms, conditions, availability, and requirements of the Wheel Club program.

6. Coach's position reports to the Head Football Coach.

7. Coach shall fulfill the duties of Coach's position as posted in the job description, and as assigned by the Head Football Coach.

8. Coach shall diligently seek to positively represent the University and its athletics program in both private and public forums.

9. Coach shall diligently comply with the laws, policies, rules, and regulations of the University, the Intercollegiate Athletics Department; the NCAA, the Big Ten Conference, and any other conference or governing body with jurisdiction over intercollegiate athletics at the University (collectively "Governing Associations").

10. Coach shall not appear on radio, television, or other media or in product promotions, regardless of whether Coach receives a fee or any other kind of compensation, without receiving the prior consent of the Director.

11. The University may, for cause, terminate Coach's employment, suspend salary payments, or take other disciplinary action against Coach. "Cause" includes, but is not limited to:

    a. A Level I, II, or equivalent violation of a rule of a Governing Association by or involving Coach as reasonably determined by the University, and for which the University has submitted notice to the Governing Association;

    b. Multiple Level III, IV, or equivalent violations of the rules of a Governing Association that, taken together, constitute a Level I, II, or equivalent violation, as reasonably determined by the University, and for which the University reasonably determines Coach knew or should have known about with reasonable diligence and oversight;

    c. Failure to report any and all violation, regardless of Level, of the rules of a Governing Association related to the Football team, when the University reasonably determines that Coach knew or should have known about the violation with reasonable diligence and oversight;

d. A substantial failure to perform responsibilities under this Agreement, as determined by the University;

e. Material fraud or dishonesty, instructing others to engage in material fraud or dishonesty, or assisting other in acts of material fraud or dishonesty;

f. Falsifying or altering documents or records, or assisting in such acts by others;

g. Soliciting, placing, or accepting a bet on any intercollegiate or professional athletic contest; permitting, condoning, or encouraging any illegal gambling, bookmaking, or illegal betting involving any intercollegiate or professional athletic contest; or furnishing information or data relating in any manner to the Football Team or any other sport to any individual known by Coach or whom Coach should reasonably know to be involved in gambling, betting, or bookmaking; or Coach's consorting or associating with such persons;

h. Sale, use, or possession of narcotics, drugs, controlled substances, steroids, or other chemicals (excluding substances prescribed by Coach's doctor and taken consistent with doctor's instructions);

i. Use or consumption of alcohol, drugs, controlled substances, or other chemicals (excluding substances prescribed by Coach's doctor and taken consistent with doctor's instructions) so as to materially impair Coach's ability to perform Coach's duties;

j. Failure to fully cooperate in the enforcement of any drug testing program established by the University for student-athletes;

k. Failure to honor the authority of team doctors, athletic trainers, and other sports medicine staff to make decisions regarding student athlete health and well-being, including decisions regarding fitness to practice, train, or compete; or encouraging or pressuring student athletes to ignore or deviate from medical advice or directives from team doctors, athletic trainers, and other sports medicine staff; or condoning or directing others to encourage or pressure student athletes to ignore or deviate from medical advice or directives from team doctors, athletic trainers, and other sports medicine staff; or taking any action that poses a direct threat to student athlete health and well-being.

l. Refusal by Coach to obey and/or carry out any reasonable directive from the Head Football Coach or the Athletics Director;

m. Commission of or participation in any act, situation or occurrence, which, in the University's judgment, brings Coach or the University into public disrepute, embarrassment, contempt, scandal or ridicule.

In the event of a termination for cause under this section, the University's obligations to Coach under this Agreement shall cease on the day of termination without any further notice, rights, or benefits.

12. Coach's appointment will terminate immediately, with no requirement that the University provide any advance notice, whenever Philip John Fleck is no longer employed as the Head Football Coach at the University.

    a. If Fleck's appointment as Head Football Coach is terminated by the University without cause, and if Coach and the University do not subsequently enter into a new contract to extend Coach's appointment, Coach will be entitled to severance pay equal to one-half the salary Coach would have earned under this Agreement if it had continued for its full term. The payment will be made, subject to state and/or federal tax requirements, in regular monthly installments over the term of the appointment that would have remained if this Agreement had continued for its full term.

    b. If Fleck's appointment as Head Football Coach is terminated by the University or otherwise ends due to Fleck's death or disability, and if Coach and the University do not subsequently enter into a new contract to extend Coach's appointment, Coach will be entitled to severance pay equal to one-half of the salary Coach would have earned under this Agreement if it had continued for its full term. The payment will be made, subject to state and/or federal tax requirements, in regular monthly installments over the term of the appointment that would have remained if this Agreement had continued for its full term.

    c. If Fleck's appointment as Head Football Coach is terminated by the University for cause, or ends for any other reason not previously addressed above, and if Coach and the University do not subsequently enter into a new contract to extend Coach's appointment, Coach will be entitled to severance pay equal to six months salary. The payment will be made within thirty (30) days of Coach's termination date.

13. The University may terminate this Agreement at any time without cause upon thirty (30) days' written notice to Coach. In such event, Coach will be entitled to severance pay equal to the salary Coach would have earned under this Agreement if it had continued for its full term. The payment will be made, subject to state and/or federal

tax requirements, in regular monthly installments over the term of appointment that would have remained if this Agreement had continued for its full term.

14. As a condition of receipt of any payment under paragraphs 12(a), 12(b), or 13 above, Coach is required to mitigate the University's obligations by making reasonable and diligent efforts (under the circumstances and opportunities then prevailing) to obtain a comparable employment position (for example, but not limited to, media commentator with a national broadcast or cable company, professional football assistant or head coach, head or assistant football coach of an NCAA Division I, II, or III team, etc.) and receive market rate compensation for the position, as soon as practicable following termination of employment. If Coach is employed post termination in a comparable position, then monthly severance payments under paragraphs 12(a), 12(b), or 13 shall cease if Coach's monthly compensation in the comparable position is equal to or greater than the University's monthly severance pay obligation. If Coach's monthly compensation from the new employment is less than the University's monthly severance pay obligation, the amount of the University's obligation shall be reduced by the amount Coach earns in the comparable position, or by the market average compensation for the comparable position, whichever is greater.

15. As a further condition of receiving any payment under paragraphs 12(a), 12(b), or 13 above, Coach must execute a comprehensive release within 15 days of the date of termination in the form utilized by, and including the terms regularly included in such releases by the University. Generally, the release will require Coach to release the University from all claims arising out of or related to Coach's employment with the University, including statutory and common law claims. If Coach fails to timely execute the release, Coach forgoes any payment.

16. If Coach terminates this Agreement without cause (which is hereby permitted), Coach shall pay the University a termination fee in the amount of one hundred and twenty five thousand dollars ($125,000.00). The payment shall be made within sixty (60) days of the date of notice of termination.

17. Coach agrees not to seek, negotiate for, nor accept other part-time or full-time employment during the term of this Agreement, whether directly or through an agent, without first providing no less than forty-eight (48) hours written notice to, and receiving written permission from the Head Football Coach and the Director, which will not be unreasonably withheld.

18. The NCAA and the University of Minnesota require that Coach report and receive annual prior written approval from the Director for all athletically related income

and/or benefits from sources outside the University. Such approval shall not be unreasonably withheld.

19. Coach affirmatively acknowledges and asserts that Coach has provided complete, accurate, and truthful information regarding Coach's background and qualifications in connection with Coach's hire by the University, including but not limited to informing the University of any conduct or incident in Coach's background that would tend to damage Coach's reputation or the reputation of the University if it were to become publicly known. Coach understands that any failure to do so may result in sanctions, up to and including the immediate termination of Coach's appointment.

20. This Agreement is intended by the parties as the final and binding expression of their mutual understandings and promises, and as the complete and exclusive statement thereof. This Agreement supersedes and revokes all prior negotiations, representations, and agreements, whether oral or written, relating to the subject matter of this Agreement, except as expressly provided herein.

21. The parties acknowledge and agree that this Agreement is subject to formal approval by the University Board of Regents (BOR). This agreement shall not be final or binding until formally approved by the BOR. If the BOR does not approve the Agreement, then the parties' current agreement will remain in place, and the parties' relationship will continue to be governed by that agreement.

On behalf of Regents of the University of Minnesota:

Mark Coyle

Mark Coyle
Director of Athletics

1/21/2020

Date

Coach

Michael Sanford

(print name)

January 20, 2020

Date

EXHIBIT A

SCHEDULE OF INCENTIVES

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

I. Incentive compensation for achieving athletic performance goals as follows:

a) Win College Football National Championship	$165,000
b) Participate in one of the College Football Semi-Final Bowl Games.	$110,000
c) Participate in a Contract bowl game (Orange, Peach, Sugar, Cotton, Fiesta, or Rose Bowl) that is not selected as a College Football Play-off Game.	$80,000
d) Participate in bowl game not identified in sections a, b or c	$45,000

Coach may only receive one award under this paragraph, i.e., the amounts provided within this paragraph shall not be cumulative. The team must end the regular season with a minimum of six wins to earn any of these bonuses.

II. Conference Championship Game

a) Team qualifies for Big Ten Championship Game. $10,000

III. Academic Performance - APR. The University shall pay Coach a bonus based upon the annual multi-year Academic Progress Rate ("APR") for the Team as established each year by the NCAA, beginning at the end of 2017-2018, as follows:

a) APR greater than or equal to 970	$2,500
b) APR greater than or equal to980	$5,000

Coach may only receive one aware under this paragraph, i.e., the amounts provided within this paragraph are not cumulative.

IV. Graduation Rate. The University shall pay Coach a bonus based on the Graduation Success Rate for the Team as determined each year by the University consistent with NCAA rules, beginning at the end of the 2017-2018 academic year, as follows:

Percentage greater than or equal to 85%	$5,000

Board of Regents
February 13, 2020

Amendment to Employment Agreement

Subject to Board of Regents approval, the agreement between the Athletic Department and Defensive Coordinator Joe Rossi has been amended.

Summary of Amendment to Employment Agreement approved by the Board on December 12, 2019

- The phrase "which shall not be unreasonably withheld" was added to section 17 which outlines the process the coach must follow if he wants to seek, negotiate for, or accept other employment during the agreement.
- The values in section I of Exhibit A – Schedule of Incentives were modified. As part of contract negotiations, the Athletic Department agreed to pay the new Offensive Coordinator incentive payments earned for performance that were higher than were included in the original contract provided to the Defensive Coordinator. Coach Fleck believes it is important that the incentives for the two Coordinator positions be consistent so the incentive amounts were adjusted to match the new Offensive Coordinator agreement.
- Language in section I of Exhibit A – Schedule of Incentives was also modified to more accurately describe the level of game that must be achieved for each incentive payment.

Recommendation

The president recommends approval of this amendment to the employment agreement for Joe Rossi, Defensive Coordinator, University of Minnesota, Twin Cities.

Employment Agreement

This Employment Agreement ("Agreement") is entered into between Joe Rossi ("Coach") and Mark Coyle, Director of Intercollegiate Athletics ("Director"), acting for and on behalf of Regents of the University of Minnesota ("University"). As of the date of last signature below, this Agreement supersedes all prior agreements and governs the relationship between the parties. The parties hereby agree as follows:

1. Coach will serve as the Defensive Coordinator for the University's Gopher Football Team ("the Team"). Coach's appointment will run from the date of last signature below through January 31, 2022. If it has not previously terminated in accordance with the terms of this Agreement, Coach's appointment will end when its term expires on January 31, 2022, without any further rights or benefits, and with no requirement that the University provide any other notice. For purposes of this Agreement, contract year one runs from the date of last signature below through Jan. 31, 2021.

2. Coach's annual base salary for the contract year one of this Agreement is six hundred and twenty five thousand dollars ($625,000). Coach's annual base salary for the contract year two of this Agreement is six hundred and fifty thousand dollars ($650,000). The University will also pay incentive bonuses in accordance with Exhibit A to this Agreement. No incentive bonus will be earned or paid unless/until the University has determined that the conditions related to the payment have been met, including Coach's compliance with all terms of this Agreement and any other conditions set forth in the Schedule of Incentives. No competition related bonus will be earned or paid unless Coach is working on the final day of the regular season or any post-season play, whichever is later; and no other bonus will be earned or paid unless Coach is working on the final day of classes for the spring semester of the academic year.

3. Except as otherwise set forth in this Agreement, Coach's appointment is subject to and governed by all University policies and procedures applicable to the Professional and Administrative ("P&A") employee classification. Coach is expected to know and follow those policies and procedures, as well as the terms, conditions, and requirements of this Agreement. In the event of a conflict between the policies and procedures and this Agreement, the Agreement shall govern.

4. Coach is entitled to receive the standard benefits package provided to P&A employees, in accordance with and subject to applicable University policies and procedures.

5. As a member of the University's Wheel Club, Coach will receive the use of an automobile, subject to the terms, conditions, availability, and requirements of the Wheel Club program.

6. Coach's position reports to the Head Football Coach.

7. Coach shall fulfill the duties of Coach's position as posted in the job description, and as assigned by the Head Football Coach.

8. Coach shall diligently seek to positively represent the University and its athletics program in both private and public forums.

9. Coach shall diligently comply with the laws, policies, rules, and regulations of the University, the Intercollegiate Athletics Department; the NCAA, the Big Ten Conference, and any other conference or governing body with jurisdiction over intercollegiate athletics at the University (collectively "Governing Associations").

10. Coach shall not appear on radio, television, or other media or in product promotions, regardless of whether Coach receives a fee or any other kind of compensation, without receiving the prior consent of the Director.

11. The University may, for cause, terminate Coach's employment, suspend salary payments, or take other disciplinary action against Coach. "Cause" includes, but is not limited to:

    a. A Level I, II, or equivalent violation of a rule of a Governing Association by or involving Coach as reasonably determined by the University, and for which the University has submitted notice to the Governing Association;

    b. Multiple Level III, IV, or equivalent violations of the rules of a Governing Association that, taken together, constitute a Level I, II, or equivalent violation, as reasonably determined by the University, and for which the University reasonably determines Coach knew or should have known about with reasonable diligence and oversight;

    c. Failure to report any and all violation, regardless of Level, of the rules of a Governing Association related to the Football team, when the University reasonably determines that Coach knew or should have known about the violation with reasonable diligence and oversight;

    d. A substantial failure to perform responsibilities under this Agreement, as determined by the University;

e. Material fraud or dishonesty, instructing others to engage in material fraud or dishonesty, or assisting other in acts of material fraud or dishonesty;

f. Falsifying or altering documents or records, or assisting in such acts by others;

g. Soliciting, placing, or accepting a bet on any intercollegiate or professional athletic contest; permitting, condoning, or encouraging any illegal gambling, bookmaking, or illegal betting involving any intercollegiate or professional athletic contest; or furnishing information or data relating in any manner to the Football Team or any other sport to any individual known by Coach or whom Coach should reasonably know to be involved in gambling, betting, or bookmaking; or Coach's consorting or associating with such persons;

h. Sale, use, or possession of narcotics, drugs, controlled substances, steroids, or other chemicals (excluding substances prescribed by Coach's doctor and taken consistent with doctor's instructions);

i. Use or consumption of alcohol, drugs, controlled substances, or other chemicals (excluding substances prescribed by Coach's doctor and taken consistent with doctor's instructions) so as to materially impair Coach's ability to perform Coach's duties;

j. Failure to fully cooperate in the enforcement of any drug testing program established by the University for student-athletes;

k. Failure to honor the authority of team doctors, athletic trainers, and other sports medicine staff to make decisions regarding student athlete health and well-being, including decisions regarding fitness to practice, train, or compete; or encouraging or pressuring student athletes to ignore or deviate from medical advice or directives from team doctors, athletic trainers, and other sports medicine staff; or condoning or directing others to encourage or pressure student athletes to ignore or deviate from medical advice or directives from team doctors, athletic trainers, and other sports medicine staff; or taking any action that poses a direct threat to student athlete health and well-being.

l. Refusal by Coach to obey and/or carry out any reasonable directive from the Head Football Coach or the Athletics Director;

m. Commission of or participation in any act, situation or occurrence, which, in the University's judgment, brings Coach or the University into public disrepute, embarrassment, contempt, scandal or ridicule.

In the event of a termination for cause under this section, the University's obligations to Coach under this Agreement shall cease on the day of termination without any further notice, rights, or benefits.

12. Coach's appointment will terminate immediately, with no requirement that the University provide any advance notice, whenever Philip John Fleck is no longer employed as the Head Football Coach at the University.

(a) If Fleck's appointment as Head Football Coach is terminated by the University without cause, and if Coach and the University do not subsequently enter into a new contract to extend Coach's appointment, Coach will be entitled to severance pay equal to one-half the salary Coach would have earned under this Agreement if it had continued for its full term. The payment will be made, subject to state and/or federal tax requirements, in regular monthly installments over the term of the appointment that would have remained if this Agreement had continued for its full term.

(b) If Fleck's appointment as Head Football Coach is terminated by the University or otherwise ends due to Fleck's death or disability, and if Coach and the University do not subsequently enter into a new contract to extend Coach's appointment, Coach will be entitled to severance pay equal to one-half of the salary Coach would have earned under this Agreement if it had continued for its full term. The payment will be made, subject to state and/or federal tax requirements, in regular monthly installments over the term of the appointment that would have remained if this Agreement had continued for its full term.

(c) If Fleck's appointment as Head Football Coach is terminated by the University for cause, or ends for any other reason not previously addressed above, and if Coach and the University do not subsequently enter into a new contract to extend Coach's appointment, Coach will be entitled to severance pay equal to six months salary. The payment will be made within thirty (30) days of Coach's termination date.

13. The University may terminate this Agreement at any time without cause upon thirty (30) days' written notice to Coach. In such event, Coach will be entitled to severance pay equal to the salary Coach would have earned under this Agreement if it had continued for its full term. The payment will be made, subject to state and/or federal tax requirements, in regular monthly installments over the term of appointment that would have remained if this Agreement had continued for its full term.

14. As a condition of receipt of any payment under paragraph 12(a), 12(b), or 13 above, Coach is required to mitigate the University's obligations by making reasonable and diligent efforts (under the circumstances and opportunities then prevailing) to obtain a comparable employment position (for example, but not limited to, media commentator with a national broadcast or cable company, professional football assistant or head coach, head or assistant football coach of an NCAA Division I, II, or III team, etc.) and receive market rate compensation for the position, as soon as practicable following termination of employment. If Coach is employed post termination in a comparable position, then monthly severance payments under paragraph 12(a), 12(b), or 13 shall cease if Coach's monthly compensation in the comparable position is equal to or greater than the University's monthly severance pay obligation. If Coach's monthly compensation from the new employment is less than the University's monthly severance pay obligation, the amount of the University's obligation shall be reduced by the amount Coach earns in the comparable position, or by the market average compensation for the comparable position, whichever is greater.

15. As a further condition of receiving any payment under paragraphs 12(a), 12(b), or 13 above, Coach must execute a comprehensive release within 15 days of the date of termination in the form utilized by, and including the terms regularly included in such releases by the University. Generally, the release will require Coach to release the University from all claims arising out of or related to Coach's employment with the University, including statutory and common law claims. If Coach fails to timely execute the release, Coach forgoes any payment.

16. If Coach terminates this Agreement without cause (which is hereby permitted), Coach shall pay the University a termination fee in the amount one hundred and twenty five thousand dollars ($125,000.00). The payment shall be made within sixty (60) days of the date of notice of termination.

17. Coach agrees not to seek, negotiate for, nor accept other part-time or full-time employment during the term of this Agreement, whether directly or through an agent, without first providing no less than forty-eight (48) hours written notice to, and receiving written permission from the Head Football Coach and the Director, which will not be unreasonably withheld.

18. The NCAA and the University of Minnesota require that Coach report and receive annual prior written approval from the Director for all athletically related income and/or benefits from sources outside the University. Such approval shall not be unreasonably withheld.

19. Coach affirmatively acknowledges and asserts that Coach has provided complete, accurate, and truthful information regarding Coach's background and qualifications

and/or benefits from sources outside the University. Such approval shall not be unreasonably withheld.

19. Coach affirmatively acknowledges and asserts that Coach has provided complete, accurate, and truthful information regarding Coach's background and qualifications in connection with Coach's hire by the University, including but not limited to informing the University of any conduct or incident in Coach's background that would tend to damage Coach's reputation or the reputation of the University if it were to become publicly known. Coach understands that any failure to do so may result in sanctions, up to and including the immediate termination of Coach's appointment.

20. This Agreement is intended by the parties as the final and binding expression of their mutual understandings and promises, and as the complete and exclusive statement thereof. This Agreement supersedes and revokes all prior negotiations, representations, and agreements, whether oral or written, relating to the subject matter of this Agreement, except as expressly provided herein.

21. The parties acknowledge and agree that this Agreement is subject to formal approval by the University Board of Regents (BOR). This agreement shall not be final or binding until formally approved by the BOR. If the BOR does not approve the Agreement, then the parties' current agreement will remain in place, and the parties' relationship will continue to be governed by that agreement.

On behalf of Regents of the University of Minnesota:

Mark Coyle

Mark Coyle
Director of Athletics

1/21/2020
Date

Coach

Joseph Rossi
(print name)

1/16/19
Date

EXHIBIT A

SCHEDULE OF INCENTIVES

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

I. Incentive compensation for achieving athletic performance goals as follows:

a) Win College Football National Championship	$165,000
b) Participate in one of the College Football Semi-Final Bowl Games.	$110,000
c) Participate in a Contract bowl game (Orange, Peach, Sugar, Cotton, Fiesta, or Rose Bowl) that is not selected as a College Football Play-off Game.	$80,000
d) Participate in bowl game not identified in sections a, b or c	$45,000

Coach may only receive one award under this paragraph, i.e., the amounts provided within this paragraph shall not be cumulative. The team must end the regular season with a minimum of six wins to earn any of these bonuses.

II. Conference Championship Game

a) Team qualifies for Big Ten Championship Game. $10,000

III. Academic Performance - APR. The University shall pay Coach a bonus based upon the annual multi-year Academic Progress Rate ("APR") for the Team as established each year by the NCAA, beginning at the end of 2017-2018, as follows:

a) APR greater than or equal to 970	$2,500
b) APR greater than or equal to 980	$5,000

Coach may only receive one aware under this paragraph, i.e., the amounts provided within this paragraph are not cumulative.

IV. Graduation Rate. The University shall pay Coach a bonus based on the Graduation Success Rate for the Team as determined each year by the University consistent with NCAA rules, beginning at the end of the 2017-2018 academic year, as follows:

Percentage greater than or equal to 85%	$5,000

Board of Regents
February 13, 2020

Amendment to Employment Agreement

Subject to Board of Regents approval, the agreement between the Athletic Department and Head Women's Basketball Coach Lindsay Whalen has been amended.

Summary of Amendment to Employment Agreement approved by the Board

- In section 1.1, the term of the agreement has been extended for an additional year, now ending in 2024, with a salary of $574,762 for 2023-2024, as stated in section 2.1.1.
- In section 2.6, Coach now has access to up to four (4) season tickets to home Volleyball games.
- In section 3.1, verbiage regarding Failure to honor the authority of team doctors, athletic trainers and other sport medicine staff has been added to the list of conduct which would be considered "Cause," as used in The University's Right to Terminate for Cause. This is now standard language in all coaching contracts.
- The termination fees, if the University were to terminate the agreement without cause, have been adjusted in section 3.2.1 to account for another year being added to the end of the contract: Contract year 3 - $496,500, Contract year 4 - $330,000, Contract year 5 - $225,000, Contract year 6 - $215,000.
- In section 3.6, termination fees that Coach would owe the University have been adjusted to account for another year being added to the contract: Contract year 3 - $496,500, Contract year 4 - $330,000, Contract year 5 - $225,000, Contract year 6 - $215,000. This language has also been added. "In the event Coach terminates this Agreement during the Term of Employment without just cause (which is hereby permitted) to accept a position that does **not** involve basketball coaching, Coach shall pay a Termination Fee of fifty thousand dollars ($50,000)."

Recommendation

The president recommends approval of this amendment to the employment agreement for Lindsay Whalen, Head Women's Basketball Coach, University of Minnesota, Twin Cities.

AMENDMENT TO EMPLOYMENT AGREEMENT

This is a contractual amendment to the Employment Agreement between the University of Minnesota ("the University"), on behalf of its Department of Intercollegiate Athletics on the Twin Cities campus ("the Department"), and Lindsay Whalen ("Coach"), entered into effective April 13, 2018 ("Employment Agreement"). The University and Coach do now mutually desire to amend certain terms of the Employment Agreement by entering in to this amendment to the Employment Agreement, effective December 15, 2019 ("Amendment").

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

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

   1.1 Employment Term. Subject to the terms and conditions of this Agreement, the University hereby employs Coach as head coach of the Team, and Coach agrees to be so employed by the University, for a term commencing on April 13, 2018, and ending on April 12, 2024 ("Term of Employment"). As used in this Agreement, "contract year" refers to the period from April 12 through the following April 11 (e.g., contract year one is April 12, 2018, through April 11, 2019; contract year two is April 12, 2019, through April 11, 2020; and so on).

2. **Section 1.2.g. is deleted and replaced with the following:**

   g. Representing the Team/University, and cooperating with the Department in fulfilling contacts with or requests from the news media; and participating in promotional appearances and events arranged by the Department, including appearances in person and on radio and television; but recognizing the greater importance of coaching activities.

3. **Section 2.1.1 is deleted and replaced with the following:**

   2.1.1. Subject to the terms of this Agreement, for all services rendered by Coach on behalf of the University, Coach's annual full-time equivalent base salary shall be:

   - Four hundred thousand dollars ($400,000) for the 2018-2019 contract year;
   - Four hundred fifty seven thousand five hundred dollars ($457,500) for the 2019-2020 contract year;
   - Four hundred ninety six thousand five hundred dollars ($496,500) for the 2020-2021 contract year;

- Five hundred twenty one thousand three hundred twenty five dollars ($521,325) for the 2021-2022 contract year;
- Five hundred forty seven thousand three hundred ninety one dollars ($547,391) for the 2022-2023 contract year; and
- Five hundred seventy four thousand seven hundred sixty one dollars ($574762) for the 2023-2024 contract year.

4. **Section 2.6 is deleted and replaced with the following:**

2.6. The University shall provide Coach access to the following tickets each season to University of Minnesota Gopher athletic events: up to ten (10) complimentary Women's Basketball season tickets; up to four (4) season tickets to home Men's Basketball games; up to four (4) season tickets to home Football games; up to four (4) season tickets to home Volleyball games; and up to four (4) season to tickets to home Women's and Men's Hockey games. Coach shall be entitled to up to twenty (20) tickets to Big Ten Tournament games; NCAA Tournament games, including the Final Four; and any other post-season basketball tournament games in which the Team participates. The University shall provide to each of the three assistant coaches and the director of operations for the Team four (4), or a quantity to accommodate the immediate family members of the coach or director, season tickets to Women's Basketball; four (4) season tickets to home Football games; and eight (8) tickets to Big Ten Tournament games, NCAA Tournament games, including the Final Four, and any other post-season basketball tournament games in which the Team participates.

5. **Section 3.1.q. is added as follows:**

q. Failure to honor the authority of team doctors, athletic trainers, and other sports medicine staff to make decisions regarding student athlete health and well-being, including decisions regarding fitness to practice, train, or compete; or encouraging or pressuring student athletes to ignore or deviate from medical advice or directives from team doctors, athletic trainers, and other sports medicine staff; or condoning or directing others to encourage or pressure student athletes to ignore or deviate from medical advice or directives from team doctors, athletic trainers, and other sports medicine staff; or taking any action that poses a direct threat to student athlete health and well-being.

6. **Section 3.2.1 is deleted and replaced with the following:**

3.2.1. The University may terminate this Agreement at any time without cause upon thirty (30) days written notice to Coach. In such event, the University shall pay Coach a Termination Fee for the remaining Term of Employment based

upon the following total amount available for each contract year: four hundred thousand dollars ($400,000) for contract year one; four hundred fifty seven thousand five hundred dollars ($457,500) for contract year two; four hundred ninety six thousand five hundred dollars ($496,500) for contract year three; three hundred thirty thousand dollars ($330,000) for contract year four; two hundred twenty five thousand dollars ($225,000) for contract year five; and two hundred fifteen thousand dollars ($215,000) for contract year six. So, for example, if termination occurred half-way through the end of contract year four, the payment would be six hundred five thousand dollars ($605,000), i.e., one hundred sixty five thousand dollars ($165,000) for the remainder of contact year four; two hundred twenty five thousand dollars ($225,000) for contract year five; and two hundred fifteen thousand dollars ($215,000) for contract year six. Except for the termination fee, the University will not be responsible for any payments or benefits after the date of such a termination.

7. **Section 3.6 is deleted and replaced with the following:**

3.6. **Coach's Right to Terminate Without Just Cause.** In the event Coach terminates this Agreement during the Term of Employment without just cause (which is hereby permitted) to accept a position that involves basketball coaching at any level, regardless of the position title, Coach shall pay the University a Termination Fee for the remaining Term of Employment based upon the following total amount available for each contract year: four hundred thousand dollars ($400,000) for contract year one; four hundred fifty seven thousand five hundred dollars ($457,500) for contract year two; four hundred ninety six thousand five hundred dollars ($496,500) for contract year three; three hundred thirty thousand dollars ($330,000) for contract year four; two hundred twenty five thousand dollars ($225,000) for contract year five; and two hundred fifteen thousand dollars ($215,000) for contract year six. In the event Coach terminates this Agreement during the Term of Employment without just cause (which is hereby permitted) to accept a position that does not involve basketball coaching, Coach shall pay a Termination Fee of fifty thousand dollars ($50,000). The University will not be responsible for any payments or benefits after the date of such a termination. Any payment under this Section 3.6 shall be made no later than sixty (60) days from the date of notice of termination. The University and Coach agree to execute a release agreement m the form attached as Exhibit C in connection with this payment.

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

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

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

Date: 12/16/2019

By: DocuSigned by:
Lindsay Whalen

REGENTS OF THE UNIVERSITY OF MINNESOTA

Date: 12/19/19

By:
Joan Gabel
President

Recommended for Approval:

Date: 12/16/2019

By: Mark Coyle
Mark Coyle, Director
Intercollegiate Athletics

Reviewed as to Form and Execution:

Date: 12/30/19

By:
Brent Benrud
Associate General Counsel

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Regents of the University of Minnesota ("University"), on behalf of its Department of Intercollegiate Athletics ("Department"), and Lindsay Whalen ("Coach"). Effective April 13, 2018, this Agreement supersedes all prior agreements and governs the relationship between the parties.

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

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

I. EMPLOYMENT TERM AND DUTIES

1.1. Employment Term. Subject to the terms and conditions of this Agreement, the University hereby employs Coach as head coach of the Team, and Coach agrees to be so employed by the University, for a term commencing on April 13, 2018, and ending on April 12, 2023 ("Term of Employment"). As used in this Agreement, "contract year" refers to the period from April 12 through the following April 11 (e.g., contract year one is April 12, 2018, through April 11, 2019; contract year two is April 12, 2019, through April 11, 2020; and so on).

1.1.1. From April 13, 2018, through the end of the Minnesota Lynx 2018 season or September 16, 2018, whichever is sooner, Coach's head coach position will be part-time, at the rate of effort of .625 FTE (the "Part-Time Period"). During the Part-Time Period, Coach will continue to play as a member of the Minnesota Lynx in the Women's National Basketball Association (WNBA).

1.1.2. The parties acknowledge and understand that Coach will have duties and obligations to the Minnesota Lynx during the Part-Time Period. The Parties also acknowledge that Coach will remain obligated to fulfill her obligations to the University as head coach of the Team under this Agreement during the Part-Time Period, including obligations arising under University policy, Department policy, NCAA rules and regulations, and other applicable policies, provisions, rules, and regulations. It is Coach's responsibility to understand and abide by applicable rules, regulations, provisions, and policies. If at any time Coach is not sure of her obligations under a particular rule, regulation, provisions, or policy; or has questions regarding the relationship between her duties and obligations under this Agreement and her duties and obligations as a member of the Minnesota Lynx, it is Coach's responsibility to consult with the University regarding the situation.

1.1.3. After the conclusion of the Part-Time Period, through the remainder of the Term of Employment, Coach will devote her full-time effort to her duties as head coach of the Team.

1.2. Duties.

1.2.1. Throughout the Term of Employment, including the Part-Time Period, Coach shall diligently and conscientiously devote Coach's attention and efforts, part-time during the Part-Time Period and full-time after the Part-Time Period, to performing and discharging the usual and customary duties of a head coach of a National Collegiate Athletic Association ("NCAA") Division I women's basketball team, including, but not limited to, the following duties:

a. Conducting usual and customary coaching activities;

b. Recruiting and managing the recruitment of student-athletes;

c. Supervising, evaluating, training, and coaching student-athletes in an effort to develop their character, and compete against major college competition;

d. Being responsible for all customary coaching decisions, including systems and strategies used on the court (both in practice and actual game play), conduct of practice and training, selection of team members, deployment of players, and all other matters involving women's basketball operations;

e. Diligently seeking to foster the academic progress of the student-athletes in the program;

f. Diligently seeking to maintain conduct (both on and off the court) and enforce disciplinary rules and sanctions fairly and uniformly for all student-athletes in the program in order to encourage academic and moral integrity and excellence;

g. Representing the University, the Department, and the Team, and cooperating with the Department in fulfilling contacts with or requests from the news media, including appearances on radio and television, but recognizing the greater importance of coaching activities;

h. Assisting with Department or University fund raising and public relations;

i. Representing in a positive fashion the University and its athletic programs at all times, in all forums;

j. Consistent with University policy and the authority of the University's Director of Intercollegiate Athletics ("Director"), supervising assistant coaches and support staff for the women's basketball program;

k. Preparing and administering the budget for the women's basketball program, subject to the authority and approval of the Director; and

l. Performing such other duties normally associated with those of a head coach of a high-level NCAA Division I women's basketball team, as reasonably requested by the Director or the Director's designee.

1.2.2. Except as otherwise expressly permitted in this Agreement, Coach shall not engage in any other business activity or be employed by any other person, firm, or entity, whether or not such activity is pursued for gain, profit, or other pecuniary benefit, without the University's prior written consent; provided, however, subject to NCAA and University rules,

during each year of the Term of Employment, Coach may conduct summer basketball camps. The University's consent will not be unreasonably withheld.

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

1.2.4. Coach shall not appear on radio, television, or any other media in return for a fee, in cash or in kind, without the prior written consent of the University (not to be unreasonably withheld, delayed, or unreasonably conditioned). If an opportunity presents itself in her capacity as Coach and time is of the essence, Coach will immediately contact the Athletic Director. If Athletic Director is not available for approval, Coach will contact the Executive Associate Athletic Director to seek written approval.

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

1.4. Compliance. Throughout the term of this Agreement, in conjunction with the University's compliance office, Coach shall use Coach's diligent efforts to comply with the current and hereafter enacted or promulgated laws, policies, rules, and regulations governing the University and its employees, and the current and hereafter enacted or promulgated constitution, bylaws, rules, and regulations of the NCAA, the Big Ten Conference ("Big Ten"), and any other

conference or organization with which the University becomes associated or which affects intercollegiate athletics (individually or collectively, "Governing Associations"). Coach shall use Coach's best efforts to ensure that all assistant coaches of the Team, any other University employee for whom Coach is administratively responsible, and representatives of the University's athletic interests comply with the foregoing laws, policies, rules, regulations, constitutions, and bylaws. Coach shall diligently seek to promote an atmosphere of compliance within the women's basketball program and shall monitor the activities of all assistant coaches and administrators involved with the program who report, directly or indirectly, to Coach.

1.5. Other Employment. During the term of this Agreement, Coach agrees not to personally, or through any agent or other representation, seek, negotiate, or accept other full-time employment without first having provided at least forty eight (48) hours advance written notice to the Director.

1.6. Hiring Authority. Coach understands and acknowledges that Coach will not have authority to unilaterally make or accept offers of employment for assistant coaches or other support staff, and that ultimate authority over such hiring decisions rests with the Director. Coach further understands and acknowledges that all women's basketball program hires, including Coach's hire, are subject to and contingent upon a review of the applicant's background and experience, including any history of NCAA violations, to be conducted by the University. Coach agrees not to make any representation to potential hires, applicants, or anyone else that is contrary to the provisions of this paragraph.

II. COMPENSATION

2.1. Base Salary.

2.1.1. Subject to the terms of this Agreement, for all services rendered by Coach on behalf of the University, Coach's annual full-time equivalent base salary shall be:

- Four hundred thousand dollars ($400,000) for the 2018-2019 contract year;

- Four hundred fifty seven thousand five hundred dollars ($457,500) for the 2019-2020 contract year;
- Four hundred ninety six thousand five hundred dollars ($496,500) for the 2020-21 contract year;
- Five hundred twenty one thousand three hundred twenty five dollars ($521,325) for the 2021-2022 contract year; and
- Five hundred forty seven thousand three hundred ninety one dollars ($547,391) for contract year 2022-2023.

2.1.2. Coach's base salary is subject to furloughs, pay freezes, salary reductions or other similar or related adjustments to the same extent they may be required from time to time of other employees in the Department.

2.2. Incentive Compensation.

2.2.1. The University shall pay Coach incentive compensation as provided in the Schedule of Incentives attached hereto as Exhibit A.

2.2.2. The University shall make payment to Coach for competition-related bonuses within thirty (30) days of being earned, and for all other bonuses on or before August 1 of each contract year. No bonus under this section will be earned or paid unless/until the University has determined that the conditions related to the payment have been met, including Coach's compliance with the material terms of this Agreement and any other conditions set forth in the Schedule of Incentives. Further, no competition-related bonus will be earned or paid unless Coach is employed as head coach of the Team on the final day of the regular season or any post-season play for each season, whichever is later; and no other bonus will be earned or paid unless Coach is employed on the final day of classes for the University's spring semester each academic year.

2.3. Benefits. After the conclusion of the Part-Time Period, and unless inconsistent with the terms of this Agreement, the University shall provide Coach with a benefit program as

provided generally for its professional and administrative employees, as described in and in accordance with the Policies and Procedures. Notwithstanding any provision of this Agreement to the contrary, the amount of the benefits shall be determined based upon Coach's annual base salary, and shall not take into account any other compensation provided under this Agreement.

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

2.5. Travel. The University shall cover reasonable travel and lodging expenses for Coach's spouse to accompany Coach for any NCAA Women's Basketball Tournament in which the Team is playing, and any conference tournament in which the Team is playing. It is understood that any expenses under this section must be paid out of the women's basketball service fund.

2.6. Tickets. The University shall provide Coach access to the following tickets each season to University of Minnesota Gopher athletic events: up to ten (10) complimentary Women's Basketball season tickets; up to four (4) season tickets to home Men's Basketball games; up to four (4) season tickets to home Football games; and up to four (4) season to tickets to home Women's and Men's Hockey games. Coach shall be entitled to up to twenty (20) tickets to Big Ten Tournament games; NCAA Tournament games, including the Final Four; and any other post-season basketball tournament games in which the Team participates. The University shall provide to each of the three assistant coaches and the director of operations for the Team four (4), or a quantity to accommodate the immediate family members of the coach or director, season tickets to Women's Basketball, four (4) season tickets to home Football games, and eight (8) tickets to Big Ten Tournament games; NCAA Tournament games, including the Final Four; and any other post-season basketball tournament games in which the Team participates.

2.7. Tax Consequences. All compensation under this Agreement shall be paid in accordance with the University's regular payroll procedures for professional and administrative employees, and shall be subject to withholding for applicable federal, state, and local income

taxes, federal social security taxes, and other applicable taxes and deductions. It is understood that there may be personal tax consequences attributable to Coach as a result of additional compensation, benefits, and amenities provided under this Agreement or otherwise associated with Coach's employment as head coach, and that Coach is personally responsible for any and all such taxes.

2.8. Exclusive Compensation. The compensation, cash and otherwise, provided to Coach under this Article II shall constitute the total and exclusive compensation owed by the University to Coach.

III. TERMINATION

3.1. The University's Right to Terminate for Cause. Upon written notice to Coach, the University may, for cause, terminate this Agreement or take other appropriate disciplinary action as permitted herein. "Cause" as used in this Agreement shall include, but not be limited to, the following conduct:

a. A Level I or II violation of a rule of a Governing Association by or involving Coach as reasonably determined by the University, and for which the University has submitted notice to the Governing Association;

b. A Level I or II violation of a rule of a Governing Association by an assistant coach of the Team or other individual related to the Team which, in the reasonable judgment of the University, Coach knew or should have known about with reasonable diligence and oversight, and for which the University has submitted notice to the Governing Association;

c. Multiple Level III or IV violations of the rules of a Governing Association, as reasonably determined by the University, and for which the University reasonably determines Coach had actual knowledge or should have known about with reasonable diligence and oversight;

d. Failure to report any and all Level I, II, III, or IV violations of the rules of a Governing Association related to the Team, when the University reasonably determines

that Coach knew or should have known about such failure with reasonable diligence and oversight;

e. A substantial failure to perform material responsibilities under this Agreement following written notice from the Director specifying such failure and providing, where practicable, a twenty (20) day opportunity to cure such failure;

f. Material fraud or dishonesty of Coach, as reasonably determined by the University, in the performance of Coach's duties or responsibilities under this Agreement and/or during the hiring process;

g. Falsifying or altering documents or records of the University or a Governing Association; or any other documents or records required to be prepared, maintained, or submitted by law, Governing Association rules, or University rules; or any other documents or records pertaining to any recruit or student-athlete; and/or assisting in such acts by any other person; as reasonably determined by the University;

h. Failure by Coach to respond accurately and fully, within a reasonable time, to any request or inquiry relating to the performance of Coach's duties hereunder or at any other institution, propounded by the University, a Governing Association, or any other body having oversight or jurisdiction; or as required by law, Governing Association rules, or University rules; as reasonably determined by the University;

i. Coach's instruction to any coach, student or student athlete, or other person to respond inaccurately or incompletely to any request or inquiry; including any instruction to destroy or conceal any evidence or information concerning a matter relevant to the University's students or athletic programs, or those of any other institution of higher learning; propounded by the University, a Governing Association, or any other body having oversight or jurisdiction; or as required by law, Governing Association rules or University rules; as reasonably determined by the University;

j. Coach's soliciting, placing, or accepting a bet on any intercollegiate or professional athletic contest; Coach's expressly permitting, condoning, or encouraging any illegal gambling, bookmaking, or illegal betting involving any intercollegiate or professional athletic contest; or Coach's furnishing information or data relating in any manner to women's basketball or any other sport to any individual known by Coach or

whom Coach should reasonably know to be involved in gambling, betting, or bookmaking;

k. Sale, use, or possession by Coach of any narcotics, drugs, controlled substances, steroids, or other chemicals (excluding any such substances which are prescribed by Coach's physician and taken consistent with the instructions provided by said physician) in violation of law, Governing Association rules, or University rules; or Coach's encouraging or condoning such sale, use, or possession by a student-athlete, assistant coach, Department staff member, or any other person; as reasonably determined by the University.

l. Use or consumption by Coach of alcoholic beverages, drugs, controlled substances, or other chemicals (excluding any such substances which are prescribed by Coach's physician, and taken consistent with the instructions provided by said physician), so as to materially impair Coach's ability to perform Coach's duties hereunder, as reasonably determined by the University;

m. Failure by Coach to cooperate in the enforcement of any drug testing program established by the University;

n. Failure by Coach to obtain prior approval for outside activities, or to accurately report all sources and amounts of income and benefits, as required by this Agreement, Governing Association rules, or University rules, as reasonably determined by the University;

o. Coach's refusal to obey and/or carry out any reasonable assignment or directive from the Director following written notice from the Director specifying such failure and providing, where practicable, a five (5) day opportunity to cure such failure; or

p. Coach's commission of or participation in any act, situation, or occurrence, which, in the University's judgment, brings Coach or the University into public disrepute, embarrassment, contempt, scandal, or ridicule.

If Coach disagrees with any of the findings of the University, Coach has the right to dispute the matter through the University's conflict resolution process, the same as any other University employee in Coach's job classification. If it is determined that the termination is for cause, the

University shall not be responsible to Coach for any compensation, benefit, or other payment of any kind after the date of any termination for cause under this Section 3.1.

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

3.2.1. The University may terminate this Agreement at any time without cause upon thirty (30) days written notice to Coach. In such event, the University shall pay Coach a Termination Fee for the remaining Term of Employment based upon the following total amount available for each contract year: four hundred thousand ($400,000) for contract year one; four hundred fifty seven thousand five hundred ($457,500) for contract year two; three hundred thirty thousand ($330,000) for contract year three; two hundred twenty five thousand ($225,000) for contract year four; and two hundred fifteen thousand ($215,000) for contract year 5. So, for example, if termination occurred half-way through the end of contract year 3, the payment would be six hundred five thousand dollars ($605,000), i.e., one hundred sixty five thousand dollars $165,000 for the remaining one-half of contract year 3, two hundred twenty five thousand dollars ($225,000) for contact year four, and two hundred fifteen thousand dollars ($215,000) for contract year five. Except for the termination fee, the University will not be responsible for any payments or benefits after the date of such a termination.

3.2.2. Any Termination Fee paid under this Section 3.2 shall be subject to withholding for applicable federal and state income taxes, federal social security taxes, and all other applicable taxes and deductions. The parties agree to discuss in good faith and use reasonable efforts to reach an understanding regarding a payment schedule for the Termination Fee that allows Coach and the University to fulfill their obligations, under the Internal Revenue Code of 1986, as amended, (the "Internal Revenue Code") and otherwise, without significantly increasing or accelerating the tax consequences associated with the Termination Fee. In the event those discussions do not result in an agreement, then the Termination Fee will be paid as follows:

a. The first installment will be equal to the amount of federal, state, and local income tax and the amount of FICA withholding that would have been remitted by the University if there had been a payment of wages to Coach on the

date of Coach's termination equal to the income includible by Coach on the Termination Fee under Section 457(f) of the Internal Revenue Code (IRC). This installment will be paid within sixty (60) days following the date of Coach's notice of termination.

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

3.2.3. If the University makes full payment under this Section 3.2, Coach waives the right to seek additional compensation or damages from the University. Termination under this Section 3.2 shall supersede all rights Coach may have under the Policies and Procedures including but not limited to any rights to notice or layoff programs. The University reserves the right to seek repayment of any Excess Termination Fee.

3.2.4. Coach agrees that, as a condition of receiving any portion of the Termination Fee under this Section 3.2, Coach or, in the case of any amounts due after Coach's death, the person to whom those amounts are payable (collectively, the "Payee") and the University must execute a release agreement in the format attached as Exhibit B.

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

3.3. NCAA Enforcement Provisions (NCAA Bylaw 11.2.1). Notwithstanding any other provision of this Agreement to the contrary, if Coach is found in violation of any NCAA rule or regulation (following all timely appeals), Coach is subject to disciplinary or corrective actions as provided by NCAA enforcement procedures.

3.4. Disciplinary Procedure. In the event of any proposed disciplinary action, the Director shall give Coach, orally or in writing, notice of the allegations and an opportunity to present, in person, information relating to the allegations. If the Director then determines that

discipline is appropriate, the Director shall, in writing, notify coach of the discipline and the reasons therefore.

3.5. Limited Liability. Subject to the terms of this Agreement, in no event shall the University be liable for the loss by Coach of any bonuses, benefits, perquisites, or income, including, but not limited to, those arising out of or relating to consulting relationships, camps, clinics, media appearances, or from any other sources whatsoever, that may ensue as a result of the University's termination of this Agreement, unless otherwise expressly stated herein. The terms of this Section 3.5 shall not release the University from its obligations to Coach under Section 3.2 of this Agreement.

3.6. Coach's Right to Terminate Without Just Cause. In the event Coach terminates this Agreement during the Term of Employment without just cause (which is hereby permitted), Coach shall pay the University a Termination Fee for the remaining Term of Employment based upon the following total amount available for each contract year: four hundred thousand ($400,000) for contract year one; four hundred fifty seven thousand five hundred ($457,500) for contract year two; three hundred thirty thousand ($330,000) for contract year three; two hundred twenty five thousand ($225,000) for contract year four; and two hundred fifteen thousand ($215,000) for contract year five. Except for the Termination Fee, the University will not be responsible for any payments or benefits after the date of such a termination. Any payment under this Section 3.6 shall be made no later than sixty (60) days from the date of notice of termination. The University and Coach agree to execute a release agreement in the form attached as Exhibit C in connection with this payment.

IV. REVIEW

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

V. BOARD APPROVAL AND BACKGROUND CHECK

The parties acknowledge and agree that this Agreement is subject to formal approval by the University's Board of Regents (BOR), and the completion of a background check and NCAA review by the University. This Agreement shall not be final or binding until formally approved by the BOR, and until the background check and NCAA review are completed. If the BOR does not approve the Agreement, or if the background check or NCAA review reveal significant negative information, as determined by the University, then there will be no agreement between the parties, and the parties will have no further rights or obligations towards one another, under this Agreement or otherwise (e.g., no right to any additional notice, no right to employment, no right to any ongoing compensation or benefits, no termination rights, and no right to any Termination Fee or payout.).

VI. PROVISIONS OF GENERAL APPLICATION

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

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

a. Annuity income related in any way to Coach's coaching, recruiting, or educational duties at the University;

b. Sports camps;

c. Housing benefits (including preferential housing arrangements);

d. Country club memberships;

e. Complimentary ticket sales;

f. Television and radio programs; or

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

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

6.3. Notices/Administration. All notices, requests, and other communications from one of the parties to the other shall be in writing and, except as otherwise provided herein, shall be considered to have been duly given or served if sent by United States mail, first-class, certified or registered, postage pre-paid, return receipt requested, to the respective party at their address set forth below or to such other address set forth below or to such other address as such party may hereafter designate by notice to the other:

As to Coach:

Lindsay Whalen
Women's BBPC, Suite 660
516 15th Avenue S.E.
Minneapolis, MN 55455

As to the University:

University of Minnesota
Department of Intercollegiate Athletics
Attention: Director of Athletics
516 15th Avenue S.E.
Minneapolis, MN 55455

With copy to:

University of Minnesota
Office of the General Counsel
Attention: General Counsel
360 McNamara Alumni Center

200 Oak Street S.E.
Minneapolis, MN 55455-2006

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

6.5. 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.

6.6. 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, except as expressly provided herein.

6.7. 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.

6.8. 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.

6.9. Applicable Law. The laws of the state of Minnesota shall govern this Agreement and any construction or interpretation thereof.

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

COACH

Date: 5/9/18

Lindsay Whalen

REGENTS OF THE UNIVERSITY OF MINNESOTA

Date:_____

Eric W. Kaler
President

Recommended for Approval:

Date:_____

Mark Coyle
Director of Athletics

Approved as to Form and Legality:

Date:_____

Doug Peterson
General Counsel

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

COACH

_____ Date: _____

Lindsay Whalen

REGENTS OF THE UNIVERSITY OF MINNESOTA

_____ Date: 5/9/18

Eric W. Kaler
President

Recommended for Approval:

Mark Coyle _____ Date: 5/9/2018

Mark Coyle
Director of Athletics

Approved as to Form and Legality:

_____ Date: May 9, 2018

Doug Peterson
General Counsel

EXHIBIT A

SCHEDULE OF INCENTIVES

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

I. **NCAA Tournament.** For each year the Team shall play in the NCAA Championship Tournament during the Term of Employment, the University shall pay Coach as follows:

a. Winning the National Championship, One Hundred Thousand and No/100 Dollars ($100,000);

b. Playing in the Final Four, Seventy-Five Thousand and No/100 Dollars ($75,000);

c. Playing in the Elite Eight, Fifty Thousand and No/100 Dollars ($50,000);

d. Playing in the Sweet Sixteen, Twenty-Five Thousand and No/100 Dollars ($25,000);

e. An invitation to play in the NCAA Championship Tournament (either an opening round or second round game), Ten Thousand and No/100 Dollars ($10,000)

Coach shall receive the highest single bonus amount achieved under this schedule I. Bonus amounts under this schedule I are not cumulative.

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

Finish	Amount of Bonus
Big Ten Regular Season Champion	$30,000
Big Ten Tournament Champion	$15,000

Coach is eligible to receive either or both amounts under this schedule II.

III. Academic Performance. The University shall pay Coach a bonus based on the single year Annual Academic Progress Rate ("APR") for the Team as established each year by the NCAA, beginning at the end of the 2018-2019 academic year, as follows:

APR greater than or equal to 960	$5,000
APR greater than or equal to 980	$10,000
APR equal to 1000	$15,000

Coach shall receive the highest single bonus amount achieved under bonus schedule III. Bonus amounts on this schedule III are not cumulative.

IV. Coach of the Year Honors. The University shall pay Coach a bonus for any year in which Coach is named Coach of the Year, as follows:

Big Ten Coach of the Year	$10,000
Werner Ladder Naismith Women's Coach of the Year	$25,000

Coach is eligible to receive either or both amounts under this schedule IV.

V, Annual Team Cumulative Grade Point Average ("GPA"). The University shall pay Coach a bonus for any academic year in which the Team earns a cumulative gradepoint average (GPA) above specific thresholds, beginning at the end of the 2018-2019 academic year, as follows:

Cumulative Team GPA of 3.0 or above	$5,000
Cumulative Team GPA of 3.25 or above	$10,000
Cumulative Team GPA of 3.5 or above	$15,000

Coach shall receive the highest single bonus amount achieved under this bonus schedule V. Bonus amounts on this schedule V are not cumulative.

EXHIBIT B

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Agreement") is entered into and made effective on this _____ day of _____ 20__ between Regents of the University of Minnesota ("University"), on behalf of its Department of Intercollegiate Athletics ("Department"), and Lindsay Whalen ("Coach"). The parties identified above may be referred to herein collectively as the "Parties," and any individual party identified above may be referred to herein as a "Party."

WITNESSETH

WHEREAS, the Parties entered into an agreement entitled, "Employment Agreement," made effective as of _____, 2018 (the "Employment Agreement"); and

WHEREAS, the University formerly employed Coach as the head coach of the University's intercollegiate women's basketball team; and

WHEREAS, the University has terminated Coach without cause under the terms of the Employment Agreement; and

WHEREAS, pursuant to the Employment Agreement, the University is obligated, subject to the terms and conditions found therein, to make certain payments to Coach; and

WHEREAS, as one condition precedent to the University's payment obligations to Coach, Coach must execute a release in favor of the University;

NOW, THEREFORE, in consideration of the promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Release. Coach hereby irrevocably and unconditionally releases, acquits, and forever discharges the University and each of its trustees, officers, representatives, and divisions, (collectively, the "Releasees"), from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts, and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, rights arising out of alleged violations or breaches of any contracts, express or implied, or any tort, or any legal restrictions on the University's rights to terminate employees, or any federal, state or other governmental statute, regulation, or ordinance, including but not limited to the Minnesota Human Rights Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, and any other law (the "Claim" or "Claims"), which Coach now has, owns or holds, or claims to have, own or hold, or which Coach at any time heretofore had, owned or held, or claimed to have, had, owned or held, against each or any of the Releasees at any time up to and including the date of this Agreement, which is stated above. It is Coach's express intent that this release be a broad and general as the law permits. However, it does not include claims for worker's compensation.

2. Prohibition Against Litigation. Except as prohibited by law, in consideration of the benefits conferred by this Agreement and by the Employment Agreement, Coach will not sue any of the Releasees on any of the released Claims or join as a party with others who may sue on any such Claims.

3. Representations and Warranties. Coach hereby represents and warrants that Coach has not filed, nor has Coach assigned to others the right to file, any complaints, charges, or lawsuits against any of the Releasees with any governmental agency or any court, and that Coach will not file, assign to others the right to file, or make any further claims against the Releasees at any time hereafter for actions taken up to and including the effective date of this Agreement, which is stated above.

4. Representations Regarding Existing Claims. Coach acknowledges and represents that he has no knowledge of any actions or inactions by any of the Releasees that he believes

would constitute basis for a claimed violation of any federal, state, or local law, any common law, or any rule promulgated by an administrative body.

5. Governing Law. The laws of the state of Minnesota shall govern this Agreement and any construction or interpretation thereof.

6. MHRA Rescission Period. As required by law, this paragraph provides Coach with notice that the release contained in this agreement applies to claims arising under the Minnesota Human Rights Act (MHRA). Coach may rescind the release of MHRA claims within fifteen (15) calendar days of the date of Coach's signature on this Agreement. To be effective, the rescission must be in writing and delivered to: Douglas R. Peterson, General Counsel, Office of the General Counsel, 360 McNamara Alumni Center, 200 Oak Street SE, Minneapolis, MN 55455. The rescission may be delivered by hand or by mail. If delivered by mail, the rescission must be postmarked within the 15-day period; properly addressed; and sent by certified mail, return receipt requested. Otherwise, the rescission will not be effective. If Coach rescinds the release, or any portion of the release, each and every provision of this agreement shall immediately become null and void.

7. ADEA Rescission Period. As required by law, this paragraph provides Coach with notice that the release contained in this Agreement applies to claims arising under the Age Discrimination in Employment Act (ADEA). Coach may rescind the release of ADEA claims within seven (7) calendar days of the date of Coach's signature on this Agreement. To be effective, the rescission must be in writing and delivered to: Douglas R. Peterson, General Counsel, Office of the General Counsel, 360 McNamara Alumni Center, 200 Oak Street SE, Minneapolis, MN 55455. The rescission may be delivered by hand or by mail. If delivered by mail, the rescission must be postmarked within the 7-day period; properly addressed; and sent by certified mail, return receipt requested. Otherwise, the rescission will not be effective. If Coach rescinds the release, or any portion of the release, each and every provision of this Agreement shall immediately become null and void.

8. 21-Day Consideration Period. Coach understands that, by law, Coach may take up to twenty-one (21) days to consider the terms of this Agreement before signing it. Coach further understands that Coach may choose to sign the Agreement prior to the expiration of the twenty-one (21) day consideration period. If Coach chooses to sign the Agreement prior to the expiration of the twenty-one (21) day consideration period, Coach will waive the remainder of the twenty-one (21) day consideration period.

9 Right to Consult with Legal Counsel. Coach is notified by this paragraph that he has the right to consult with legal counsel regarding this Agreement before signing. Coach affirms that he has executed that right to the full extent Coach deemed necessary prior to signing.

10. Counterparts; Facsimiles. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. For purposes of executing the Agreement, a document signed and transmitted by facsimile machine, electronic mail, or other commercially accepted electronic or mechanical means is to be treated as an original document.

11. Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the matters set forth herein, except the agreement contained in Section 3.2 of the Employment Agreement which is incorporated herein by this reference. Other than the matters set forth in this Agreement, including this Paragraph 11, there are no agreements, either written or oral, other than those set forth herein with regard to the subject matter of this Agreement.

12. Severability. Each provision of this Agreement is severable from all other provisions of the Agreement. If any governmental authority having jurisdiction over the matters herein determines, during or at the conclusion of any litigation, that any provision of the Agreement will be invalid or unenforceable, the provision will be deemed modified only to the extent necessary to render it valid and enforceable, and all remaining provisions of the Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, as of the day and year first above written.

Regents of the University of Minnesota

By:_____

_____

(print name and title)

Coach

_____

Lindsay Whalen

EXHIBIT C

RELEASE AGREEMENT

THIS RELEASE AGREEMENT (the "Agreement") is entered into and made effective on this _____ day of _____ 20__ between Regents of the University of Minnesota ("University"), on behalf of its Department of Intercollegiate Athletics ("Department"), and Lindsay Whalen ("Coach"). The parties identified above may be referred to herein collectively as the "Parties," and any individual party identified above may be referred to herein as a "Party."

W I T N E S S E T H

WHEREAS, the Parties entered into an agreement entitled, "Employment Agreement," made effective as of _____, 2018 (the "Employment Agreement"); and

WHEREAS, the University formerly employed Coach as the head coach of the University's intercollegiate women's basketball team; and

WHEREAS, Coach has terminated the Employment Agreement without just cause under the terms of the Employment Agreement; and

WHEREAS, pursuant to the Employment Agreement, Coach is obligated, subject to the terms and conditions found therein, to make certain payments to the University; and

WHEREAS, as one condition precedent to Coach's payment obligations to the University, the University must execute a release in favor of Coach;

NOW, THEREFORE, in consideration of the premises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Release. The University hereby irrevocably and unconditionally releases, acquits, and forever discharges Coach, Coach's estate, and each of their representatives (collectively, the "Releasees") from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts, and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, rights arising out of alleged violations or breaches of any contracts, express or implied, or any tort, or any legal restrictions on the Coach's right to terminate the Employment Agreement (the "Claim" or "Claims"), which the University now has, owns or holds, or claims to have, own or hold, or which the University at any time heretofore had, owned or held, or claimed to have, had, owned or held, against each or any of the Releasees at any time up to and including the effective date of this Agreement, which is stated above.

2. Prohibition Against Litigation. Except as prohibited by law, in consideration of the benefits conferred by this Agreement and by the Employment Agreement, the University will not sue any of the Releasees on any of the released Claims or join as a party with others who may sue on any such Claims.

3. Representations and Warranties. The University hereby represents and warrants that it has not filed, nor has it assigned to others the right to file, any complaints, charges, or lawsuits against any of the Releasees with any governmental agency or any court, and that the University will not file, assign to others the right to file, or make any further claims against the Releasees at any time hereafter for actions taken up to and including the effective date of this Agreement, which is stated above.

4. Representations Regarding Existing Claims. The University acknowledges and represents that it has no knowledge of any actions or inactions by any of the Releasees that it believes would constitute basis for a claimed violation of any federal, state, or local law, any common law, or any rule promulgated by an administrative body.

5. Governing Law. The laws of the state of Minnesota shall govern this Agreement and any construction or interpretation thereof.

6. Counterparts; Facsimiles. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. For purposes of executing the Agreement, a document signed and transmitted by facsimile machine, electronic mail, or other commercially accepted electronic or mechanical means is to be treated as an original document.

7. Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the matters set forth herein, except the agreement contained in Section 3.6 of the Employment Agreement, which provision is hereby incorporated by reference as if fully set forth word-for-word herein, and cannot be altered or modified except by an agreement in writing signed by both Parties.

8. Severability. Each provision of this Agreement is severable from all other provisions of the Agreement. If any governmental authority having jurisdiction over the matters herein determines, during or at the conclusion of any litigation, that any provision of the Agreement will be invalid or unenforceable, the provision will be deemed modified only to the extent necessary to render it valid and enforceable, and all remaining provisions of the Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, as of the day and year first above written.

Regents of the University of Minnesota

By:_____

_____

(print name and title)

Coach

_____

Lindsay Whalen

Board of Regents
Finance & Operations Committee
February 13, 2020

Employment Agreement

Subject to Board of Regents approval, the University of Minnesota has reached a new agreement with Mark Coyle, Athletics Director, University of Minnesota Twin Cities.

Summary of Employment Agreement

- **Term.** The contract period is July 1, 2020, through June 30, 2026.

- **Salary.** Athletics Director Coyle's current base salary is $886,000. (His starting salary when hired was $850,000, and he has received standard University salary increases since then.) Under the new contract, his base salary will increase to $975,000, effective July 1, 2020. He will receive a 2.5% increase each subsequent year, as follows:

FY20	$975,000
FY21	$999,375
FY22	$1,024,359
FY23	$1,049,968
FY24	$1,076,218
FY25	$1,103,123
FY26	$1,130,701

- **Incentive Compensation.** An incentive plan has been prepared that allows Athletics Director Coyle to earn an annual bonus based upon achievement in the areas of academic performance (e.g., Academic Progress Rate, Graduation Rate, Department Grade Point Average), competitive success (e.g., Director's Cup Standings, Conference and Tournament Championships, Bowl Games), and effective management (e.g., financial management, fundraising success, public relations, compliance). The annual cap on this bonus has been increased from $150,000 to $225,000.

- **Supplemental Retirement.** Under his current agreement, Athletics Director Coyle is entitled to an annual supplemental retirement contribution in the amount $100,000. The first four years of contributions were deferred and will be made on September 20, 2020. After that, the annual contribution will increase to $150,000.

- **Retention Bonus.** Beginning in 2024, and continuing each year thereafter, Athletics Director Coyle will receive an annual retention bonus of $150,000 if he has been continuously employed as Athletics Director as of June 30, i.e., the last day of the contract year.

- **Termination Fee.** The agreement requires the payment of a termination fee should either party terminate the agreement without cause before the end of the contract term. The language has been updated to reflect a more balanced approach, i.e., Athletics Director Coyle's obligations roughly mirror the University's obligations. The language of the provisions provides a greater incentive for Athletics Director Coyle to remain in his position through the first several years of the contract term,

while providing more flexibility should the University wish to make a change during the later years of the agreement. In the event the University terminates without cause, the agreement requires Athletics Director Coyle to actively seek to mitigate the University's termination fee by seeking out a comparable employment position.

Comparable Market Data

The highest paid Big Ten Athletics Directors are Barry Alvarez at the University of Wisconsin, and Gene Smith at Ohio State, both with reported total annual compensation in excess of $1.7 million.

Recommendation

The president recommends approval of this employment agreement for Mark Coyle, Athletics Director, University of Minnesota, Twin Cities.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of February 11, 2020, by and between Regents of the University of Minnesota (the "University"), on behalf of its Department of Intercollegiate Athletics on the Twin Cities campus ("the Department"), and Mark Coyle ("Director"). This Agreement is subject to and effective upon approval by the University's Board of Regents (BOR).

WHEREAS, subject to the terms and conditions of this Agreement, the University desires to employ Director as its Director of the Department, and Director is willing to accept such position and perform such services and duties;

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

I. EMPLOYMENT TERM AND DUTIES

1.1. Term. Subject to the terms and conditions of this Agreement, the University hereby employs Director as the Director of the Department and Director agrees to be so employed for a term commencing on July 1, 2020, and ending on June 30, 2026 (the "Term of Employment"). For purposes of this Agreement, contract year one means the period from July 1, 2020, through June 30, 2021. Each successive contract year runs from July 1 through the following June 30.

1.2. Duties.

1.2.1. Director shall report to the University President. Director shall diligently and conscientiously devote his full time, attention, and best efforts in performing and discharging the usual and customary duties of an athletic director of a NCAA Division I intercollegiate athletics program, including, but not limited to:

a. Supervising all head coaches and Department administrative personnel; reviewing the performance of all employees who report to Director; setting compensation for Department employees; and hiring, promoting, demoting, or terminating Department employees in accordance with applicable University policy;

b. Developing and administering the annual budget for the Department, subject to the approval of the President;

c. In conjunction with the Director of Athletic Compliance and the Office of the General Counsel, ensuring the Department's compliance with the rules and regulations of the University, and the rules and regulations of any Governing

Association, as defined below in Section 1.4, including policies regarding academic standards;

d. Ensuring the Department's compliance with Title IX, including the development and implementation of a long-term gender-equity plan;

e. Conducting and supervising the relationship and presentation of the Department to the media, including radio and television appearances;

f. Directing, leading, and organizing the Department's fund raising and public relations, including increasing the annual fund and endowment for the Department;

g. Directing, leading, and organizing the Department's public relations, promotions, and marketing efforts;

h. Serving on and representing the University on all appropriate athletic governing or oversight bodies, and with any Governing Association, as defined below in Section 1.4; and

i. Performing such other duties as assigned or directed by the President.

1.2.2. Director shall not engage in any other business activity or be employed by any other person, firm, or entity, whether or not such activity is pursued for gain, profit, or other pecuniary benefit, without the prior written consent of the President.

1.2.3. Director shall not undertake commercial endorsements without the prior written consent of the President. Director shall not engage in any activity, if identified as Director, that directly or indirectly implies approval or endorsement of any good or service, including, but not limited to the wearing of garments which display a manufacturer's trademark, name, or other logo, unless such activity is consistent with University contracts or is first approved in writing by the President.

1.2.4. Director shall not appear on radio, television, or any other media in return for a fee, in cash or in kind, without the prior written consent of the President.

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

1.4. Compliance. Throughout the Term of Employment, Director shall comply with the current and hereafter enacted or promulgated laws, policies, rules, and regulations of and governing the University and its employees, and the current and hereafter enacted or promulgated constitution, bylaws, rules, and regulations of the National Collegiate Athletic Association ("NCAA"), the Big Ten Conference ("Big Ten"), the Western Collegiate Hockey Association ("WCHA"), and any other conference or organization with which the University becomes associated or which affects intercollegiate athletics (the "Governing Associations"). Director hereby acknowledges and certifies that he is familiar with the rules, regulations, and policies of each Governing Association, and will work collaboratively and cooperatively with the Director of Athletic Compliance to educate the employees and students in the Department of such rules, regulations, and policies, and to enforce strictly in the Department all such rules, regulations, and policies. Director shall promptly inform the Director of Athletic Compliance of all observed or reported violations of such rules, regulations, and policies involving him or any employee, coach (whether head or assistant), student, alumnus, or any other representative of the University's athletic interests.

II. COMPENSATION

2.1. Base Salary.

2.1.1. Subject to the terms of this Agreement, for all services rendered by Director to and on behalf of the University, the University shall pay Director an annual base salary for contract year one of nine hundred seventy five thousand dollars ($975,000.00). The base salary will increase by two and one-half percent (2.5%) effective July 1 of each subsequent contract year during the Term of Employment. This annual increase is provided in lieu of any increase that might otherwise be provided to University employees under regular University payroll policy, i.e., Director will not receive any annual salary increase other than the increase described in this paragraph.

2.1.2. All compensation hereunder shall be paid in accordance with the University's regular payroll procedures for professional and administrative employees, and shall be subject to withholding for applicable federal, state, and local taxes, and any other applicable taxes and deductions.

2.2. Benefits. Except where inconsistent with the terms of this Agreement, the University shall provide Director with the benefits program provided generally for its professional and administrative employees, as described in the policies and procedures and amended from time to time in the regular course of University business.

2.3 Supplemental Life Insurance. In addition to any amounts of life insurance provided or available through the University's regular benefit program, the University agrees to provide Director with an additional term life insurance policy in the amount of

one million dollars ($1,000,000.00), subject to Director's eligibility and qualification for such additional life insurance.

2.4. Performance Incentive Compensation. Each Year, Director shall be eligible for performance incentive compensation, based upon a plan to be agreed upon between Director and the President in an amount not to exceed two hundred twenty five thousand dollars ($225,000.00). Once incentives are determined for a contract year, they shall be paid to Director no later than July 31 of the following contract year. In order to earn a payment under this Section, Director must have been continuously employed as Athletic Director through the entire contract year, i.e., performance incentive compensation does not vest and is not earned unless Director remains continuously employed by the University through June 30 of the contract year. Any payment under this Section is also contingent upon Director's compliance with Section 1.4 above, as well as any other conditions set forth in this Agreement or in the incentive compensation plan.

2.5. Longevity Bonus. Beginning on June 30, 2024, Director shall receive a One Hundred and Fifty Thousand dollar ($150,000.00) Longevity Bonus, and will receive that Bonus on each year that he continues to be employed on that date as the director.

2.6. Supplemental Retirement. The University shall, on behalf of Director, make a payment to the University of Minnesota Optional Retirement Plan, or to the extent such payment exceeds the contribution limits for that plan to the University of Minnesota 415(m) Retirement Plan (or appropriate successor plans), in the amount of four hundred thousand dollars ($400,000.00) on September 20, 2020, provided Director has remained continuously employed by the University as its Athletic Director through that date. This payment reflects amounts accrued to Director under his prior contract. The University will subsequently make a payment in the amount of one hundred fifty thousand dollars ($150,000.00) on June 30 of each contract year, starting with June 30, 2021, provided Director has remained continuously employed by the University as its Athletic Director through each June 30.

2.7. Travel/tickets. For each contract year, the University shall make available to Director a maximum of twenty-five thousand dollars ($25,000.00) for University-related personal event tickets, home or away, and travel for Director's family, friends, and business associates to and from University intercollegiate athletic events, as well as conference meetings. All expenses charged against this fund shall be documented. Director has no right to any unused portion of the fund at the end of any year, and unused amounts do not carry over to the following year. In addition to the $25,000 amount, the University shall also provide Director with travel at no charge for up to four (4) people on any Department charter flight, subject to seat availability. The benefit received by the Director pursuant to this travel/tickets provision will be treated as taxable compensation unless appropriate use for business purposes is documented in accordance with University policy.

2.8. Automobile. Subject to University policy applicable generally to its coaches of intercollegiate athletics, the University shall provide Director with an automobile throughout the Term of Employment.

2.9. Other Non-Cash Compensation. Subject to availability, the University shall make available to Director, for his personal use, eight (8) season tickets for all Department teams that charge admission to their competitions.

2.10. Tax Consequences. Director recognizes and understands that there may be personal tax consequences attributable to Director as a result of the incentives and perquisites provided through this Agreement; complimentary tickets and other compensation; benefits; and amenities associated with Director's University employment, and that Director is personally responsible for any and all such taxes.

III. DISCIPLINE OR TERMINATION

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

a. a Level I or II violation of NCAA Rules, or an equivalent serious violation of a rule of another Governing Association by or involving Director, as determined by the University;

b. a Level I or II violation of NCAA Rules, or an equivalent serious violation of a rule of another Governing Association by persons in the Department or representatives of the University's athletic interests, as determined by the University, which, in the judgment of the University, Director knew or should have known about with reasonable diligence and oversight;

c. multiple Level III or IV violations by Director personally of any athletic rule, or such violations by other persons about which Director knew or reasonably should have known about with reasonable diligence and oversight but failed to act to prevent, limit, report, or mitigate;

d. a substantial failure to perform the duties required by this Agreement;

e. material fraud or dishonesty of Director in the performance of the duties and responsibilities under this Agreement; or other material fraud or dishonesty related to Director's University employment;

f. sale, use, or consumption by Director of alcoholic beverages, drugs, controlled substances, or other chemicals (excluding any substances which are prescribed

by Director's physician and used consistent with the physician's instructions) so as to materially impair Athletic Director's ability to perform the duties and responsibilities under this Agreement;

g. soliciting, placing, or accepting a bet on any intercollegiate or professional athletic contest; permitting, condoning or encouraging any illegal gambling, bookmaking, or illegal betting involving any intercollegiate or professional athletic contest; or furnishing information or data relating in any manner to the Department, its teams, athletes, or coaches, to any individual known by Director or whom Director should reasonably know to be involved in gambling, betting, or bookmaking; or consorting or associating with such persons;

h. failure to honor the authority of team doctors, athletic trainers, and other sports medicine staff to make decisions regarding student athlete health and well-being, including decisions regarding fitness to practice, train, or compete; or encouraging or pressuring student athletes or others to ignore or deviate from medical advice or directives from team doctors, athletic trainers, and other sports medicine staff; or condoning or directing others to encourage or pressure student athletes to ignore or deviate from medical advice or directives from team doctors, athletic trainers, and other sports medicine staff; or taking any action that poses a direct threat to student athlete health and well-being.

i. a violation of any policy of the University or law, as determined by the University.

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

3.2.1. The University may terminate this Agreement without cause upon thirty (30) days' written notice to Director. If such termination occurs at any time on or through June 30, 2024, the University shall pay Director a Termination Fee equal to the amount of base salary that would have been paid under Section 2.1.1 if the Agreement had continued through the full Term of Employment. If termination occurs during the period of July 1, 2024, through June 30, 2025, the University shall pay Director a Termination Fee equal to fifty percent (50%) of the base salary amount that would have been paid under Section 2.1.1 if the Agreement had continued through the full Term of Employment. If termination occurs during the period of July 1, 2025, through June 30, 2026, the University shall pay Director a Termination Fee equal to twenty-five percent (25%) of the base salary amount that would have been paid under Section 2.1.1 if the Agreement had continued through the full Term of Employment.

3.2.2. Any Termination Fee paid under this Section shall be subject to withholding for all applicable taxes and deductions. The parties agree to discuss in good faith and use reasonable efforts to reach an understanding regarding a payment schedule for the Termination Fee that allows Director and the University to fulfill applicable tax

and legal obligations without significantly increasing or accelerating the tax consequences associated with the Termination Fee. In the event those discussions do not result in an agreement, then the Termination Fee will be paid according to the following schedule:

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

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

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

3.2.4. As a condition of receipt of any payment under Section 3.2.1, Director is required to mitigate the University's obligation by making reasonable and diligent efforts (under the circumstances and opportunities then prevailing) to obtain a comparable employment position as soon as practicable following termination of employment. If Director is employed post termination in a comparable position during what would have been the Term of Employment had the Agreement naturally expired, then the Termination Fee under Section 3.2.1 shall be reduced by the amount of Director's compensation, excluding reasonable and usual non-monetary fringe benefits, from the comparable position.

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

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

3.3. Director's Right to Terminate. Director may terminate this Agreement upon Thirty (30) days written notice to the University. If such termination occurs at any time through June 30, 2024, Director shall pay the University a Termination Fee equal to the amount of base salary that would have been paid under Section 2.1.1 if the Agreement had continued through the full Term of Employment. If termination occurs during the period of July 1, 2024, through June 30, 2025, Director shall pay the University a termination fee equal to fifty percent (50%) of the base salary amount that would have been paid under Section 2.1.1 if the Agreement had continued through the full Term of Employment. If termination occurs during the period of July 1, 2025, through June 30, 2026, Director shall pay the University a termination fee equal to twenty-five percent (25%) of the base salary amount that would have been paid under Section 2.1.1 if the Agreement had continued through the full Term of Employment. However, as discussed below in Section 5.1, unless the parties have agreed to a new contract before August 31, 2025, Director may terminate this Agreement at any time upon thirty (30) days written notice to the University with no Termination Fee. After the date of any termination under this Section, the University shall not be responsible for the payment or, nor shall Director be eligible to receive any further payment of compensation under this Agreement.

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

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

3.6. Limited Liability. Subject to the terms of this Agreement, in no event shall the University be liable for the loss by Director of any bonuses, benefits, perquisites, or income, including, but not limited to, those arising out of or relating to consulting relationships, camps, clinics, media appearances, or from any other sources whatsoever, that may ensue as a result of the University's breach or termination of this Agreement, unless otherwise expressly stated herein.

IV. BOARD APPROVAL AND BACKGROUND CHECK

The parties acknowledge and agree that this Agreement is subject to formal approval by the University's Board of Regents (BOR). This Agreement shall not be final or binding until formally approved by the BOR. If the BOR does not approve the Agreement, then Director's employment will continue to be governed by the current employment agreement.

V. PROVISIONS OF GENERAL APPLICATION

5.1. Agreement Renewal/Extension. During or before the first two (2) months of contract year six (i.e., July and August, 2025) the parties will use their best efforts to negotiate a contract renewal, extension, or new contract. If no agreement is reached, then the amount of the Termination Fee payment established in Section 3.3 is reduced to zero dollars ($0.00).

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

a. Income from annuities;

b. Sports camps;

c. Housing benefits (including preferential housing arrangements);

d. Country club memberships;

e. Complimentary ticket sales;

f. Television and radio programs; or

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

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

5.3. Notices/Administration. All notices, requests, and other communications between the parties shall be in writing and, except as otherwise provided herein, shall be considered to have been duly given or served if sent by United States mail, first-class, certified or registered, postage pre-paid, return receipt requested, to the respective party

at the address set forth below, or to such other address the party may hereafter designate:

As to Athletic Director:	Mark Coyle, Athletic Director University of Minnesota 516 15th Avenue SE, Room 250 Minneapolis, MN 55455
With a Copy to	Gregg Thornton Ward Hocker & Thornton, PLLC Vine Center, 333 W. Vine St., Suite 1100 Lexington, Kentucky 40507
As to the University:	President University of Minnesota 200 Morrill Hall 100 Church Street SE Minneapolis, MN 55455
With a copy to	General Counsel Office of the General Counsel 360 McNamara Alumni Center 200 Oak Street SE Minneapolis, MN 55455

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

5.5. 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.

5.6. Effect of Prior Agreements. The parties intend this Agreement 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.

5.7. 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. This Agreement shall bind the University only if and after its approval by the University's Board of Regents.

5.8. 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.

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

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

Dated: February 11, 2020

By: Mark Coyle
Mark Coyle, Athletic Director

Dated: February 11, 2020

By: _____
Joan T.A. Gabel
President of the University of Minnesota

Dated: February 11, 2020

Approved as to Form and Execution

By: _____
Douglas Peterson
General Counsel

UNIVERSITY OF MINNESOTA
INCENTIVE COMPENSATION PLAN
FOR ATHLETIC DIRECTOR

I. Academic – Academic Progress Rate

A. Should the Department receive an Academic Progress Rate (APR) score of 930 or greater on the annual APR report from the NCAA, Athletics Director is eligible to receive a bonus of $15,000.

B. Should the Department receive an Academic Progress Rate (APR) score of 950 or greater on the annual APR report from the NCAA, Athletics Director is eligible to receive a bonus of $20,000.

C. Should the Department receive an Academic Progress Rate (APR) score of 960 or greater on the annual APR report from the NCAA, Athletics Director is eligible to receive a bonus of $25,000.

D. Bonuses for paragraphs A through C are not cumulative. Athletics Director will receive a single award of the highest bonus amount for which he is eligible under those paragraphs. Should the Department receive an Academic Progress Rate (APR) score of 970 or greater on the annual APR report from the NCAA, Athletics Director is eligible to receive an additional bonus of $25,000.

E. Athletics Director will only be eligible for a bonus under paragraphs A through D if, in addition to achieving the APR score threshold, the APR report from the NCAA includes no penalties.

II. Academic – Graduation Success Rate

A. Should the Graduation Success Rate (GSR), as calculated by the University, meet or exceed 70%, Athletics Director is eligible to receive a bonus of $25,000.

B. Should the Graduation Success Rate (GSR), as calculated by the University, meet or exceed 80%, Athletics Director is eligible to receive an additional bonus of $25,000.

III. Academic – Department Grade Point Average

A. Athletics Director is eligible to receive a bonus of $15,000 for any semester during the Term of Employment when the Athletics Department achieves a Department-wide Grade Point Average (GPA) of 3.0 or above, as calculated by the University.

B. Athletics Director is eligible to receive an additional bonus of $5,000 for any semester during the Term of Employment when the Athletics Department achieves

a Department-wide Grade Point Average (GPA of 3.2 or above, as calculated by the University.

IV. Competitive Success – Director's Cup

A. Should the Athletics Department finish in the top 30 of the Director's Cup standings, Athletics Director is eligible to receive a bonus of $25,000.

B. Should the Athletics Department finish in the top 25 of the Director's Cup standings, Athletics Director is eligible to receive a bonus of $30,000.

C. Should the Athletics Department finish in the top 20 of the Director's Cup standings, Athletics Director is eligible to receive a bonus of $35,000.

D. Should the Athletics Department finish in the top 15 of the Director's Cup standings, Athletics Director is eligible to receive a bonus of $40,000.

E. Bonuses for paragraphs A through D are not cumulative. Athletics Director will receive a single award of the highest bonus amount for which he is eligible under those paragraphs. Should the Athletics Department finish in the top 10 of the Director's Cup standings, Athletics Director is eligible to receive an additional bonus of $25,000.

V. Competitive Success – Sport Incentives

A. Should the Football team play in the Big Ten Football Championship Game, Athletics Director is eligible to receive a bonus of $25,000.

B. Should the Football team qualify for a post-season bowl game, Athletics Director is eligible to receive a bonus of $15,000.

C. Should the Football team qualify for a post-season bowl game played on January 1 or later that is not a New Year Six or College Football Playoff game, Athletics Director is eligible to receive a bonus of $20,000.

D. Should the Football team qualify for a New Year Six bowl game, Athletics Director is eligible to receive a bonus of $25,000.

E. Bonuses for paragraphs B through D are not cumulative. Athletics Director will receive a single award of the highest bonus amount for which he is eligible under those paragraphs.

F. Should the Football team qualify for a College Football Playoff semifinal game, Athletics Director is eligible to receive a bonus of $40,000. Should the Football

team advance to the College Football Playoff championship game, Athletics Director is eligible to receive an additional bonus of $40,000.

G. Should the men's Basketball team qualify for the post-season NCAA Men's Basketball National Championship Tournament, Athletic Director is eligible to receive a bonus of $10,000.

H. Should the men's Basketball team reach the Final Four in the post-season NCAA Men's Basketball National Championship Tournament, Athletic Director is eligible to receive a bonus of $20,000.

I. Should the women's Basketball team qualify for the post-season NCAA Women's Basketball National Championship Tournament, Athletic Director is eligible to receive a bonus of $10,000.

J. Should the women's Basketball team reach the Final Four in the post-season NCAA Women's Basketball National Championship Tournament, Athletic Director is eligible to receive a bonus of $20,000.

K. Should the men's Hockey team advance to the NCAA Men's Frozen Four, Athletic Director is eligible to receive bonus of $15,000.

L. Should the women's Hockey team advance to the NCAA Women's Frozen Four, Athletic Director is eligible to receive a bonus of $15,000.

M. Should the Baseball team qualify for the College Baseball World Series, Athletics Director is eligible to receive a bonus of $15,000.

N. Should the Softball team qualify for the College Softball World Series, Athletics Director is eligible to receive a bonus of $15,000.

O. Should any team other than Football win a conference championship (regular season or tournament), Athletics Director is eligible to receive a bonus of $5,000 per championship won. It is understood that this bonus applies to team championships, not championship titles won by individual student athletes. It is also understood that conference championships shall mean Big Ten and Western Collegiate Hockey Association.

P. Should any team other than those addressed above in paragraphs A through N qualify for the semifinals of the NCAA tournament for their sport, Athletics Director is eligible to receive a bonus of $15,000 for each occurrence. It is understood that this bonus applies to team qualification, not qualification by individual student athletes.

VI. Management

The President may award an annual bonus of up to $50,000 for effective management of the Athletics Department, based upon factors including, but not limited to:

A. Financial management;

B. Public relations, public perception, and public image of the Athletics Director and the Athletics Department;

C. Fundraising success;

D. Departmental compliance with NCAA, conference, University of Minnesota, and Athletics Department rules, policies, and procedures.

The determination of any award under this paragraph shall be at the President's sole discretion.

VII. Further Conditions

A. All bonuses detailed above shall be contingent upon Athletics Director's personal compliance with NCAA, conference, University of Minnesota, and Athletics Department rules, policies, and procedures.

B. All bonuses shall be separate from Athletics Director's base salary and shall be non-continuing/non-recurring.

C. Bonuses shall be paid in accordance with Athletics Director's employment contract.

D. Unless otherwise indicated, the bonuses listed above are cumulative, and are subject to the limitation on total bonus amount established in Athletics Director's employment contract.

E. All bonuses shall be contingent upon the approval of the President (or designee). Approval of bonuses shall not be unreasonably withheld.

Dated: February 11, 2020

Mark Coyle

Mark Coyle, Athletic Director

Dated: February 11, 2020

Joan T.A. Gabel, University President

Capital Budget Amendment: Institute for Child and Adolescent Brain Health (ICABH)
Twin Cities Campus
Project No. 01-000-19-1844

1. Basis for Project

The purpose of the project is to create a new Institute under the aegis of the Office of Academic and Clinical Affairs, the College of Education and Human Development, and the Medical School. M Health Fairview will continue their partnership with the University to extend support clinic services to this site.

The Institute will be a destination for neurodevelopmental research, community integration, education, and clinical care focused on early childhood and adolescent behavioral brain health. It will propel efforts of multiple investigators to study the brain during the first 1,000 days of life – the most critical period of brain growth and development. The Institute will build on this work to establish and maintain a trajectory towards positive life outcomes through early neurobehavioral and mental health assessments, innovative tactical intervention, policy, advocacy, and education. Finally, it will provide intersecting opportunities for scholars across disciplines, allow community partner and policy makers to share resources, integrate existing talent, foster new collaboration, and pioneer new research and service delivery approaches.

2. Scope of Project

ICABH will be created by renovating the existing 116,640 gross square foot Shriners Hospital located at 2025 East River Parkway in Minneapolis. A focus on interior renovation of the facility allows the University to maximize existing amenities while meeting program requirements: clinical research, MRI suite, training suites, video recording, workspace, and collaboration / conference areas. In addition, the University has established a series of site and infrastructure repairs based on a facility condition assessment report and careful examination of long term planning considerations / operations, ranging from select site repairs to large scale mechanical system upgrades.

3. Master Plan

Although the project site was not anticipated in the 2009 Campus Master Plan, the ICABH project aligns with important components of that planning document. Specifically, the Community Connections chapter states, "within the plan's horizon there may be additional acquisitions that are unforeseen at this time. Such activity would take advantage of specific opportunities for strategic purposes". The 2009 Campus Master Plan guides a number of land acquisition scenarios, including "properties that can be adapted to accommodate expanding University programs".

4. Environmental Issues

An engineering hazardous materials survey was completed for the site in 2008. That report concluded that no building materials sampled from the site were determined to be asbestos-containing materials per State and Federal regulations at the time of the survey. Upon construction commencement, areas of concern related to potential mold and mercury will be re-tested to assure there are no contaminants; a contingency is allotted for any work identified.

5. Renovation Cost Estimate

Construction Cost	$32,750,000
Non-Construction Cost	$ 5,750,000
Total Project Renovation Cost	$38,500,000

6. Total Project Cost Estimate

Renovation Cost	$38,500,000
Shriners Hospital Acquisition (Approved by October 2019 BOR)	$21,500,000
Total Project (Renovation + Acquisition) Cost	$60,000,000

7. Capital Funding

Medical School (Predesign-SD phases)	$ 750,000
University Debt and Philanthropy	$59,250,000
Total Capital Funding	$60,000,000

8. Capital Budget Approvals

Based on the unique acquisition opportunity of the property, this project was not included in the FY2020 Annual Capital Budget. Therefore, a Capital Budget Amendment is requested to the FY2020 Annual Capital Budget.

9. Annual Operating and Maintenance Cost

The annual operating and maintenance costs are estimated at $2,400,000, which includes shuttle services.

10. Time Schedule

Proposed Design Completion:	July, 2020
Proposed Substantial Completion:	July, 2021
Occupancy	October, 2021

11. Project Team

This project is a Design-Build contract.

Designer:	HGA
Contractor:	Knutson Construction

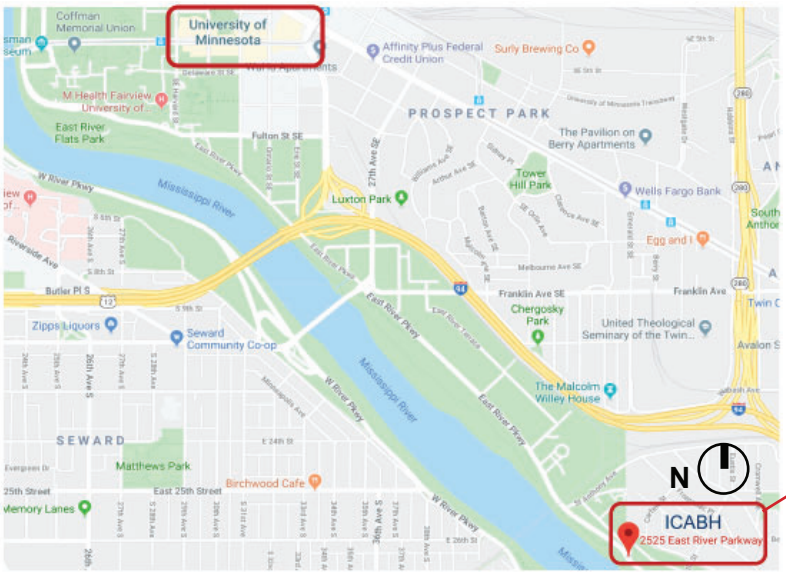
12. Recommendation

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

Karen Hanson, Executive Vice President and Provost

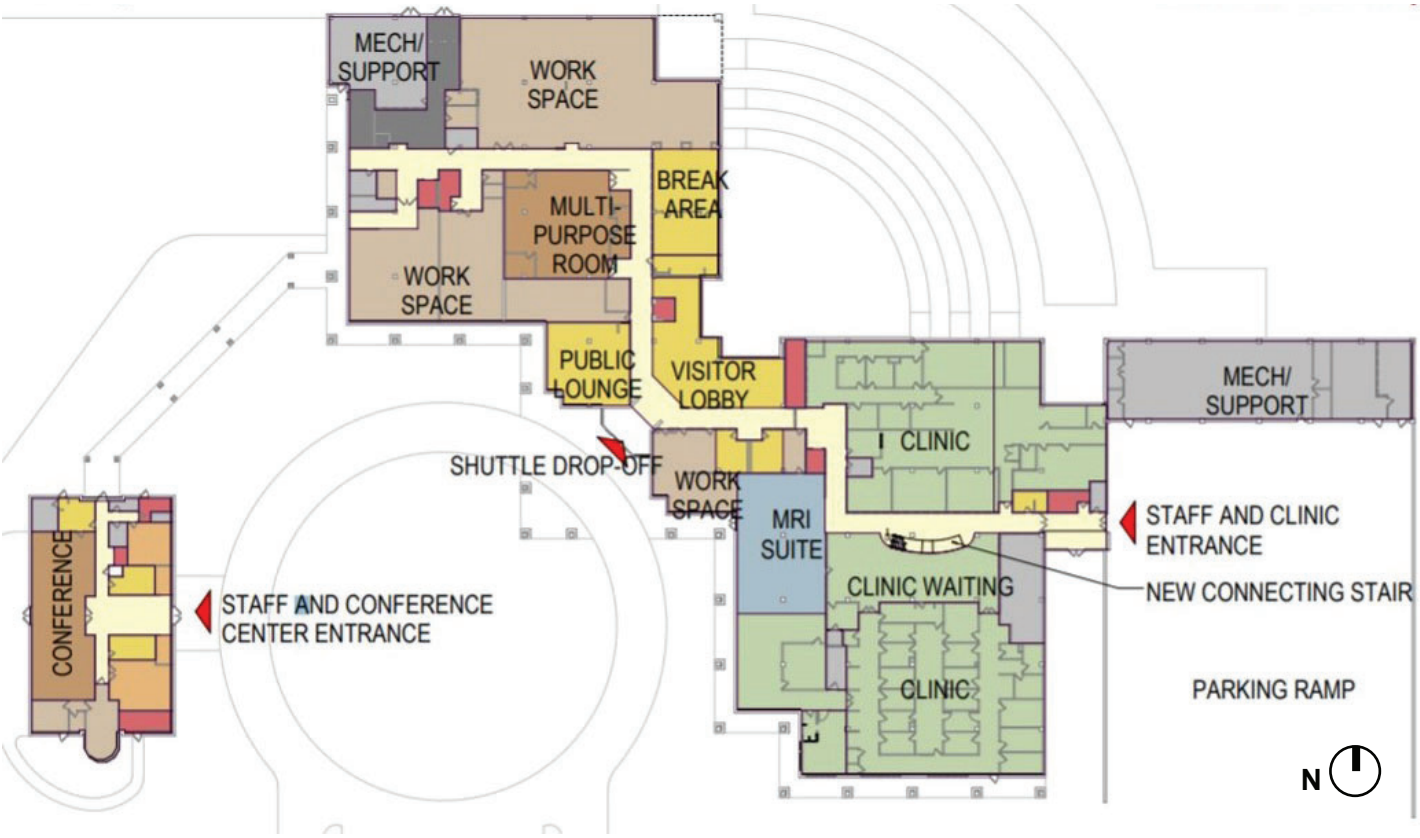
Jakub Tolar, Vice President for Academic and Clinical Affairs and Dean of the Medical School

Brian Burnett, Senior Vice President for Finance and Operations

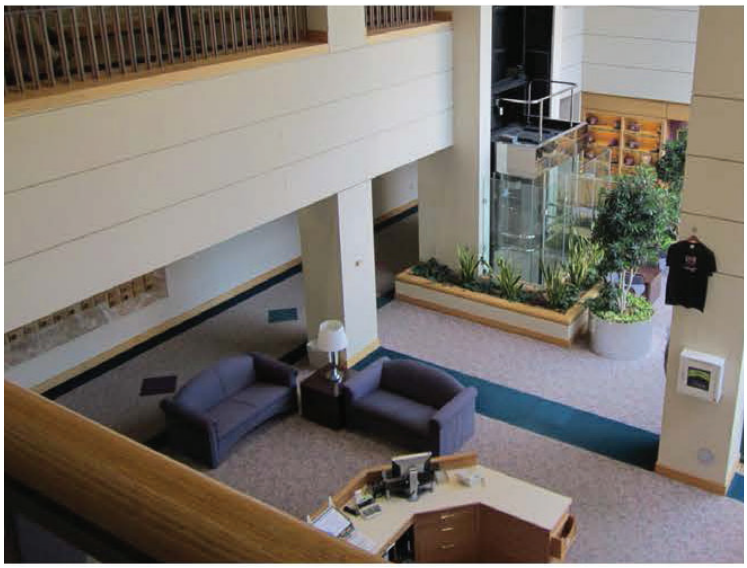


LOCATION MAP

SITE PLAN



FLOOR PLAN



Capital Budget Amendment: Child Care Center
Twin Cities Campus
Project No.: 01-000-20-2053

1. Basis for Project

The University is committed to increasing the amount of high-quality child care near its Twin Cities campus. The University estimates that there are 3,400 pre-school age children who are dependents of faculty and staff and at least 1,200 undergraduate and graduate students who are parenting children.

The University recently studied the demand for child care services in this area. In the spring of 2018, Executive Vice President and Provost Karen Hanson convened the 20-member, Provost's Child Care Advisory Committee. Among other things, the group was asked to recommend to the University "the key values and goals that should guide the development of high-quality childcare to serve economically as many families as possible." The Report describes many of the University's goals in seeking a partner to provide child care services to members of the University community. In the conclusion, the committee wrote: "The University desires to provide leadership as an employer and as an educational institution by supporting faculty, staff, and student well-being. Child care and child development, among other family-friendly strategies, are critical issues for the campus community and consequential to the University's mission and excellence."

2. Scope of Project

The University seeks to provide to University employees and others child care services. The Childcare Center will be an approximately 12,000 gross square foot building with a 5,000 square foot outdoor play area, to support up to 150 full-time equivalent children. A University-owned surface parking lot (Lot C59) is the site for development, located off Fourth Street and 16th Avenue SE.

A Lease Agreement and a Services and Operations Agreement with contracted provider will provide for facility and program operation as well as debt and operational costs.

3. Master Plan

The project is consistent with the 2009 Campus Master Plan based on the following guidance:

> "Strategically site new University and University-affiliated development in locations where they will contribute to defining, consolidating and adding to the vibrancy of campus and the surrounding community..."

4. Environmental Issues

Environmental and geotechnical information indicate possible soil issues of this site; additional investigation will be completed before project inception.

5. **Cost Estimate**

Construction Cost	$4,175,000
Non-Construction Cost	$ 825,000
Total Project Cost	$5,000,000

6. **Capital Funding**

University Debt*	$5,000,000
Total Capital Funding	$5,000,000

*Debt service will be paid by the vendor as the rent under a proposed lease agreement.

7. **Capital Budget Approvals**

Because of the unique collaboration opportunity, this project was not included in the FY 2020 Annual Capital Budget, though it was listed as "under consideration". Therefore, a Capital Budget Amendment is requested to the FY2020 Annual Capital Budget.

8. **Annual Operating and Maintenance Cost**

The annual operating and maintenance costs will be paid by the vendor under a proposed lease agreement.

9. **Schedule**

Proposed Design Completion:	October 2020
Occupancy:	September 2021

10. **Project Team**

Designer:	TBD
Contractor:	TBD

11. **Recommendation**

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

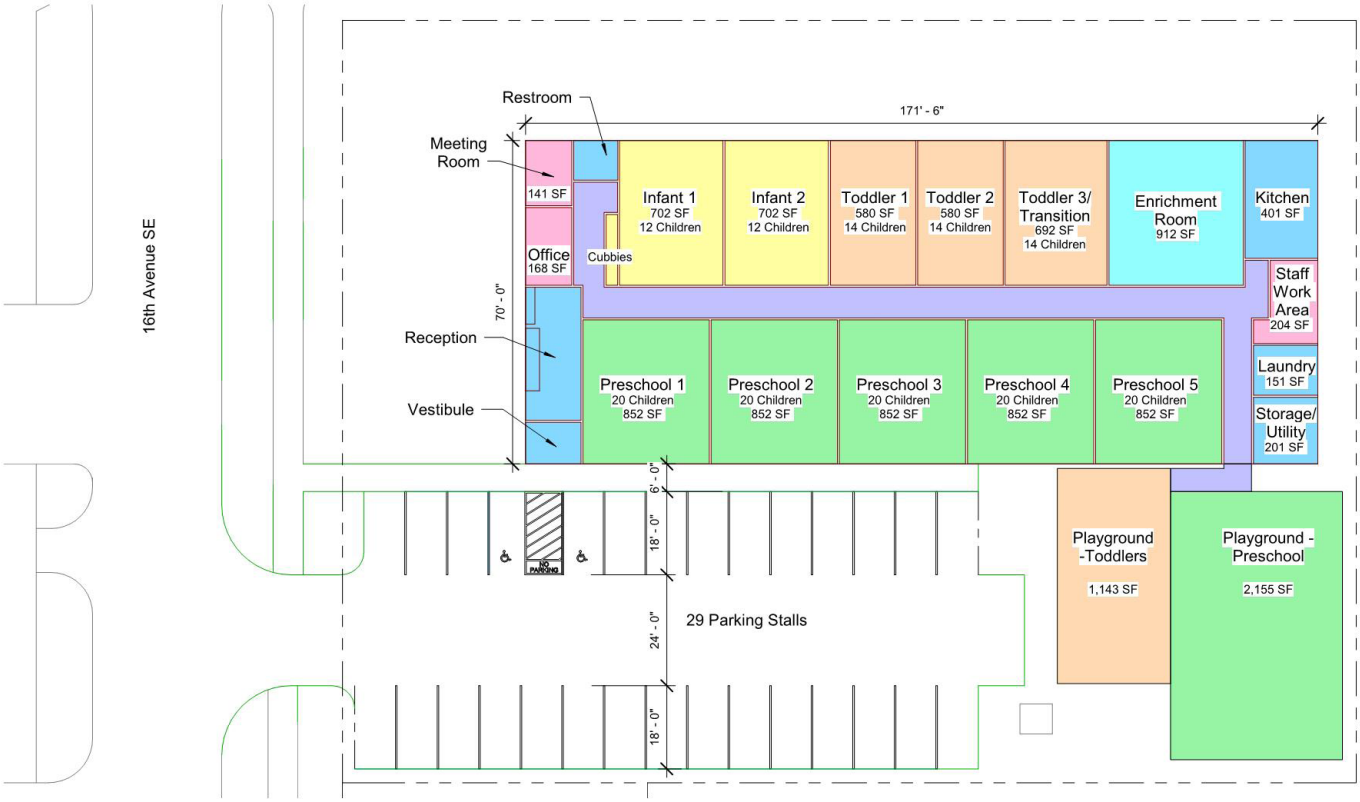
Karen Hanson, Executive Vice President and Provost

Brian Burnett, Senior Vice President for Finance and Operations

LOCATION MAP

SITE PLAN

N



PRELIMINARY FLOOR PLAN

LEASE FOR A TWENTY-FIVE YEAR TERM FOR A CHILD CARE CENTER ON 4TH STREET SE, MINNEAPOLIS (TWIN CITIES CAMPUS)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to execute a twenty-five year lease for a 12,000 square foot child care center to be constructed on University property for occupancy by the YMCA of the Greater Twin Cities (The Y).

2. Description of Leased Premises

The lease to The Y will provide for exclusive use of the Child Care Center Facility, which will consist of a 12,000 square feet building with an outdoor play area and parking lot, to support up to 150 full-time children. The facility will be constructed on what is currently Parking Lot C59 located on the southeast corner of 4th Street SE and 16th Avenue SE, Minneapolis on the East Bank of the Twin Cities campus.

3. Basis for Request

The University is committed to increasing the amount of high-quality child care near its Twin Cities campus. The University estimates that there are 3,400 pre-school age children who are dependents of faculty and staff and at least 1,200 undergraduate and graduate students who are parenting children. The University recently studied the demand for child care services in this area. In the spring of 2018, Executive Vice President and Provost Karen Hanson convened the 20-member, Provost's Child Care Advisory Committee. Among other things, the group was asked to recommend to the University "the key values and goals that should guide the development of high-quality childcare to serve economically as many families as possible." The Report describes many of the University's goals in seeking a partner to provide child care services to members of the University community. In the conclusion, the committee wrote: "The University desires to provide leadership as an employer and as an educational institution by supporting faculty, staff, and student well-being. Child care and child development, among other family-friendly strategies, are critical issues for the campus community and consequential to the University's mission and excellence."

The University then issued an RFP in December 2018 seeking external child care providers who could expand the availability of childcare on campus, and The Y was selected as the successful respondent.

4. Details of Transaction

The University will construct and own the Child Care Center Facility. The University will issue long-term debt to construct the 12,000 square foot building on East Bank Lot C59 that will serve an estimated 150 full-time (or full-time equivalent) children. Upon completion in summer 2021, The Y will lease the facility for 25 years. The Y will cover all Furniture, Fixtures & Equipment, operating, maintenance, and repair costs (including utilities). Additional conditions of the lease include maintaining NAEYC accreditation, providing priority enrollment for children of University faculty, staff, and students before considering applications from other families, providing scholarship support to families with demonstrated financial need beyond that which the state and county provide (subject to an annual cap), and regular reporting to a campus childcare oversight committee.

5. Lease Costs

The Base Rent for the leased premises will be $19.00 per square foot beginning in year three of the term and will increase by approximately 2% annually (pending final project cost).

The lease is structured on a triple net basis so in addition to Base Rent, the lessee will be responsible for all operating expenses including but not limited to: repairs and maintenance, insurance, janitorial, grounds, parking lot, and utilities.

6. University Use of Funds

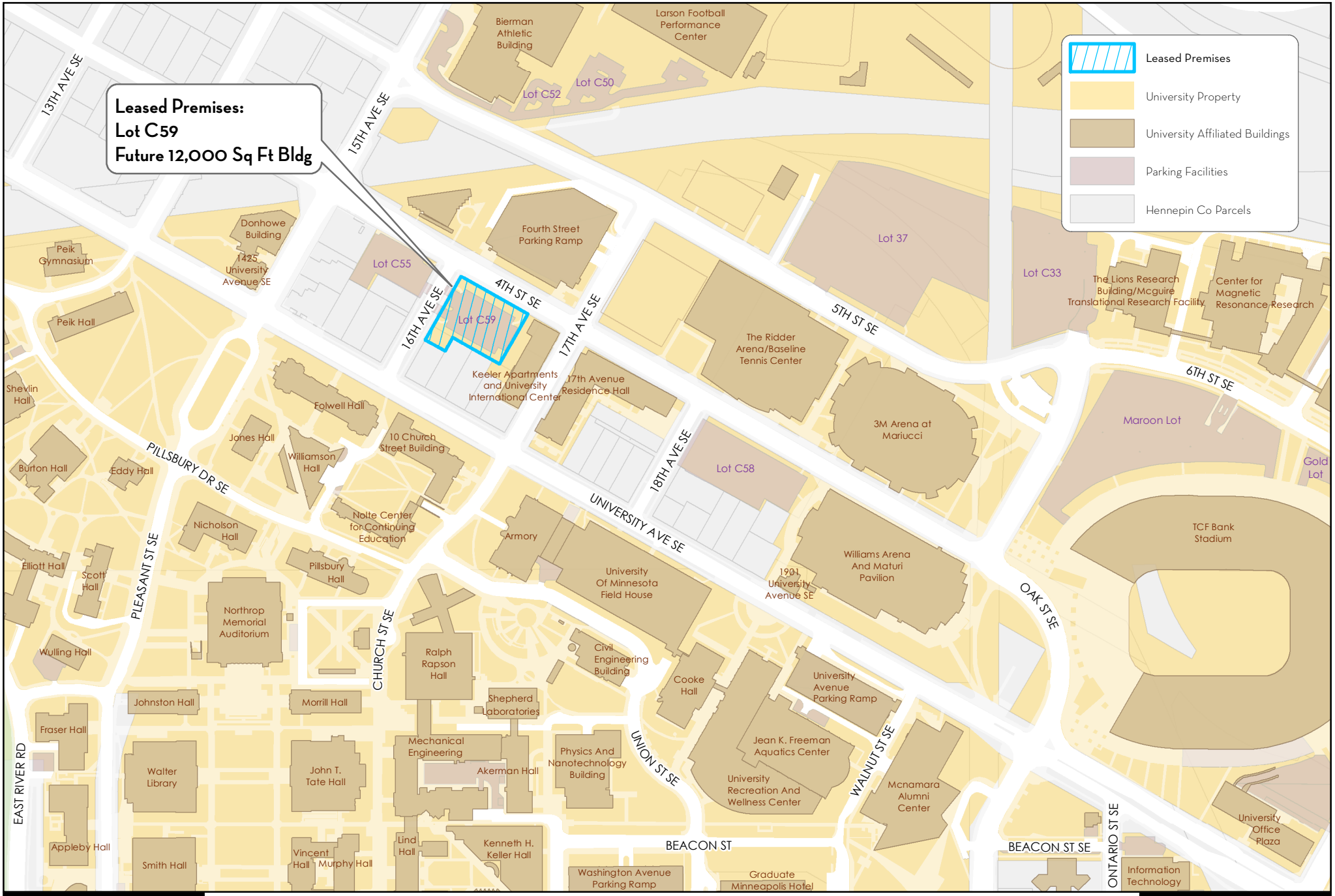
The Base Rent received by the University from the lessee will be used to pay the University's costs for the debt issued by the University for the Child Care Center Facility project.

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 Services
University of Minnesota

Lease For A Twenty-Five Year Term For A Child Care Center
Twin Cities Campus

N

0 800 Ft

This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Base Data: Real Estate Office MNDNR, MNDOT, MetCouncil, U Services GIS

1/31/2020

Schematic Design: PWB - UMMC Resident Fellow Health and Rest Suite
Twin Cities Campus
Project No. 01-144-19-1485

1. Basis for Project

This project renovates a portion of the first floor of the Phillips-Wangensteen Building (PWB) into an on-call suite serving University of Minnesota Medical Center (UMMC) residents and fellows at Unit J on the East Bank of the Twin Cities campus. The on-call suite will provide private sleeping rooms along with shower, hygiene, nutrition, and fitness amenities for residents and fellows, and will have direct access to the tunnel system linking PWB and other buildings with the hospital for short response times.

The current resident/fellow on-call rooms have been located on the 4th floor of the Mayo Building for over 25 years. That space in general is substandard and outdated, and the renovation into a modern on-call room suite is not feasible; those spaces lack modern, efficient temperature control and are located along a public corridor, making personal security a significant concern. The current space is also not ADA compliant.

The new location on PWB 1 will be an inter-professional, collaborative space with quick access to the hospital, and is designed as a secure suite with card reader access and security cameras. Additional on-call rooms will be provided as well as ADA compliant showers and restrooms, including gender-neutral options. The on-call rooms will have updated temperature controls, more suitable for rest and sleep.

2. Scope of Project

This renovated space will consist of 8,200 GSF for on-call rooms and support space, including 35 private on-call rooms with new furnishings, ADA compliant toilet and locker room facilities, exercise space, and a lounge with kitchenette.

3. Master Plan

The project complies with the Twins Cities Campus Master Plan dated March 2009.

4. Environmental Issues

Identified remediation costs include hazardous material removal within the renovated areas: asbestos-containing ceiling tile, floor tile, fireproofing, insulation, mastics, and putties. The project budget accounts for this remediation as surveyed.

5. Cost Estimate

Construction Cost	$3,327,340
Non-Construction Cost	$ 644,660
Total Project Cost	$3,972,000

6. **Capital Funding**

Medical School	$1,126,316
Fairview Hospital	$1,719,367
University Debt	$1,126,317
Total Capital Funding	$3,972,000

7. **Capital Budget Approvals**

This project was approved as a Capital Budget Amendment at the October 2019 Board of Regents' meeting.

8. **Annual Operating and Maintenance Cost**

The facility operating cost is estimated to increase by $7,639/year. Per Fairview's lease agreement, this operating cost will be incorporated over the duration of the lease.

9. **Time Schedule**

Proposed Design Completion:	February 2020
Proposed Substantial Completion:	December 2020
Tenant Occupancy:	January 2021

10. **Project Team**

Architect:	BWBR Architects
Contractor:	JE Dunn

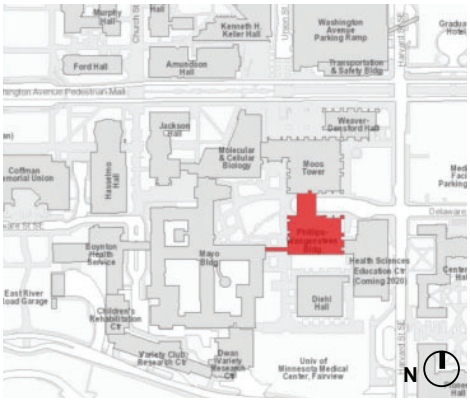
11. **Recommendation**

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

TOLAR

Jakub Tolar, Vice President for Academic and Clinical Affairs and Dean of Medical School

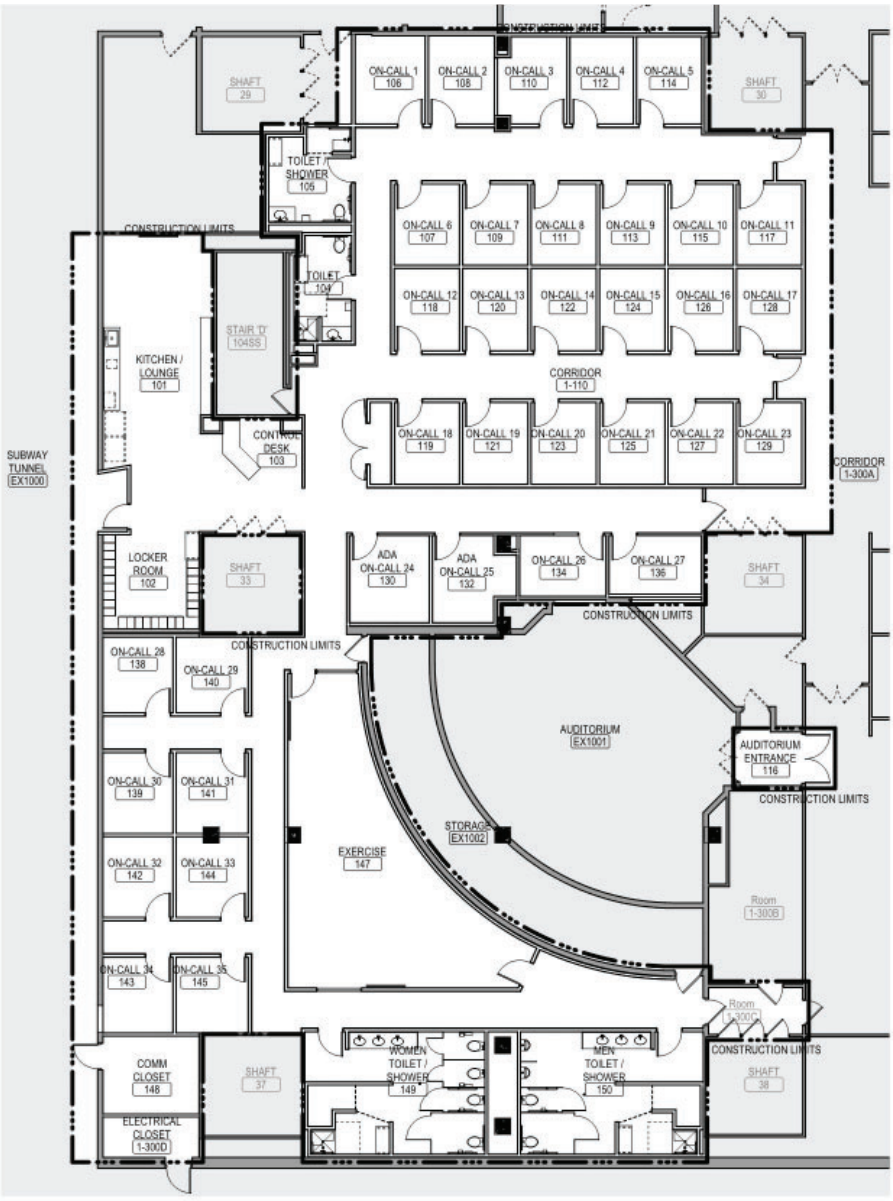
Brian Burnett, Senior Vice President for Finance and Operations



LOCATION MAP

KEY PLAN | PHILLIPS-WANGENSTEEN BUILDING | FIRST FLOOR

KEY PLAN



1ST FLOOR

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 13, 2020**

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. Annual Insurance and Risk Management Report
B. Capital Finance and Debt Management Report
C. Central Reserves Fund Report
D. Completed Comprehensive Review of Board Policy
E. Quarterly Purchasing Report
F. Results of the 2019 Employee Engagement Survey
G. State Capital Appropriation Expenditure Report

Annual Insurance and Risk Management Report

The purpose of this item is to provide an overview of the University's property, liability, and workers compensation insurance programs for FY 2019, including key metrics. The University's total cost of risk for FY 2019 (the sum of captive insurance costs, self - insurance costs, and the cost of commercially - purchased insurance) was $14.4 million dollars, an increase of 7.7 percent from FY 2018. During FY 2019, Risk Management worked with Capital Project Management on additional risk management and protection for the University's medical rare books collection, worked on enhancing protection for various systems at Phillips-Wangensteen Building, and evaluated the cost and availability of excess liability insurance coverage beyond the levels provided through RUMINCO. The unit's goals for FY 2020 include preparing for renewal of the University's property insurance program, exploring the adoption of an enterprise risk framework, and developing standards for claims reporting and notifications to carriers.

Capital Finance and Debt Management Report

The purpose of this item is to provide the Annual Capital Finance and Debt Management Report for FY 2019. This report is prepared and provided to the Finance & Operations Committee annually in conformance with Board of Regents Policy: *Board Operations and Agenda Guidelines*. Board of Regents Policy: *Debt Transactions* outlines the University's goals when issuing debt. The Annual Capital Financing and Debt Management Report was last provided in February 2019.

Central Reserves Fund Report

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

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

The purpose of the central reserves fund is to insulate the University from potential major financial risks, including unanticipated or uninsured catastrophic events, temporary institutional revenue declines or expenditure gaps, unforeseen legal obligations and costs, failures in central infrastructure or failures of major business systems. Under normal circumstances, Board policy holds that the central reserves fund should not fall below 4 percent of state appropriations, or $25,000,000, whichever is greater. For FY 2020 the desired balance in the fund based on actual appropriations would be $27,762,920.

The approved budget plan for FY 2020, included a planned beginning balance of $41,748,219; net revenues and transfers in totaling $34,857,324; a transfer to O&M of $6,932,000, and transfers/payments out of $14,319,780, resulting in an ending balance of $55,353,763. At this point in the year, those estimates have been updated as follows:

- The beginning balance has decreased to reflect the actual amount carried forward from FY 2019: it is now $41,615,727 or $132,492 less than the approved budget. The carry-forward from FY 2019 is less than anticipated due to:
  - final carryforward from FY 2018 to FY 2019 was $672,130 more than estimated;
  - final FY 2019 investment income net of fees was $786,091 less than estimated;
  - miscellaneous income was $265,000 more than estimated due to an unbudgeted reimbursement; and
  - transfers/payouts were $283,531 more than estimated due to a correction to the final year of a commitment to the College of Biological Sciences ($240,000) and a higher than anticipated FY 2019 Temporary Investment Pool (TIP) interest payment to the state of Minnesota on balances from projects appropriated through the Legislative Citizens' Commission on Minnesota Resources ($43,531).

- Net revenues for the year are currently projected to be $33,979,622, which is $877,702 less than the approved budget due to:
  - Net revenue into the fund from investment earnings and changes in capital gains is projected to be $1,203,520 less than anticipated primarily due to a $10 million reduction in the estimated average TIP balance and a slight reduction in the projected average yield on those balances (2.09 percent to 1.99 percent) driven by lower interest rates;
  - Total fees and expenses related to managing the investment activity (bank and custody fees plus operating expenses of the Office of Investments and Banking) are projected to be $125,000 less than anticipated due to a higher earnings credit at Wells Fargo; and
  - "Other Income" increased $818 due to a miscellaneous sales tax refund.

- Total allocations and transfers out increased $11,642 because the actual FY 2020 payment to the state of Minnesota for TIP earnings on balances from projects appropriated through

the LCCMR was more than estimated ($196,642 compared to the estimate in the budget of $185,000). Fourth quarter earnings rates on the balances were higher than expected.

The combined impact of these updated estimates decreases the projected balance in the central reserves fund for June 30, 2020 by $1,021,836 to $54,331,927. The approved FY 2020 budget for Central Reserves and the updated estimates for FY 2020, with variances, are displayed below.

	Approved FY20 Budget	Updated FY20 Estimates	Updated Estimates vs. Approved Budget
Carryforward	$41,748,219	$41,615,727	($132,492)
Net Investment Earnings	$34,857,324	$33,978,804	($878,520)
Legal Settlements/Misc. Income	$0	$818	$818
Transfers to O&M	($6,932,000)	($6,932,000)	$0
Total Net Revenues	$27,925,324	$27,047,622	($1,010,194)
Operating Allocations	$14,319,780	$14,331,422	$11,642
Legal Settlement Transfers	$0	$0	$0
Total Allocations/Transfers	$14,319,780	$14,331,422	$11,642
Ending Balance	$55,353,763	$54,331,927	($1,021,836)

The annual report on Central Reserves is submitted as an information item to the Finance & Operations Committee every February. Estimated revenues, transfers and allocations in Central Reserves for the current and coming fiscal years are included in the President's Annual Operating Budget submitted to the Board for review and approval in May and/or June of each year.

Completed Comprehensive Review of Board Policy

The purpose of this item is to inform the committee that the comprehensive review of the following Board policy has been completed and the policy implementer has recommended that no changes be made at this time:

Board of Regents Policy: *Postemployment*

If there are items that the committee would like addressed, those will be recorded and referred back to the policy implementer. If the committee raises no additional items, the comprehensive review process will be complete and the date of last comprehensive review will be noted within the policy.

Quarterly Purchasing Report

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

- Summary of Purchasing Activity.
- Purchases made as Approved Exceptions to Competitive Process.
- Purchases made as Preapproved Exceptions to Competitive Process.
- Violations of Board of Regents Policy: *Purchasing*.

Results of the 2019 Employee Engagement Survey

The purpose of this item is to share the 2019 Employee Engagement Survey Results. The Employee Engagement survey is the only opportunity for faculty and staff to provide confidential feedback about their experience working at the University. The survey is intended to provide data to leaders in order to celebrate strengths and focus efforts for positive change. The results of the 2019 Employee Engagement Survey show a consistent level of engagement among faculty and staff overall. The results clearly make the connection between taking action on 2017 survey results and positive change. Both faculty and staff reported the largest gains since the last survey in 2017 on items related to survey follow up.

State Capital Appropriation Expenditure Report

The purpose of this item is to provide the committee with a report that has been submitted to the Minnesota Legislature as required by Minnesota State Statutes:

- Capital Appropriation Expenditure Report

UNIVERSITY OF MINNESOTA

Annual Report
of the
Office of Risk Management and Insurance
as of Fiscal Year Ended
30 June 2019

Table of Contents

I. Overview

Mission of the Office of Risk Management and Insurance

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

The Risk Management Team:

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

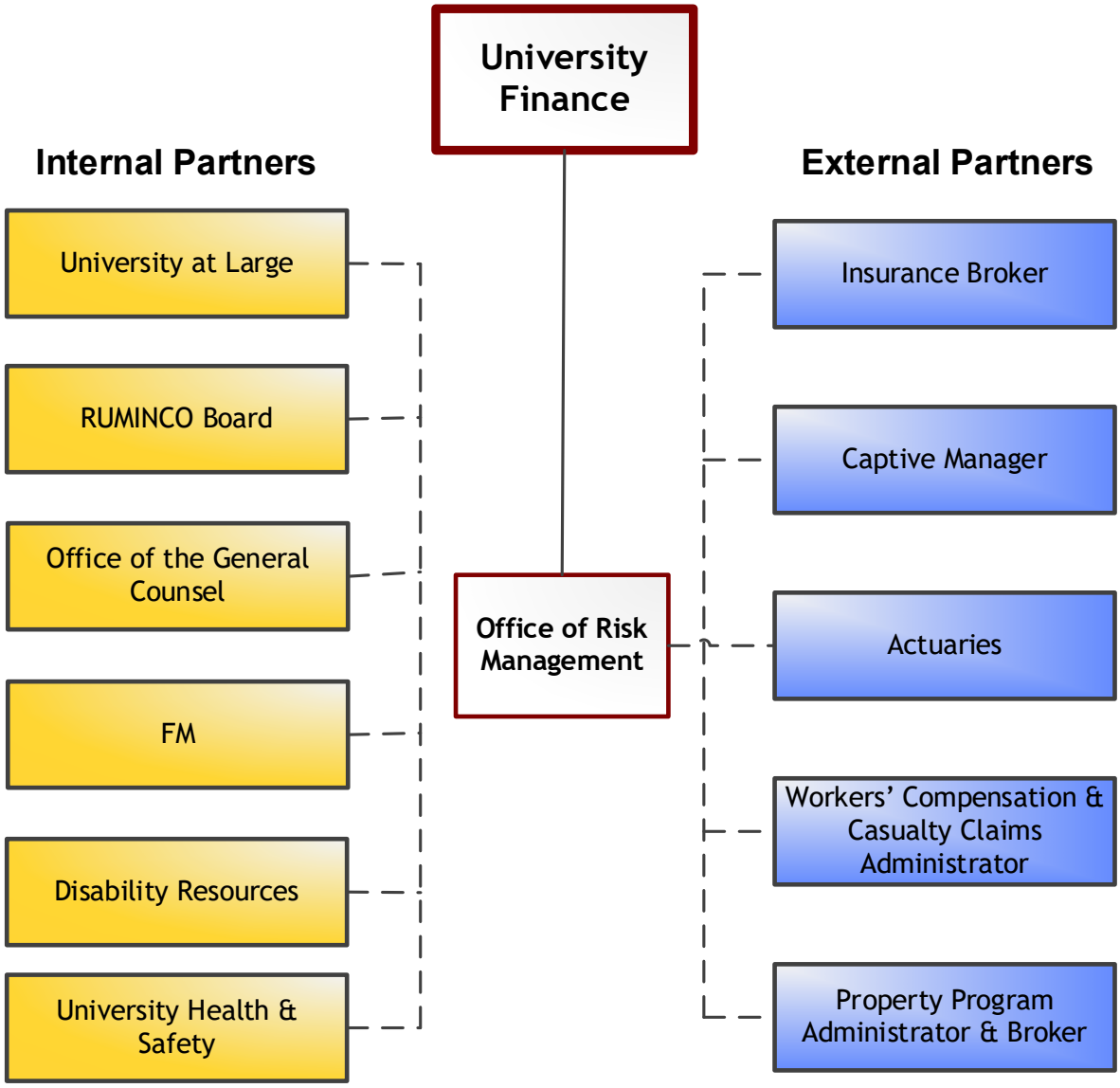
Risk Management uses commercial insurance, captive insurance, and self-insurance to transfer, or budget for, monetary loss arising from risk. It is responsible for the design, procurement, implementation, and maintenance of these programs. Risk Management routinely consults with the Office of General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

This report summarizes the scope of operations of the University's Office of Risk Management and Insurance as of fiscal year end June 30, 2019.

Organizational Structure

The Office of Risk Management:

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



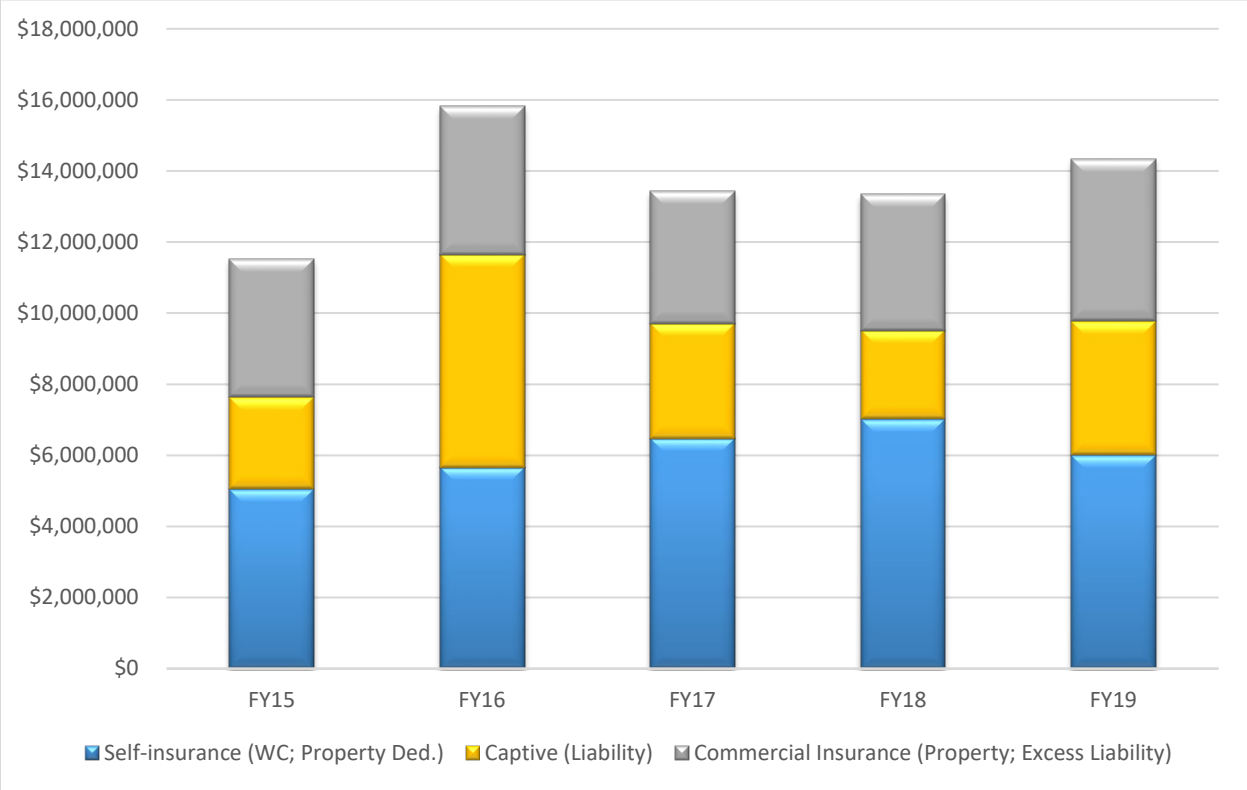
Total Cost of Risk Summary

University of Minnesota

Total Cost of Risk: Fiscal Years 2015 – 2019

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

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



Total Cost of Risk averaged $13.7 million over the past five years.
Over the past five years, the cost to transfer risk to outside entities (Insurers) has averaged 30% of our Total Cost of Risk; 70% of TCOR arises from cost-effective internal structures.

Total Cost of Risk Summary

COST ITEM	FY15	FY16	FY17	FY18	FY19
Captive					
Liability Ultimate Loss (EST.)	$ 1,451,488	$ 4,816,934	$ 2,004,012	$ 996,301	$ 2,216,705
Liability Claims Administrator	$ 56,333	$ 56,045	$ 44,428	$ 37,875	$ 55,023
Captive Administrative Expenses [1]	$ 109,878	$ 105,510	$ 109,793	$ 242,716	$ 186,354
OGC Expenses	$ 965,031	$ 1,010,487	$ 1,070,267	$ 1,216,563	$ 1,314,998
Total Captive	**$2,582,730**	**$5,988,976**	**$3,228,500**	**$2,493,455**	**$3,773,080**
Self-Insurance					
Workers' Compensation Ultimate Loss (EST.)	2,735,723	3,412,376	3,853,978	4,238,423	4,462,101
WC Reinsurance Association	156,489	177,439	200,430	162,744	124,598
Special Compensation Fund	179,642	339,746	272,944	231,580	194,858
WC Claims Administrator	297,777	317,449	333,468	386,366	398,305
Litigation Cost	346,676	455,100	341,339	248,438	262,958
Bill Review Service	32,694	32,281	31,652	46,552	32,059
WC Actuarial	9,892	9,402	8,243	7,899	5,050
WC Total	3,758,893	4,743,793	5,042,054	5,322,002	5,479,929
Retained Property Losses [2]	1,269,217	875,304	1,422,571	1,681,074	504,599
Electronic Data Processing [3]	27,288	35,975	5,311	12,631	30,262
Total Self-insurance	**$5,055,398**	**$5,655,072**	**$6,469,936**	**$7,015,707**	**$6,014,790**
Commercial Insurance					
All Risk Property	$3,268,222	$3,578,633	$3,139,232	$3,020,524	$3,177,378
1st Excess General/Auto Liability - Extra MN	250,044	262,012	261,296	269,441	269,441
High Excess General/Auto Liability - Extra MN	-	-	-	-	267,831
Educators Legal Liability	-	-	-	-	314,393
Cyber Security Liability	-	-	18,193	218,314	221,871
Excess Clinical Trials Liability - Extra MN	184,506	135,000	119,286	119,286	118,000
Intercollegiate Athletics	33,500	33,500	33,500	33,500	44,788
Hull, Liability, Pollution (Blue Heron Ship)	28,659	27,494	27,494	27,494	28,299
Other States Workers Compensation	5,386	26,383	14,864	26,129	8,987
Fidelity & Crime	22,015	22,015	22,015	23,059	23,061
Fine Arts	18,827	20,934	20,934	20,934	20,934
Nonowned Aircraft Liability	22,000	20,900	20,900	20,900	20,900
Showboat [4]	13,300	6,480	-	-	-
Broadcaster's Liability	5,594	5,594	5,412	5,412	5,412
Child Care Center AD&D	1,198	1,704	1,687	1,687	1,687
Upward Bound AD&D	406	406	406	406	424
Brokerage	38,337	38,337	37,869	40,685	41,905
Total Commercial Insurance	**$3,891,994**	**$4,179,392**	**$3,723,088**	**$3,827,771**	**$4,565,311**
GRAND TOTAL COST OF RISK	**$11,530,122**	**$15,823,440**	**$13,421,524**	**$13,336,934**	**$14,353,181**

[1] Captive Administrative Expenses includes U-wide harassment training.
[2] Amount of Insurable property losses between $10,000 and deductible.
[3] EDP coverage is self-insured; figure shows losses excess $500.
[4} Showboat management agreement w/Padelford ended 9/30/16. CLA transferred ownership of the boat after the final performance season (July-Aug 2016).

II. Risk Finance Programs

General Approaches to Risk Finance

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

- ***Risk retention*** (often called "self-insurance") is characterized by the assumption (retention) of financial risk consequences. This retention ranges from a deductible to carrying no insurance whatsoever. Optimally, risk retention is the result of pre-considered choice.

- ***Risk transfer*** is characterized by the passing of the financial consequences of risk to a third party (typically an insurer) via purchase of a contract (typically an insurance policy) that specifies the terms and conditions of the transfer.

Broadly, the University treats its risk as follows:

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

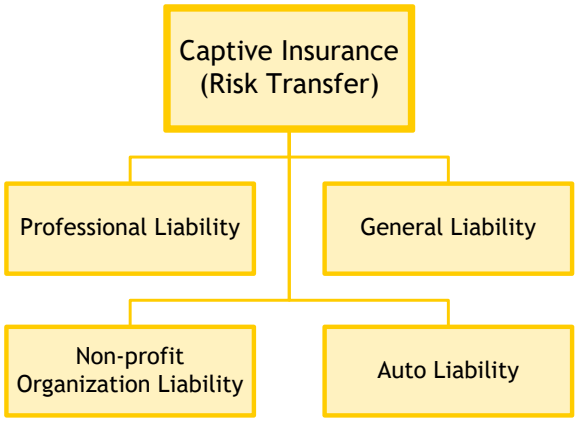
There are specific rationales behind the decision to transfer or retain a specific risk. Because retaining one's own risk (within limits) tends to be more economical in the long run than paying a third party to assume it, the guiding principle has been for the University to retain risk, to the extent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

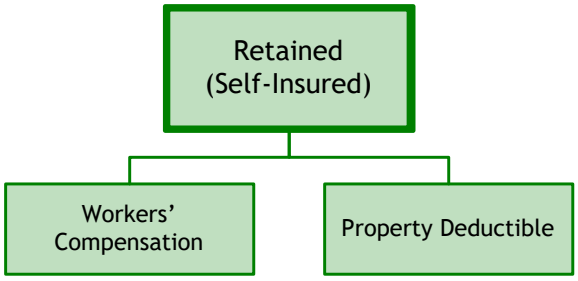
Generally, this principle is not useful when the University is exposed to truly catastrophic loss potential. A good example of this is the property associated with the University's campuses. The University owns over $15 billion in property, and carries a $2 billion property insurance limit. We cannot fund losses at that level internally, so we purchase an insurance contract to transfer the exposure to a third party.

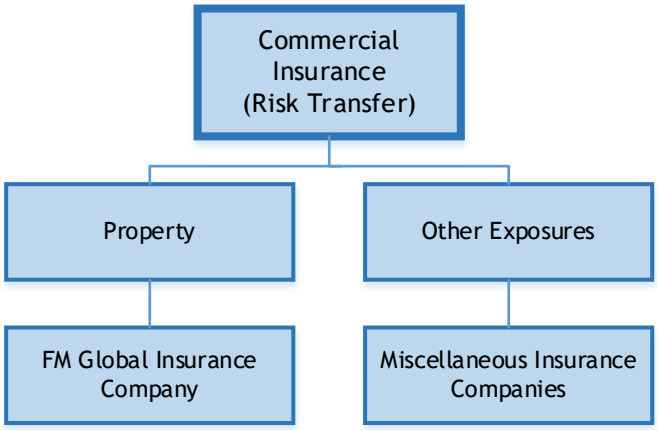
University Structures

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

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



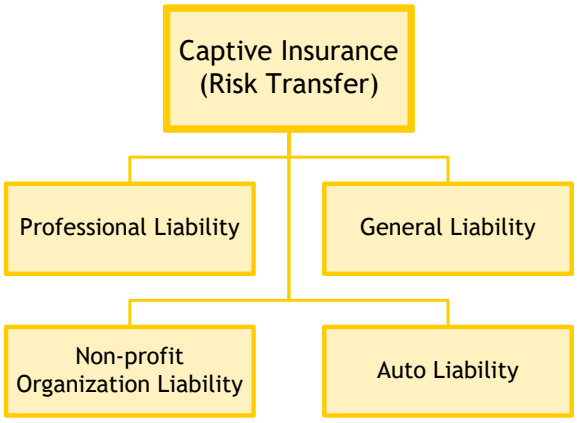




The Office of Risk Management monitors the University's loss trends and the insurance marketplace to determine the optimal risk financing strategy. This process includes ongoing reviews of the University's loss exposures, claim frequency and severity, and trends in each.

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

CAPTIVE INSURANCE



RUMINCO, Ltd.

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

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

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

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

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

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

RUMINCO, Ltd. Coverage Overview

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

Principal Exposures:

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

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

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

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

Principal Exposure:

Frequency and Severity: Medical Malpractice

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

Principal Exposures:

Frequency: Collision damage to third parties' vehicles

Severity: Vehicle accidents involving multiple-passenger vehicles

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

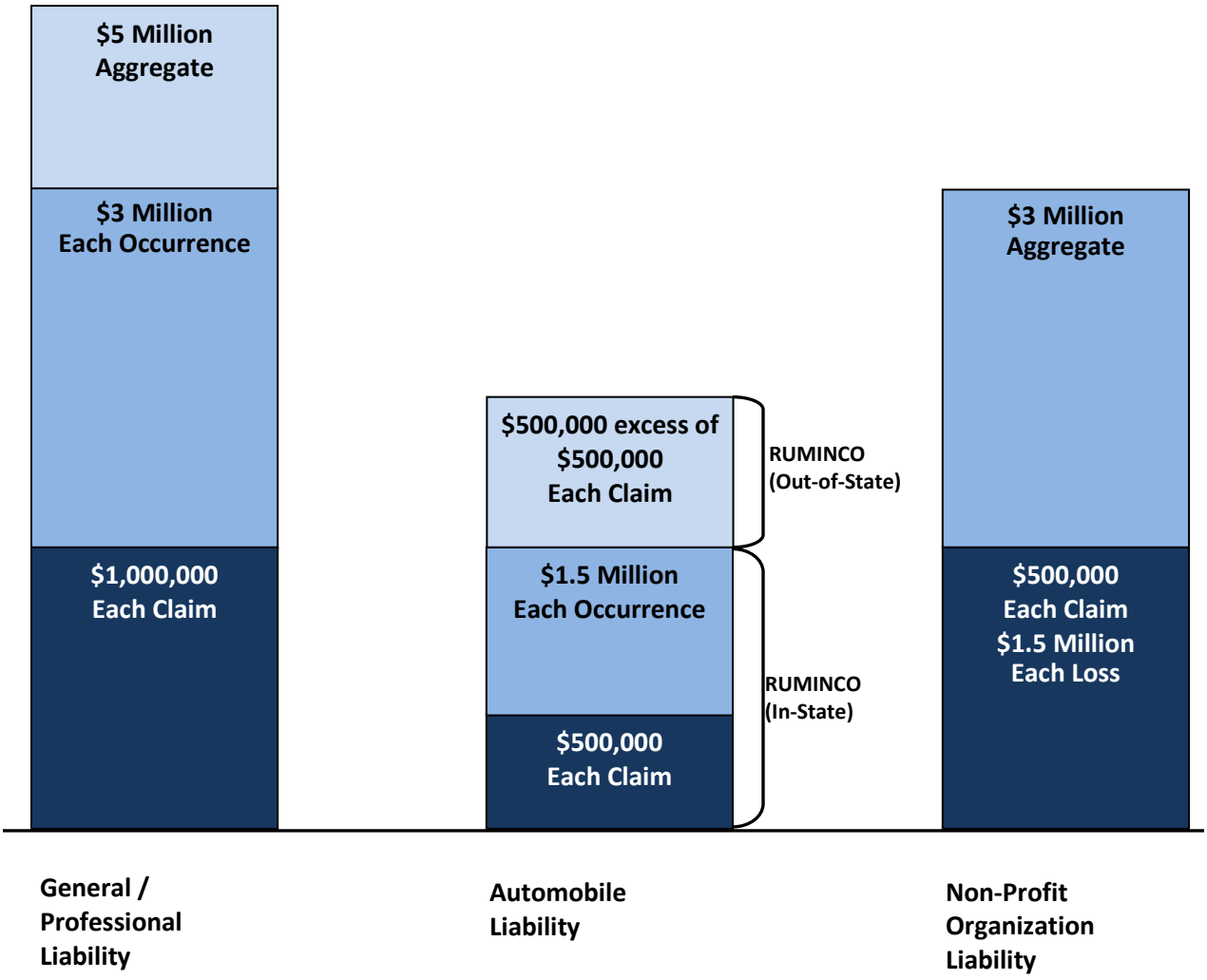
- Directors' and Officers' Liability
- Employment Practices Liability
- Personal Injury e.g., libel, slander, defamation, emotional distress

Principal Exposure:

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

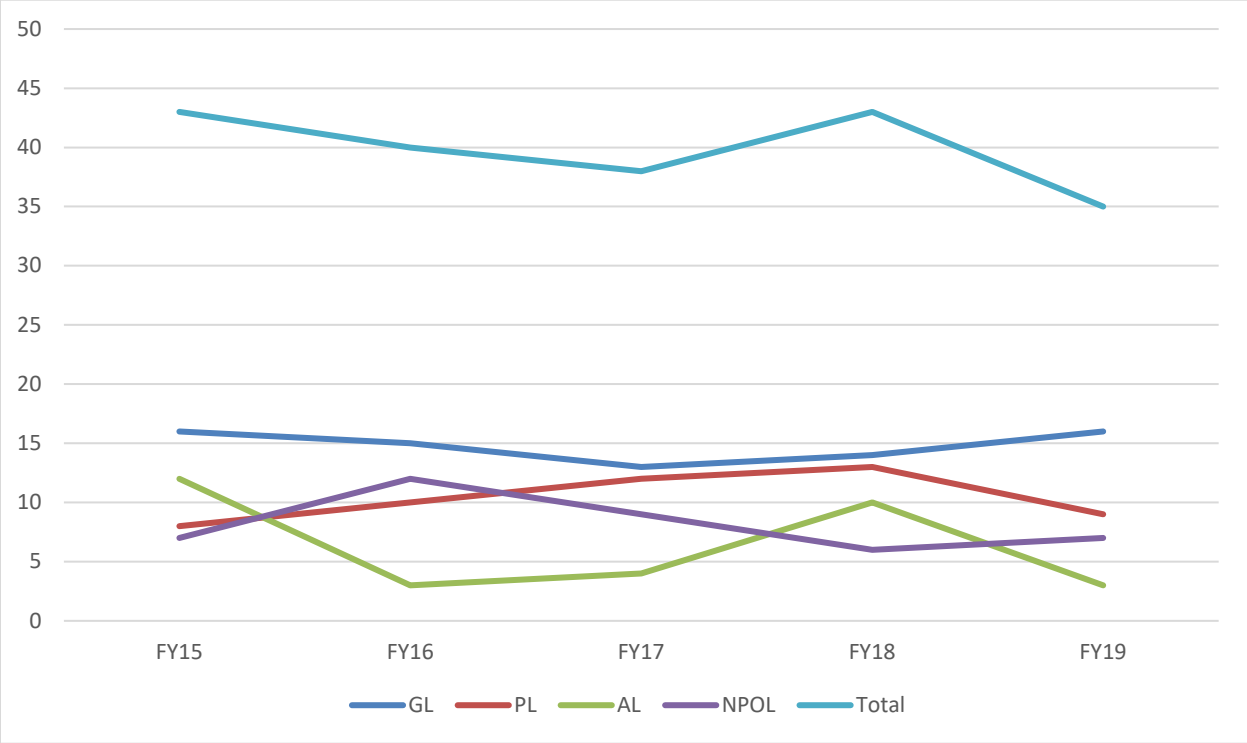
Summary of RUMINCO Ltd. Limits

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



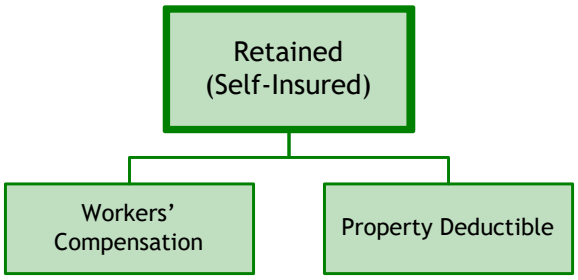
RUMINCO Ltd. Claims Experience

Claim Count by Fiscal Year



Claim frequency for the four RUMINCO lines of liability coverage over the past five years.
Total RUMINCO Claim Count has been fairly steady.

RETAINED (SELF-INSURED)



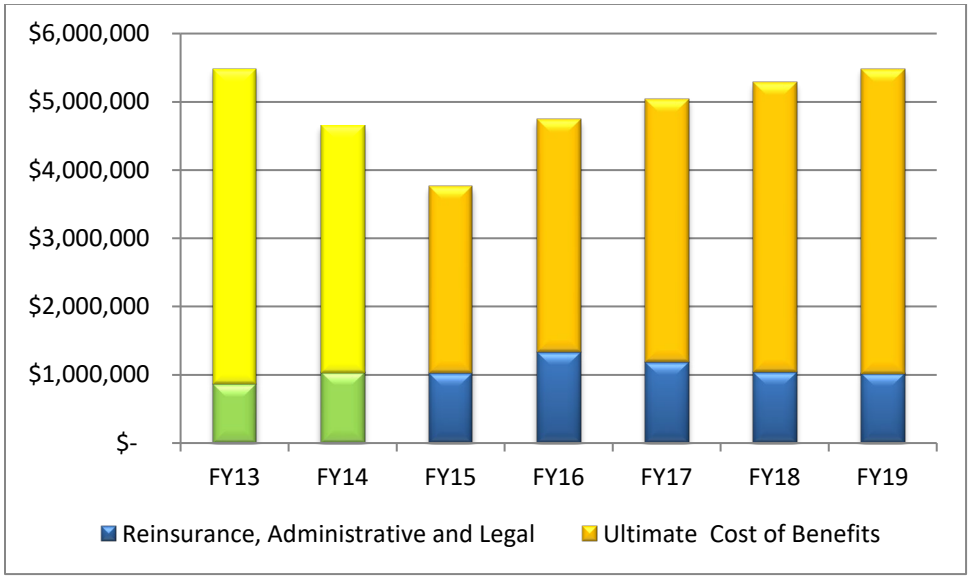
Workers' Compensation Overview

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

The University is a qualified self-insurer under Minnesota law, assuming liability up to $2,000,000 in any one Workers' Compensation occurrence. The Workers' Compensation Reinsurance Association (WCRA), an excess insurer for catastrophic claims created by the State of Minnesota, provides excess protection.

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

Workers' Compensation Program Costs

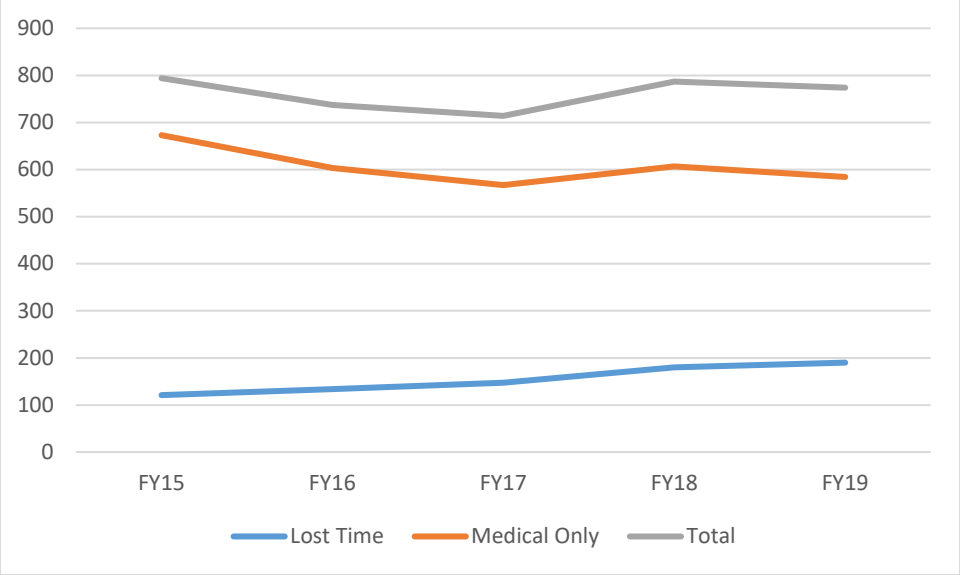


Most cost volatility arises from the Ultimate Cost of Benefits.

The five year trend seems a 'steady march' upward; inclusion of FY13 and 14 (light yellow/bright green) suggests that appearance is a statistical anomaly; we will monitor this.

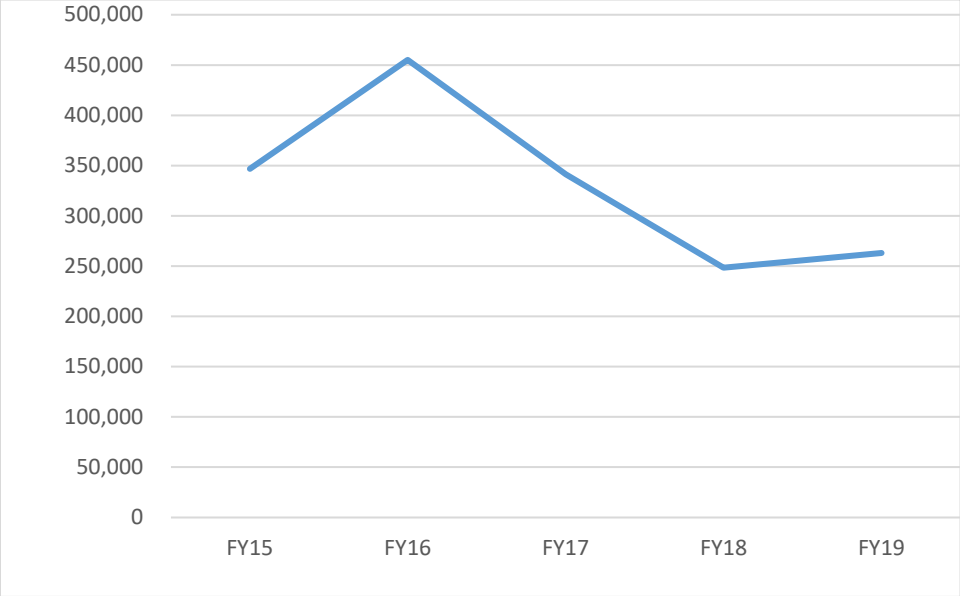
Workers' Compensation

Workers' Compensation Claim Count



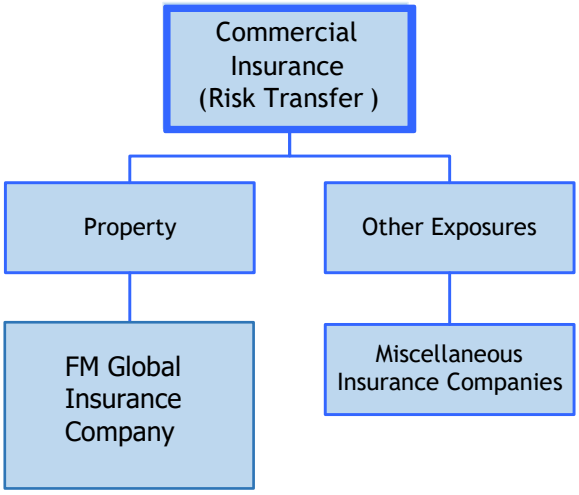
Overall claim count has been stable.

Workers' Compensation Legal Expense



Legal expenses have returned to typical levels. FY16 required expensive litigation.

COMMERCIAL INSURANCE



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

Reasons to commercially transfer risk include:

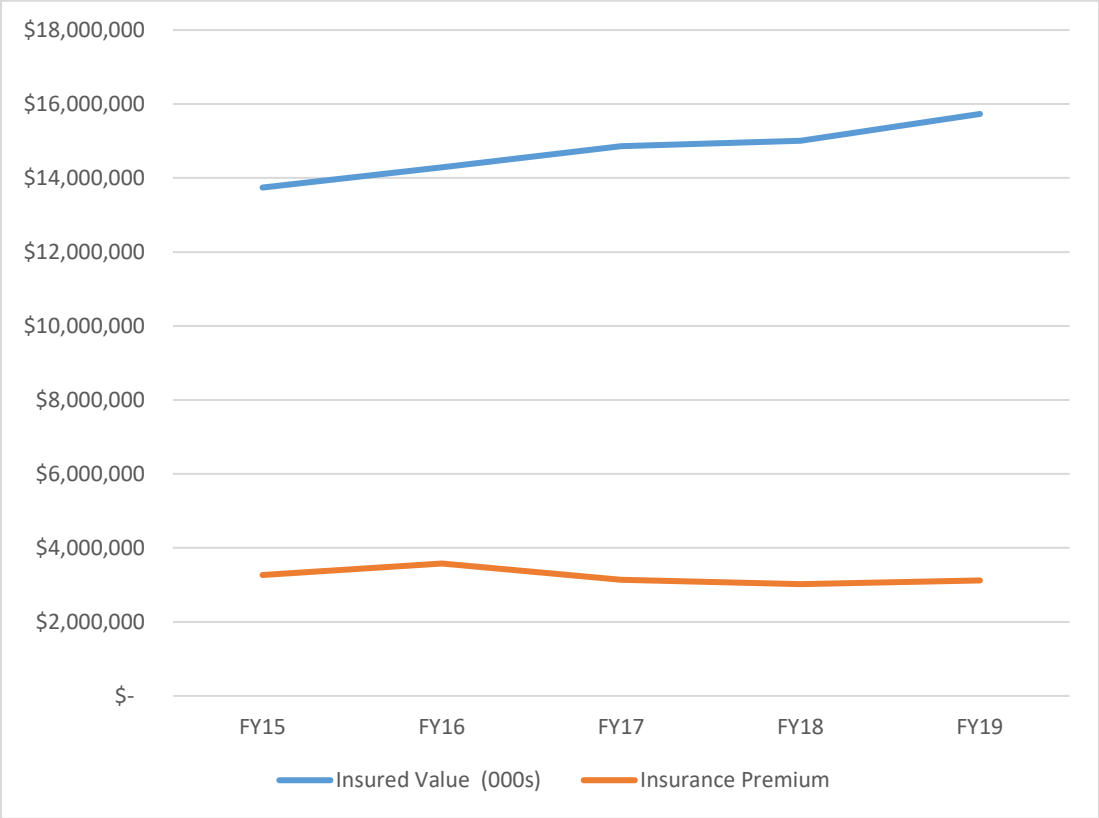
- High limits that would be difficult or impossible to self-fund ($40 million Extra MN General/Auto Liability; $10 million Extra MN Clinical Trial Liability; $2 billion Property Insurance) and
- Customer/public relations, low price of transfer, or demands by third parties (NCAA Athletic Injury Primary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

Property Insurance

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

Property insurance premiums equal the Rate times the Insured Value. We realized an immediate rate decrease on beginning our relationship with FM Global on 07/01/16 (FY17). FM Global has provided the University a guaranteed fixed rate since then; subsequent premium changes are a result of property values changes, or policy holder dividends from the insurer.

Premium and Insured Value History

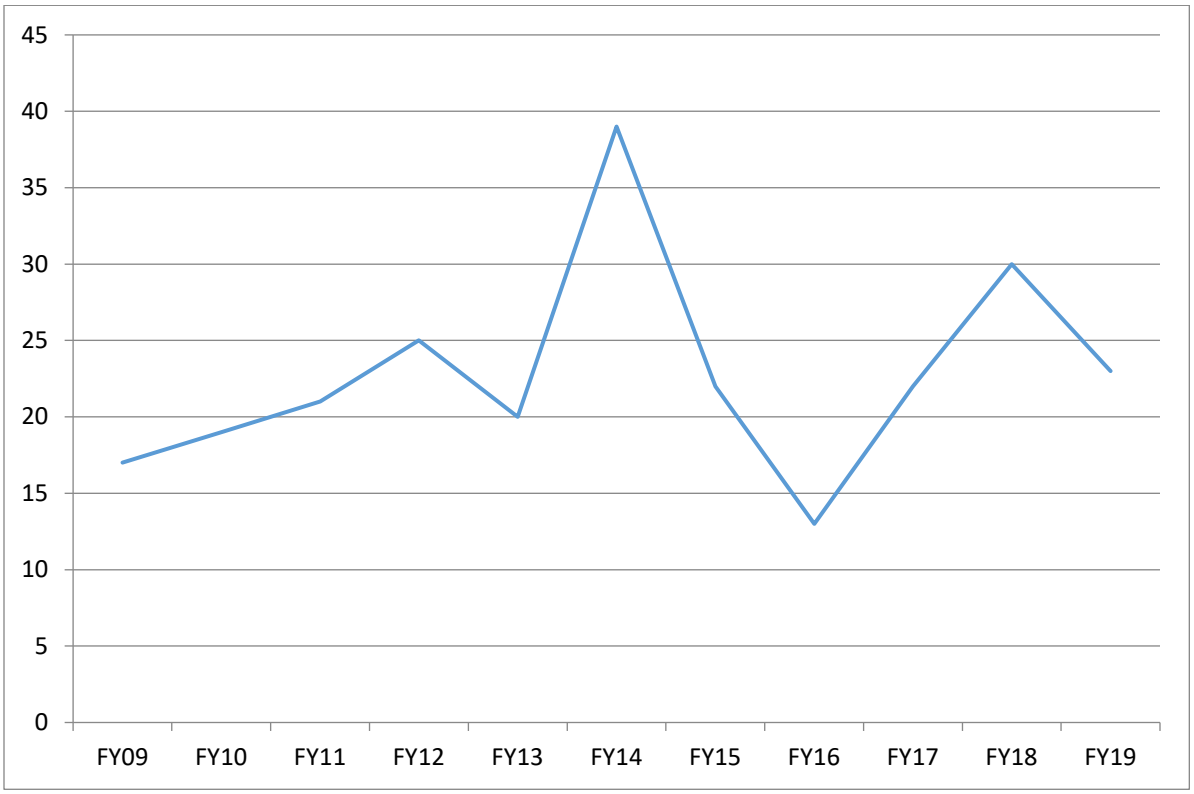


A fixed rate and policy holder dividends have caused insured value growth and premium to positively diverge since FY16.

Property Insurance

Property Insurance covers risks of direct physical loss or damage to the "covered property" as defined in the policy, subject to sublimits and exclusions. Property Insurance represents 70 percent of the University's commercial insurance premium outlay.

Property Claim Count by Fiscal Year



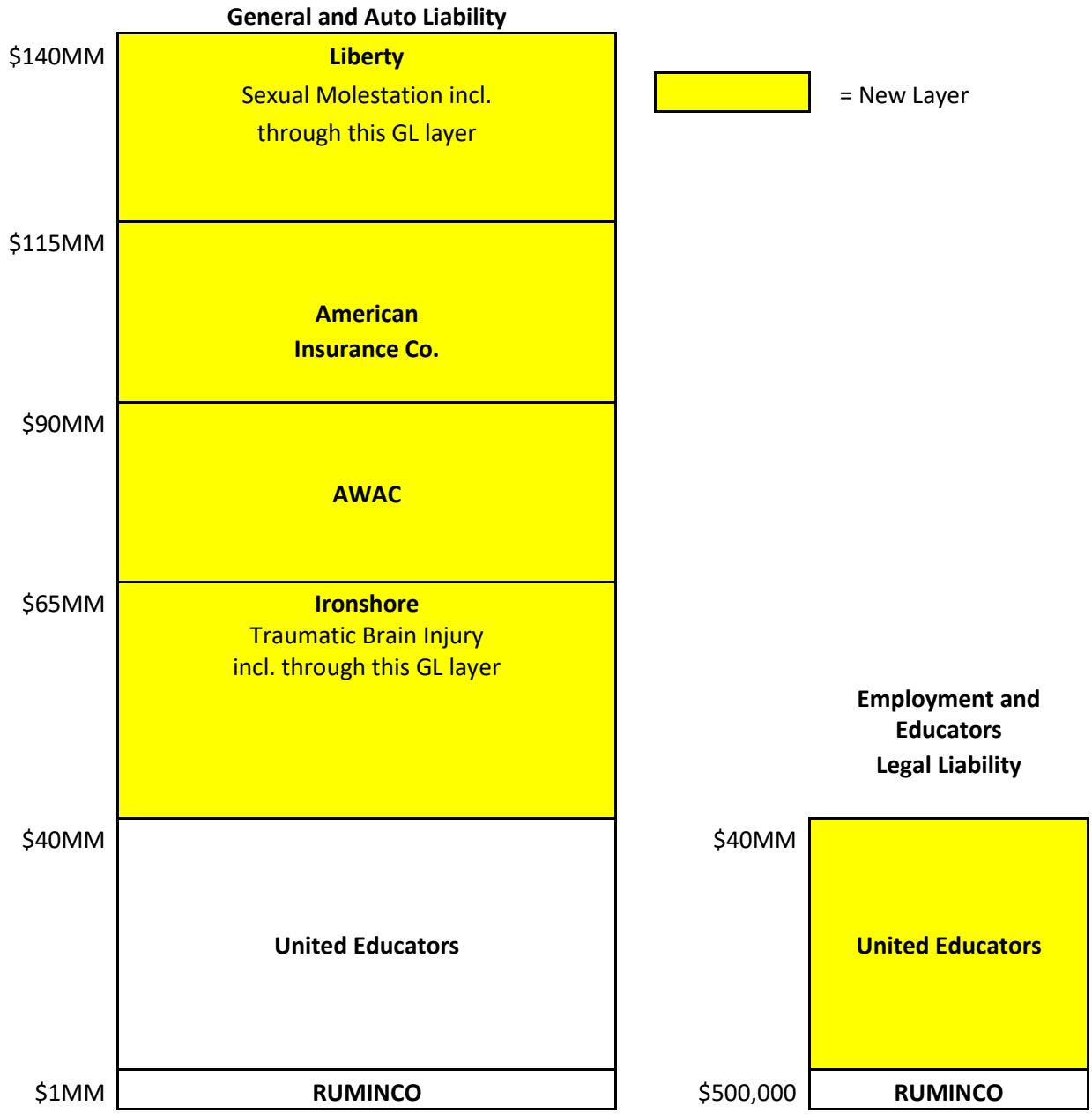
Property claim count for FY19 matched the 10 year average of 23 claims per year.

FY14's winter was extraordinarily cold, which caused many domestic water pipe failures.

In FY19 no paid losses exceeded $200,000.

Excess General, Automobile, Employment Practices and Educator's Liability

In response to the litigation environment around Sexual Molestation, Traumatic Brain Injury and Employment Claims, and the potential for large awards, we purchased more limits this year to cover events that may fall outside tort cap protections.



Miscellaneous Commercial Insurance Coverage

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

CYBER SECURITY LIABILITY – EXTRA MN: $10 million in coverage excess a $250,000 Self-insured Retention (Deductible) for Cyber Security liabilities the University may incur outside the jurisdiction, and Tort Cap protection, of Minnesota law.

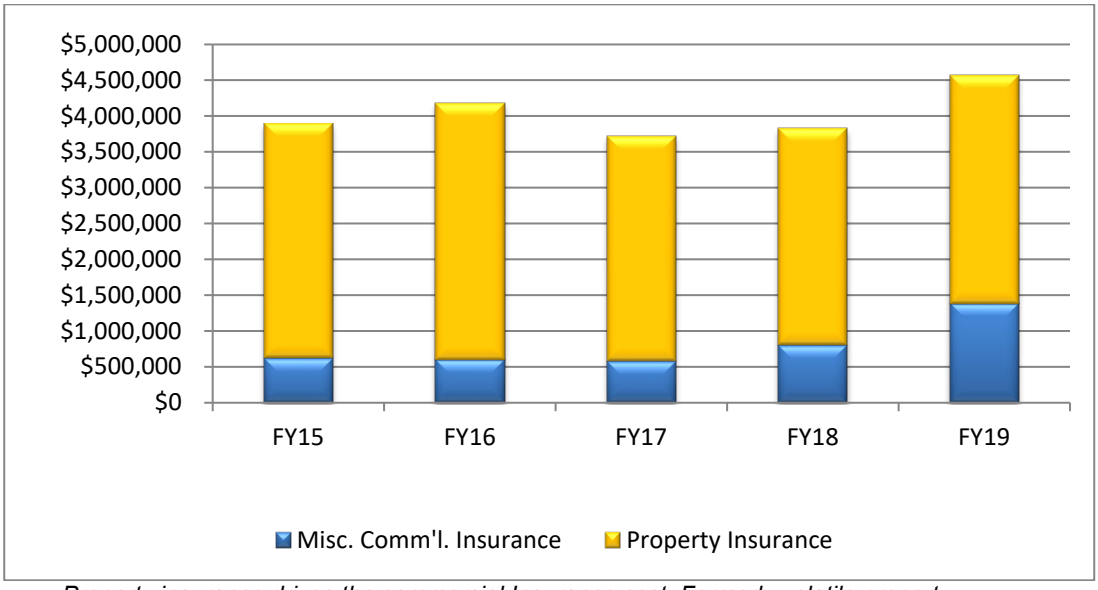
EXCESS CLINICAL TRIALS LIABILITY – EXTRA MN: $10 million in coverage excess a $1 million Self-insured Retention (Deductible) for Clinical Trials liabilities the University may incur outside the jurisdiction, and Tort Cap protection, of Minnesota law.

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

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

OTHER STATES WORKERS COMPENSATION: To comply with local statutes, we purchase Workers Compensation to cover workers permanently stationed in states other than Minnesota.

Property vs. Miiscellaneous Commercial Insurance



Property insurance drives the commercial Insurance cost. Formerly volatile property insurance premiums have stabilized since moving to the new carrier in FY16.
Adding high excess Liability insurance layers in FY19 drove up the Miscellaneous Commercial Insurance cost.

Fiscal Year 19 Workplan Status

Medical Rare Books Library Collection Move

Libraries is moving $150,000,000 in rare medical books and manuscripts into new space. We advocated taking advantage of the transition to optimally protect these irreplaceable objects for future generations.

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

PWB Diesel Fuel System Enhanced Protection

Pipe systems route diesel fuel to fire pumps and generators within the Phillips Wangensteen complex. A fuel accident would present severe fire and smoke hazards. The PWB complex is due for renovations, which presented the optimal time for cost-effective protection improvements. We worked with Capital Planning and Project Management, Energy Management, Facilities Management and insurer FM Global to devise and implement enhanced protection for these critical systems.

Excess Liability

While Minnesota tort cap statute largely shields the University from sizable adverse judgements, some claims are not contained by that statute. We placed excess liability coverage over the existing limits, adding $100MM of General and Auto liability and $40MM of Employment Practices/Educator's Legal Liability.

Fiscal Year 20 Work Plan

Property Insurance Effective 07/01/21

Our property insurer has guaranteed a fixed rate on our insurance program since 07/01/16. That guarantee will end effective 07/01/21; the program renewal will then be subject to market forces. We will begin the groundwork now for an optimally priced property program renewal.

Enterprise Risk Management

Enterprise Risk Management is generally defined as a process of collection, analyzation, triage, prioritization and treatment of risk on an enterprise scale. We will begin to explore the question of what a more wholistic consideration of risk might look like at the University.

Claim Reporting

Relationships with outside, proprietary insurers introduce claim notification procedures that the University is not acquainted with. Lack of timely reporting can result in claim denials. We will work with our leaders to effectively communicate claim reporting requirements.

Annual Capital Financing and Debt Management Report
Fiscal Year 2019

Executive Summary and Highlights

The University of Minnesota enjoys a very favorable debt profile, which results in low borrowing costs to finance capital projects. During FY 2019, the University executed on several initiatives designed to save money on existing outstanding debt and lower future borrowing costs.

Key debt-related metrics at June 30, 2019 include:

- The University's *total long-term debt outstanding* was approximately **$1.6 billion**.
- The *weighted average cost of capital* was approximately **2.98%**.
- The *ratio of tax-exempt to taxable deb*t was approximately **89% tax-exempt/11% taxable**.
- The *mix of fixed-rate and variable rate debt* was approximately **82% fixed** and **18% variable**.
- The University's *debt is rated* **Aa1** by Moody's Investors Service and **AA** by S&P Global.
- *Debt service paid* (principal and interest) has been approximately $150 million in each of the last two years, of which approximately **$95 million** was applied to paying down debt principal.
- The University has realized *net present value savings* of almost **$50 million** since 2015 *by refinancing* previously-issued debt on or before optional redemption dates.

Notable Fiscal 2019 debt activity included:

- Approximately $75 million in commercial paper (CP) was issued under the revolving CP facility throughout fiscal 2019 to pay for a portion of certain capital projects under construction and to fund three individual property purchases.

- In May 2019, the University issued approximately $175 million of general obligation bonds to refund 100% of the CP Series H outstanding and $11,000,000 of the CP Series I outstanding, to fund portions of capital projects, and to refund and defease two series of Build America Bonds outstanding.

Long-Term Debt

Debt financing allows the University to pay for an asset over a period of time, rather than pay for it at the time of purchase. Debt is issued to fund capital projects, and is prohibited to be used to fund University operating costs, per Board of Regents policy, *Debt Transactions*. Each debt transaction of the University is completed in the most effective and professional manner, in accordance with the highest standards of the industry, laws and governmental practices, and to meet the following objectives:

- Preserve the University core debt ratings at the target levels established by Board Policy

- Maintain financing flexibility on all debt issued by the University through the use of broad guidelines for identifying and managing debt capacity, choosing fixed and floating rate mix, using various financing instruments, and engaging in refunding opportunities

- Minimize borrowing costs and manage market risk

- Follow all related laws and regulations

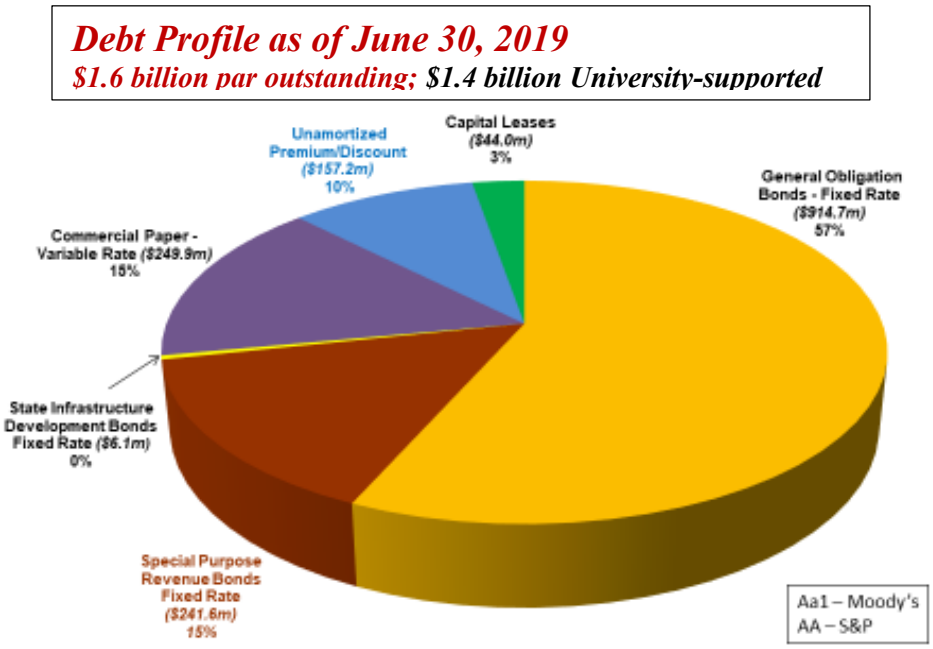
The majority of the University's outstanding debt can be categorized in one of the following three designations:

- General Obligation (GO) Bonds – long-term fixed rate bonds secured by the full faith and credit of the University. Bonds have been issued as either tax-exempt or taxable with 20, 25, or 30 year maturities. Each series has been structured with approximately equal annual debt service payments over its life. The tax-exempt bonds generally are issued with a 10-year optional redemption at par.

- Special Purpose Revenue Bonds (State Supported Debt) – long-term fixed rate bonds that are special limited obligations of the University. These bonds were issued by the University for TCF Bank Stadium and the Biomedical Science Research Facilities, but Minnesota law provides for an annual appropriation to reimburse the University for the annual debt service on these bonds. No other revenues or assets of the University, nor the full faith and credit of the University, is pledged for the payment of the principal or interest on these bonds.

- Commercial Paper (CP) Notes – short-term obligations that are backed by the full faith and credit of the University. With maturities of 1 to 270 days, the CP is classified as current liabilities in the financial statements. However, the University currently treats the outstanding CP as a long-term financing vehicle, thus renewing the notes for extended periods as they come due, with annual required "pay-downs" established in the original offering memorandums.

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



The table below reflects the beginning and ending balances and fiscal 2019 activity of the various debt series summarized in major categories:

(000s omitted)	Final payment due in fiscal year	Beginning Balance June 30, 2018	Additions	Reductions	Ending Balance June 30, 2019
General Obligation Bonds - Series 2019A, 2019B, 2017A, 2017B, 2016A, 2014B, 2013A, 2011D, 2011A, and 2010C (tax-exempt)	2044	$ 693,910	$ 155,455	$ 43,895	$ 805,470
General Obligation Taxable Bonds - Series 2019C, 2017C, 2015B, 2013B, 2010D, and 2009D	2044	94,270	20,000	63,260	51,010
General Obligation Taxable Bonds – Series 2013D, 2011C, and 2010B (University Supported Biomedical Science Research Facilities Funding Program)	2039	60,575		2,360	58,215
Special Purpose Revenue Refunding Bonds – Series 2015A (State Supported Stadium Debt)	2032	80,745		4,995	75,750
Special Purpose Revenue Bonds – Series 2013C, 2011B, 2010A (State Supported Biomedical Science Research Facilities Funding Program)	2039	171,655		5,795	165,860
Commercial Paper Notes Series A, B, C, D, F, G and H (tax-exempt) and E and I (taxable)	2022 – 2044	270,520	74,999	95,599	249,920
Obligations to the State of Minnesota pursuant to Infrastructure Development Bonds (IDB)	2025	8,534		2,392	6,142
Balance – at par		**1,380,209**	**250,454**	**218,296**	**1,412,367**
Unamortized premiums and discounts	2044	133,525	30,460	6,847	157,138
Capital leases and other	2025	28,056	22,420	6,499	43,977
TOTAL PER FINANCIALS		**$ 1,541,790**	**$ 303,334**	**$ 231,642**	**$ 1,613,482**

No hedging transactions exist in the debt portfolio at June 30, 2019.

The University's **weighted average cost of capital** at June 30, 2019 approximates **2.98%.**

Fiscal 2019 Activity

Commercial Paper Activity
A total of $57,627,000 in tax-exempt CP Notes Series H were issued during fiscal year 2019 with the first issuance occurring in July 2018 in the amount of $20,000,000. Proceeds were used for construction costs of six specific capital projects.

Taxable CP Notes Series I totaling $16,000,000 were issued in November 2019. Proceeds were used to pay for a portion of the Pioneer Hall Project ($11,000,000) and for property acquisitions ($5,000,000).

The first issuance of tax-exempt CP Notes Series G occurred in late June 2018 in the initial amount of $32,000,000. Additional notes totaling $1,372,000 were issued during fiscal year 2019. The proceeds of the Series G Notes were used to pay for a portion of the cost of the Athletes Village Project.

General Obligation Debt Activity
In May 2019, the University issued 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 $104,215,000 with a premium of $21,041,000 for total proceeds of $125,256,000. Of that total, $57,627,000 was used to refund the CP Notes Series H outstanding that were issued during the fiscal year to fund six specific capital projects in construction. The remaining proceeds are being used to fund the remaining construction costs of the same six projects, plus three additional projects, plus finance the costs of issuance. The nine projects being funded include:

- Pioneer Hall renovation and construction;
- Health Science Education Center construction;
- Chemistry and Advanced Materials Science Building construction at UMD
- Renovation of existing space on the third and fourth floors of the Biological Sciences Center;
- New greenhouse addition to the Plant Growth Facilities for the College of Biological Sciences;
- Moo Tower Chiller installation;
- Aquatic Center HVAC system replacement & mechanical room construction;
- Biological Sciences Center HVAC system replacement and upgrade; and
- UMD Sports and Health Center ice rink HVAC systems upgrade

The Series 2019B was issued in the par amount of $51,240,000 with a premium of $9,419,000 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 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 $20,000,000. Proceeds of $11,000,000 were used to refund a portion of CP Series I outstanding that were issued during the fiscal year for the Pioneer Hall project, with the remaining $9,000,000 to be used for various capital projects and costs of issuance.

Long-Term Bond Credit Ratings

The University's debt is highly rated by two rating agencies – **Aa1** by Moody's Investors Service (Moody's) and **AA** by S&P Global Ratings (S&P) – which provides strong demand and competitive pricing in the marketplace for University bonds. Both rating agencies have their own methodologies that weight a number of factors to arrive at a letter rating.

Letter Ratings to Designate University Credit Quality

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

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

Moody's uses the broad weighting factors of market profile, leverage, wealth and liquidity, and operating performance, with subsets of each. Other credit considerations include multi-year trends, governance & management, debt structure, liquidity quality, government relationship, pension and other post-employment obligations, and healthcare operations. This methodology does not include an exhaustive treatment of all factors that might be relevant when evaluating an individual university's credit attributes. As stated in their April 15, 2019 rating report for the University of Minnesota:

> "The ***Aa1 rating*** assigned by Moody's reflects strong student and research market positions and ample balance sheet reserves, all incorporated in the University's excellent strategic position.
>
> 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."

S&P's methodology results in a convergence of a detailed analysis of a university's *"Enterprise Profile"* and "*Financial Profile"* with qualitative adjustments for compelling factors or qualifiers. The "enterprise profile" includes market position and demand, management and governance, industry risk, and economic fundamentals. The "financial profile" includes debt and contingent liabilities, financial resources, financial performance, and financial management policies. As reported by S&P in its April 15, 2019 ratings report:

> "The ***AA rating*** assigned by S&P reflects our view of the University's, 1) position as Minnesota's flagship research university and land-grant institution, 2) stable enrollment with some decline in freshman applicants, 3) manageable pro forma maximum annual debt service burden, and 4) avorable philanthropic support."
>
> The ***stable outlook*** reflects S&P's view that "over the next two years, enrollment will modestly increase while other demand metrics remain firm, and its adjusted full-accrual financial operating performance will improve and become more robust over time."

Debt Management Oversight

Debt management is the responsibility of the Treasurer, with day-to-day oversight assigned to the Director of Debt Management as designee. The Director, in turn, relies on various individuals in certain University departments for the expertise needed to ensure compliance with policy, laws and regulations, and to handle specific tasks. The University also utilizes a structure of three committees in its debt management oversight – the Debt Process Team (DPT), the Debt Oversight Group (DOG) and the Debt Management Advisory Committee (DMAC). Each of the committees and their respective responsibilities are summarized below:

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

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

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

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

Taxable vs. Tax-Exempt Debt

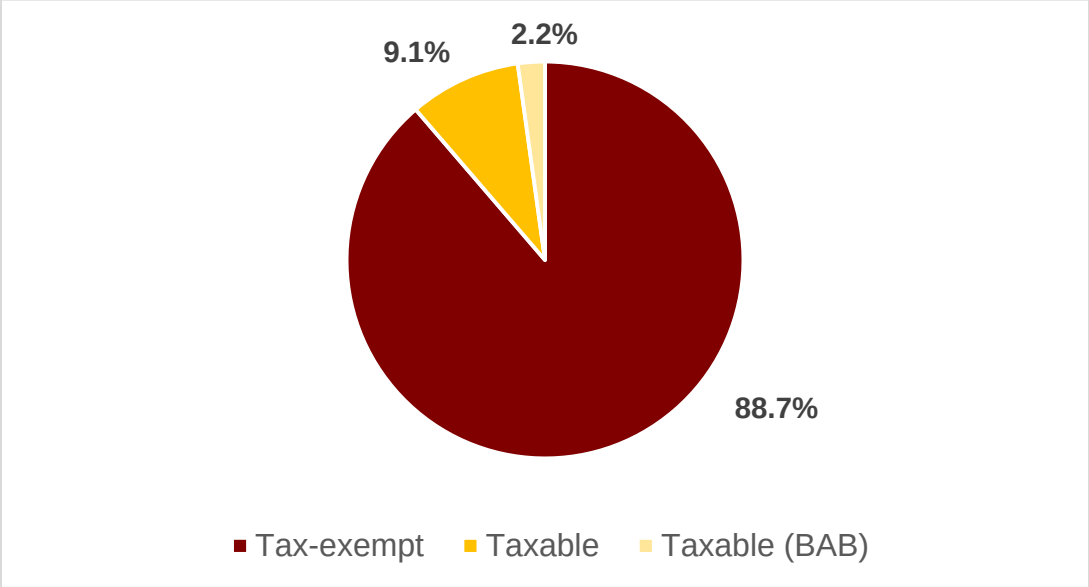
Financings generally are on a tax-exempt interest rate basis, unless there are risks that private business use of the financed asset may exceed the University's allowable threshold, or when other financial considerations indicate the use of taxable debt is in the best interest of the University.

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

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

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

The ratio of tax-exempt to taxable debt outstanding as of June 30, 2019 is **89% tax-exempt/11% taxable.** In addition, a portion of the taxable debt was issued as Build America Bonds-Direct Payment to Issuer, whereby the University expects 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 2, 2013, the subsidy payments received have been reduced by 6.2% - 6.6% for fiscal 2019.

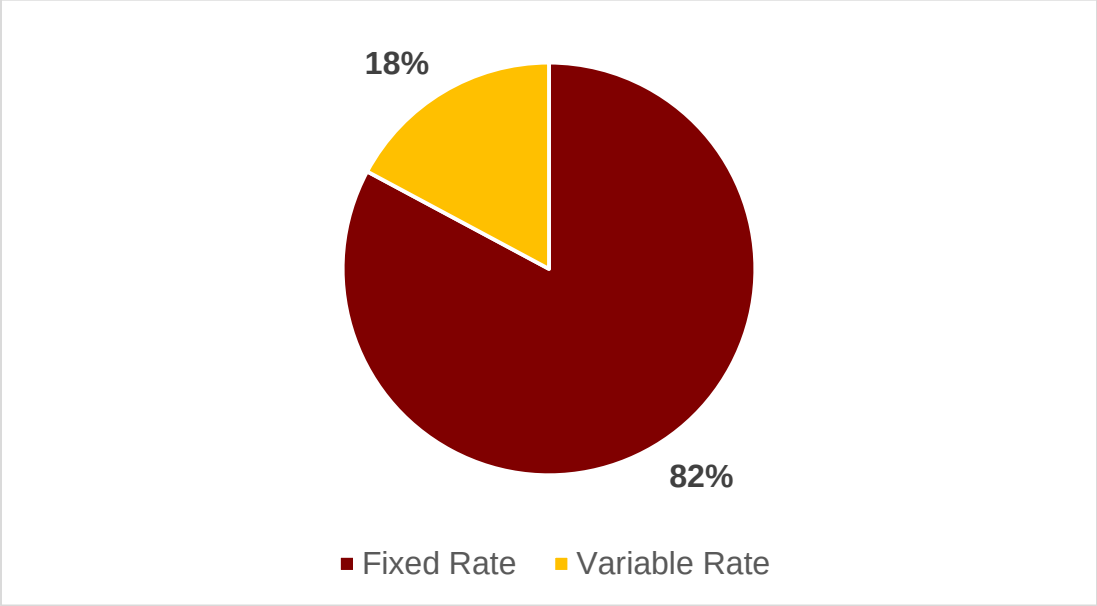


Fixed Rate vs. Variable Rate

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

Variable rate debt can lower the overall cost of capital in the debt portfolio. Any debt financing can be issued as a variable rate instrument. Bonds are callable at any interest payment date (daily, weekly, monthly, etc.) with no premium. Variable rate debt carries a higher interest rate risk than fixed rate debt, but also is subject to credit risk, tax law risk and remarketing risk.

The mix of fixed rate to variable rate as of June 30, 2019 is **82% fixed** to **18% variable**. All of the University's variable rate debt is in the form of commercial paper.

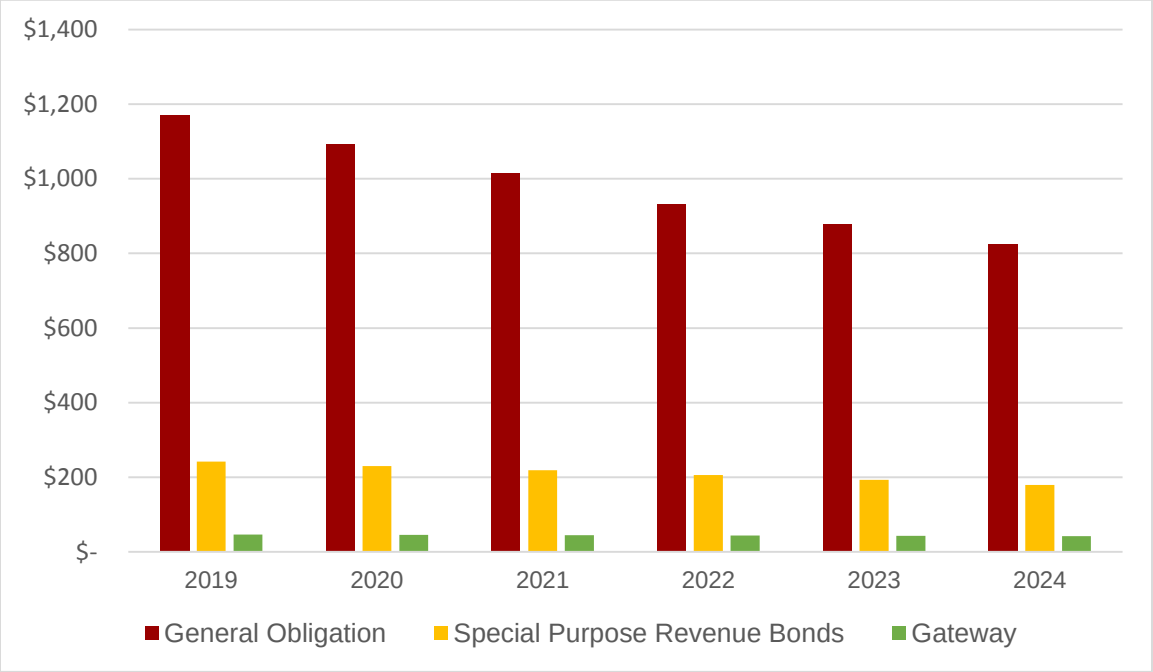


Amortization Structure

The debt service structure for each bond issue is determined on a case-by-case basis. The University has typically structured its debt so that the annual debt service payments on each bond issue are somewhat equal. The following graph reflects the amortization structure of the bonds and commercial paper outstanding as of June 30, 2019.

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

Scheduled Debt Amortization, Balances at June 30, 2019-2024 (at par, in millions)



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

Refinancing Savings

The University has taken advantage of the optional par call feature that is part of the structure when tax-exempt debt is issued. This allows us to refinance the individual bond series prior to its final maturity date and defease the existing bonds.

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). Until December 31, 2017, bonds could only be advance refunded once**.** The tax law changes enacted in December 2017 eliminated the tax-exempt advance refunding option entirely, but still allows us to do a *taxable* advance refunding.

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.

The table below summarizes the debt that has been refunded and defeased since 2015, prior to optional call dates, and the savings that have been realized by the University.

Original Series	Original All-in TIC	Date Refunded	New Series	All-in TIC After Refunding	Net Present Value Savings
2006*	4.207%	Aug 2015	2015A*	2.674%	$ 11,571,552
2009A 2009C 2011A 2011D	4.587% 3.176% 3.756% 3.783%	Sept 2017	2017B	2.329%	27,048,217
2009B	5.454%	Sept 2017	2017C	2.648%	1,531,738
2009D 2010D	4.216% 3.482%	May 2019	2019B	1.917%	6,805,995
Totals					$ 46,957,502

**State-supported bonds whereby the State provides an annual appropriation to cover the debt service. Through revised legislation, the University was allowed to retain the savings.*

A refinancing resolution was presented to the Board of Regents for review in December 2019 and will be acted on in February 2020, which would authorize the refunding and defeasance of the following bond series, assuming the State of MN revises the legislation to do so. Preliminary estimated savings are shown in the table below - actual savings would not be known until the date of sale. Any savings the University might realize is dependent on the State allowing the University to retain the savings.

Original Series	Original Issuance	Original All-in TIC	Estimated Net Present Value Savings
2010A	Sept 2010	3.823%	$ 18,500,000
2011B	Oct 2011	4.092%	5,900,000
2013C	Nov 2013	4.052%	1,900,000
Totals			$ 26,300,000

Debt Activity Subsequent to June 30, 2019

Fiscal 2020 debt activity includes scheduled paydowns on existing debt and new CP issuances to fund certain property purchases and to fund a portion of the costs of a number of capital projects under construction.

(000s omitted)	**GO Bonds**	**SPRB** (1)	**CP**	**Other** (2)	**TOTAL**
Balance 6/30/19 - par	$ 914,695	$ 241,610	$ 249,920	$ 50,119	$ 1,456,344
FY2020 scheduled principal payments	(41,745)	(11,335)	(33,657)	(2,095)	(88,832)
Issuances thru 1/31/2020			10,000	4,500	14,500
Additional issuances expected through end of fiscal year			27,000		27,000
Balance 6/30/2020 - projected outstanding - at par	$ 872,950	$ 230,275	$ 253,263	$ 52,524	$ 1,409,012

(1) SPBR – Special Purpose Revenue Bonds

(2) Other includes capital leases; State Infrastructure Development Bonds (IDB); Note Payable-Otto Bremer Trust

Key Financial Indicators

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

- Total Cash & Investments to Total Debt – measures coverage of total debt by assets that generate investment return

- Spendable Cash & Investments to Total Debt – measures the university's ability to repay bondholders from wealth that can be accessed over time or for a specific purposes.

- Debt Service to Operating Expenses – measures annual debt service burden on the annual operating budget

Ratios calculated by the rating agencies are based on the par amount of the debt outstanding plus capital leases, but excluding the net unamortized premium or discount on the bonds.

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

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

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

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

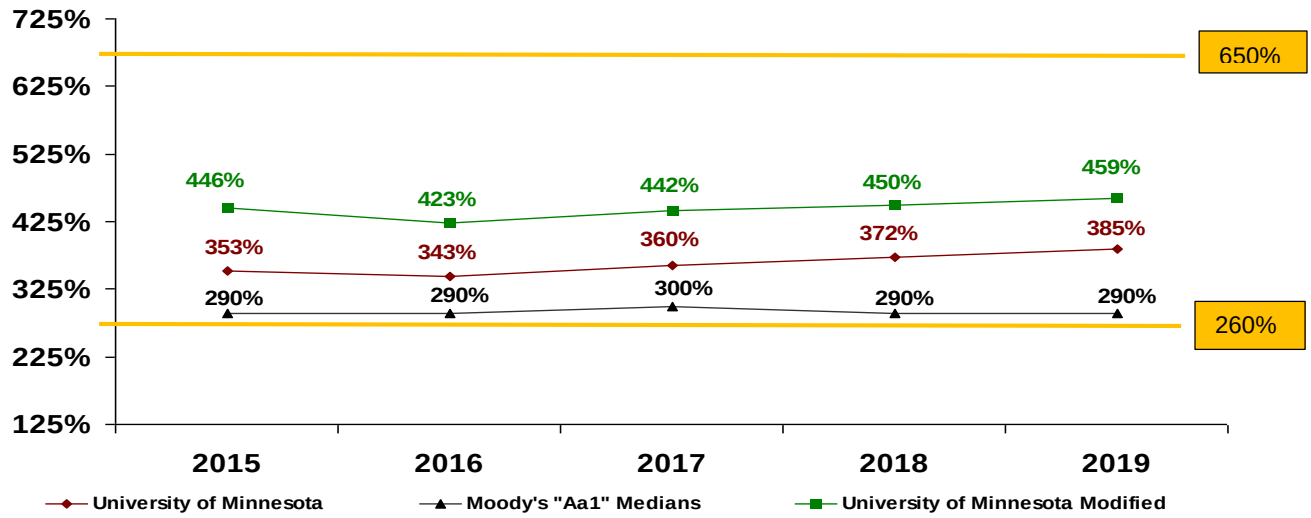
Debt service – the sum of the principal paid and interest expense on capital debt by the University

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

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

The following graphs reflect these ratios for the last five years for the University of Minnesota, the University of Minnesota, as modified, and the median of the 14 public universities rated Aa1 by Moody's. The gold lines on each graph represent the highest and lowest ratio as calculated for fiscal year-end 2018 for the public institutions rated Aa1.

Total Cash and Investments to Total Debt



DESIRED TREND

Total Cash and Cash Equivalents, (excluding restricted), and Investments,

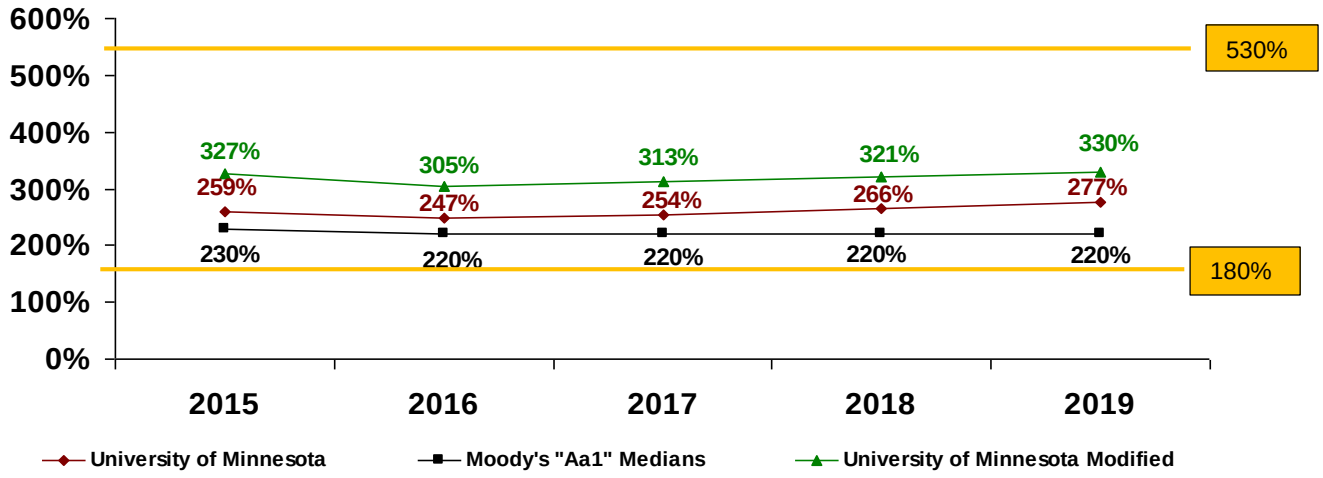
+ UMF's & UMP's Cash and Cash Equivalents, and Investments

Divided by Total Debt

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

The two gold lines represent the 2018 minimum and maximum values for this ratio for Aa-1 rated institutions reflecting the total range of values.

Spendable Cash and Investments to Total Debt



DESIRED TREND

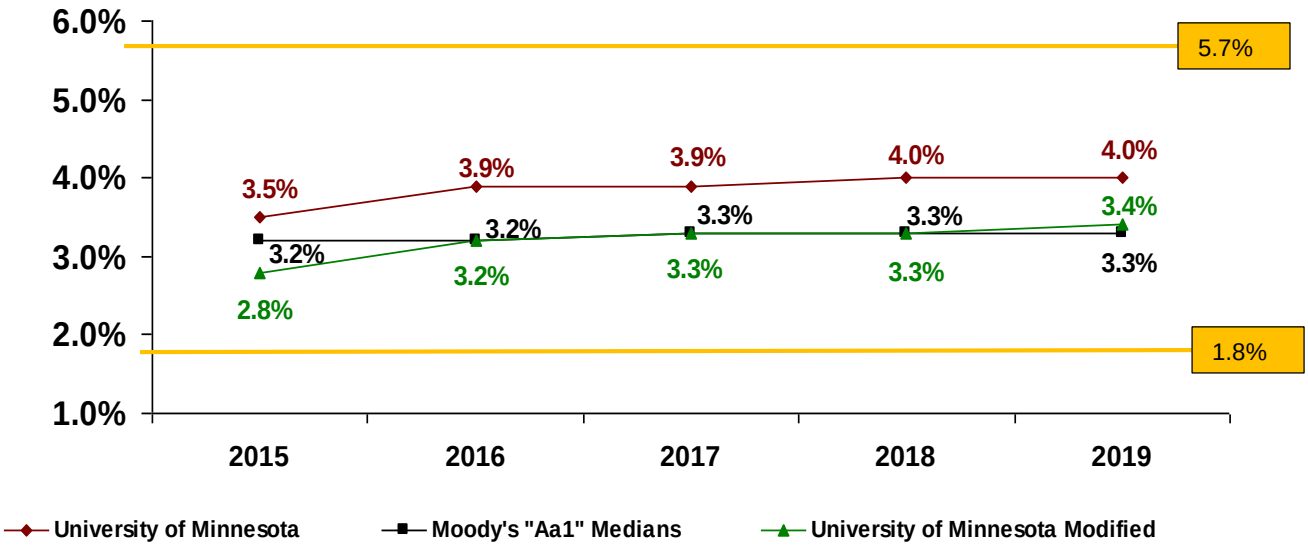
Total Cash and Investments of the University, UMF & UMP, less restricted, nonexpendable net assets of the University, less the permanently restricted net assets of UMF & UMP

Divided by Total Debt

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

The two gold lines represent the 2018 minimum and maximum values for this ratio for Aa-1 rated institutions reflecting the total range of values.

Debt Service to Operations



DESIRED TREND

Annual Debt Service

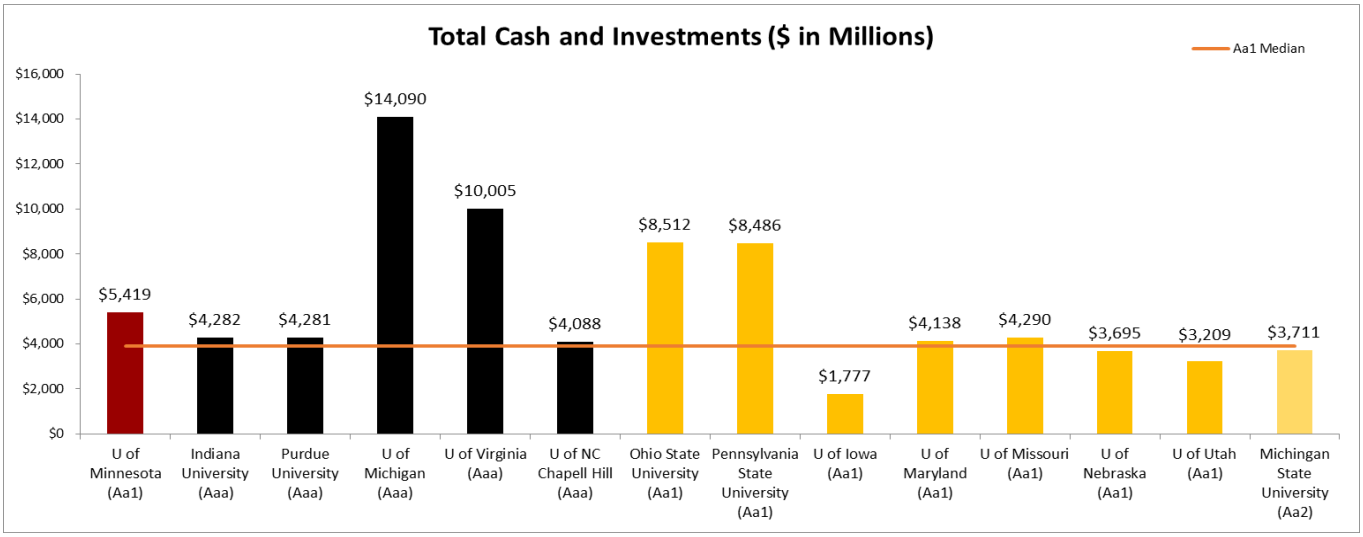
Divided by Total Operations

The University is above the median for this ratio, but is fairly consistent from year-to-year. In addition, as also shown in the previous two ratios, when the state-supported debt is removed from the calculation, the ratio improves – by decreasing – which is the desired direction for this ratio.

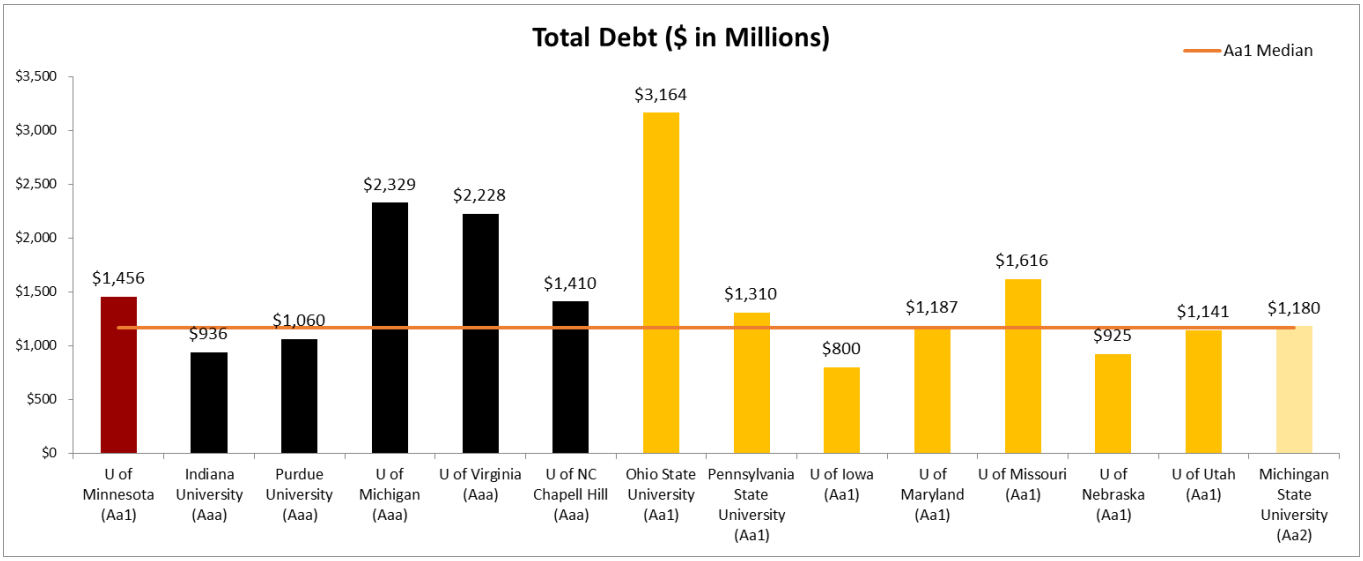
The two gold lines represent the 2018 minimum and maximum values for this ratio for Aa-1 rated institutions reflecting the total range of values.

Peer Analysis

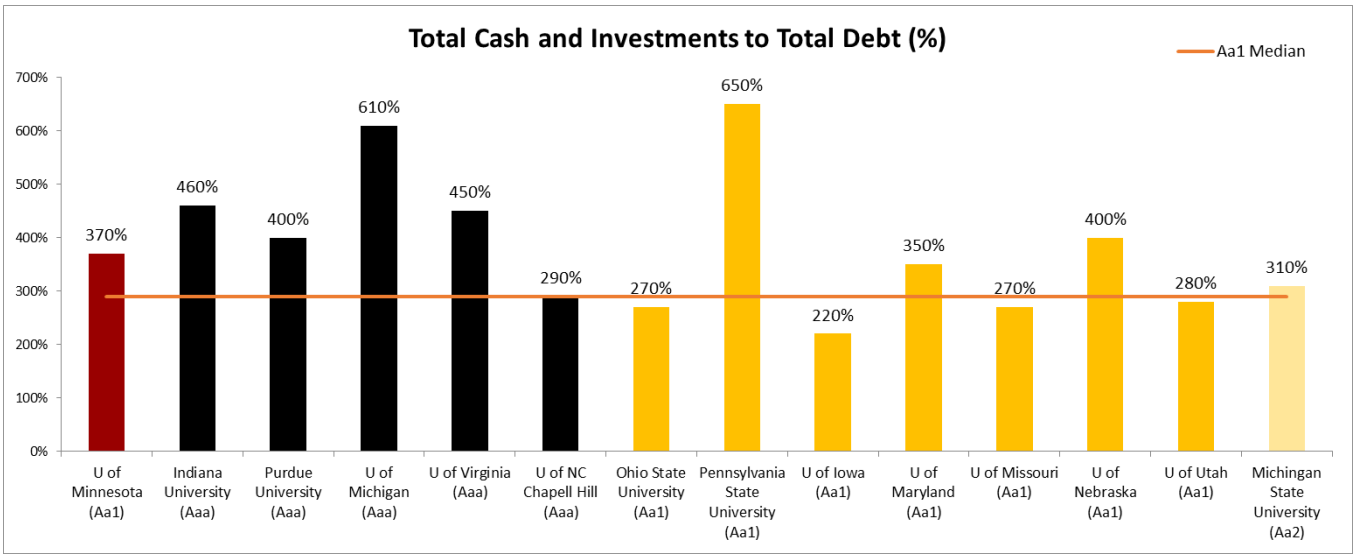
The University annually compares selected financial ratios, consistent with major credit rating agency criteria, to other Big 10 institutions and to other public institutions with the same rating. This peer group consists of highly rated preeminent public research universities. The following charts provide the comparisons as of June 30, 2018, the most recent year-end that is available for all institutions. The different colors of the bars represent the University of Minnesota (maroon), Aaa-rated institutions (black), Aa1-rated institutions (gold), and one Aa2-rated institution (light gold).



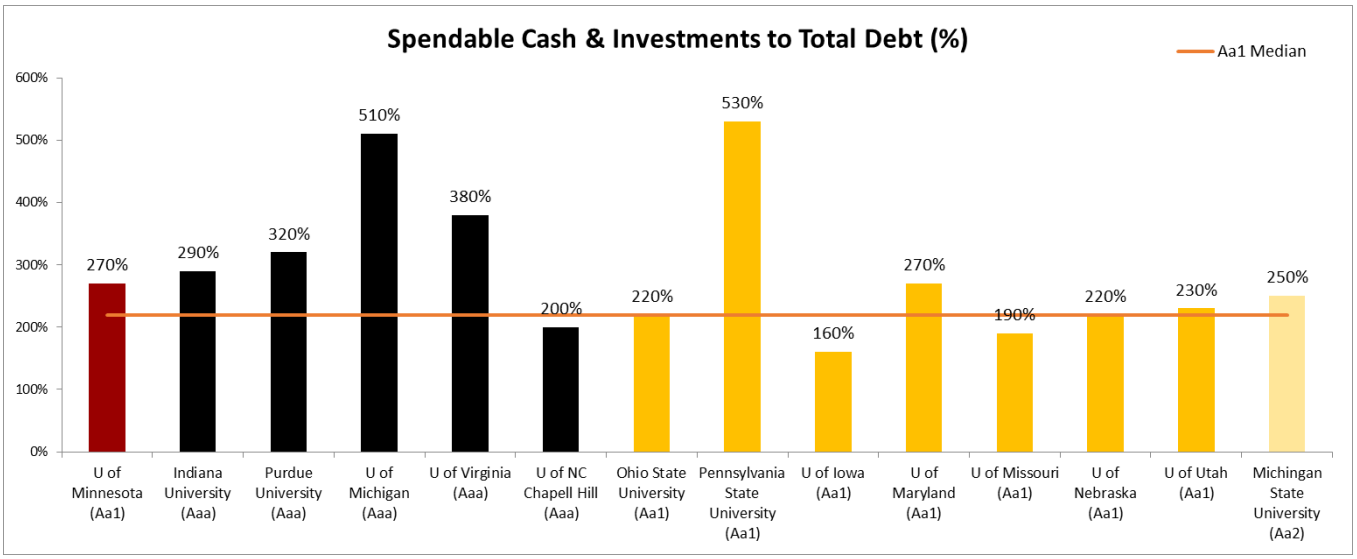
Measures the wealth of a university and its affiliated foundation(s)



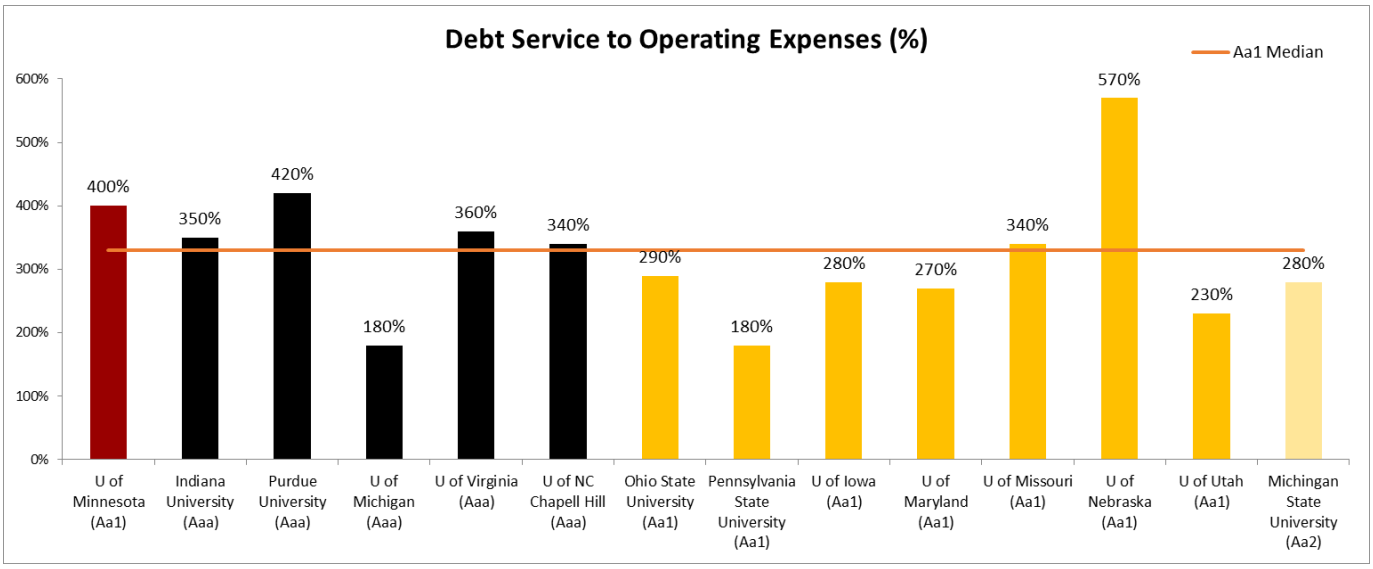
Measures direct obligations of a university and its affiliated foundation(s)



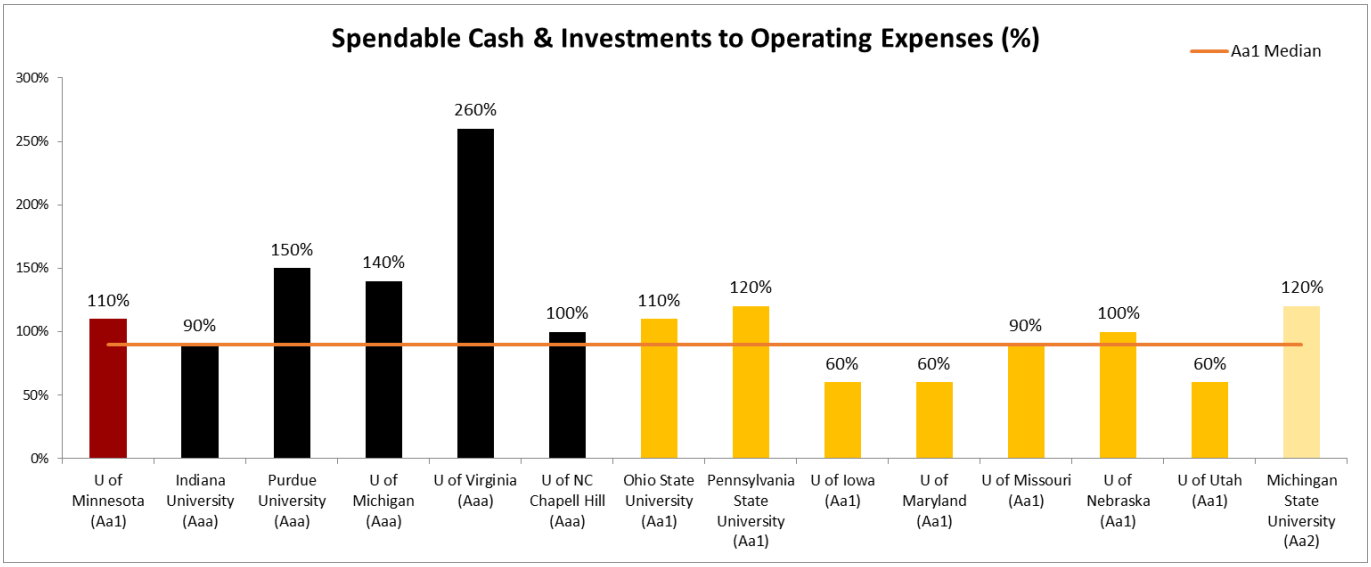
Measures coverage of total debt by assets that generate investment return. Higher percentages are more desirable.



Measures the university's ability to repay bondholders from wealth than can be accessed over time or for a specific purpose. Higher percentages are more desirable.



Measures annual debt service burden on the annual operating budget. Lower percentages are more desirable.



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

UNIVERSITY OF MINNESOTA

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

February 13, 2020

The Honorable David McMillan, Chair, Finance & Operations Committee
The Honorable Richard Beeson, Vice Chair
The Honorable Tom Anderson
The Honorable Mary Davenport
The Honorable Kao Ly Llean Her
The Honorable Michael Hsu
The Honorable Mike Kenyanya
The Honorable Janie Mayeron
The Honorable Kendall Powell
The Honorable Darrin Rosha
The Honorable Randy Simonson
The Honorable Steven Sviggum

Committee Members:

Enclosed are Purchasing Services' reports on purchasing activity for the second 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 vendor 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 vendor 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:

Summary:

- Q2 Purchasing Activity tracked closely to previous fiscal quarters
- Total Exception dollars for Q2 where up, primarily due to a $13M exception for Oracle for information technology hardware and software maintenance
- There were no Regents Purchasing Policy Violations in the second quarter of FY20

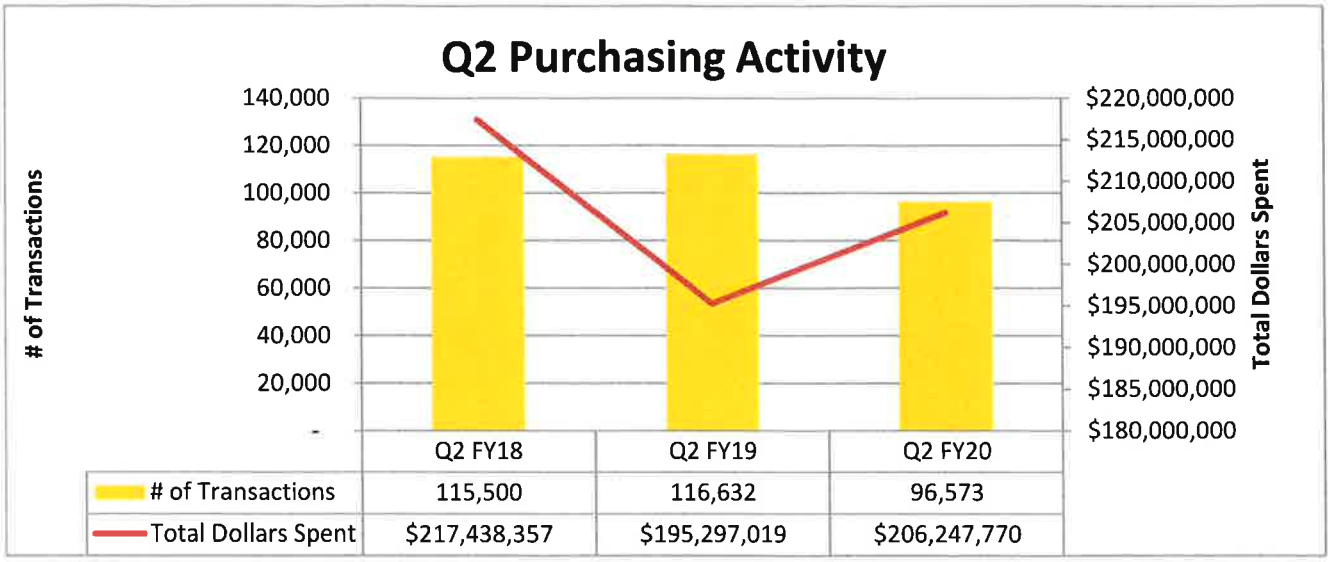
If you have any questions on the report, please do not hesitate to contact Beth Tapp, Director of Purchasing, or me.

Sincerely,

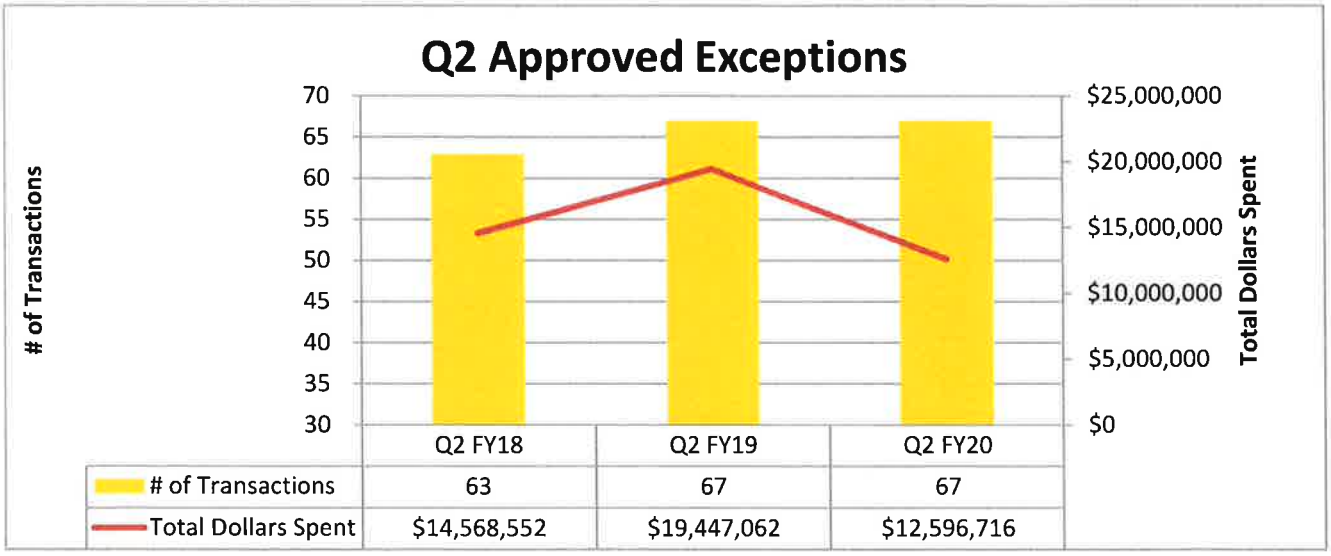
Suzanne Paulson
Controller

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

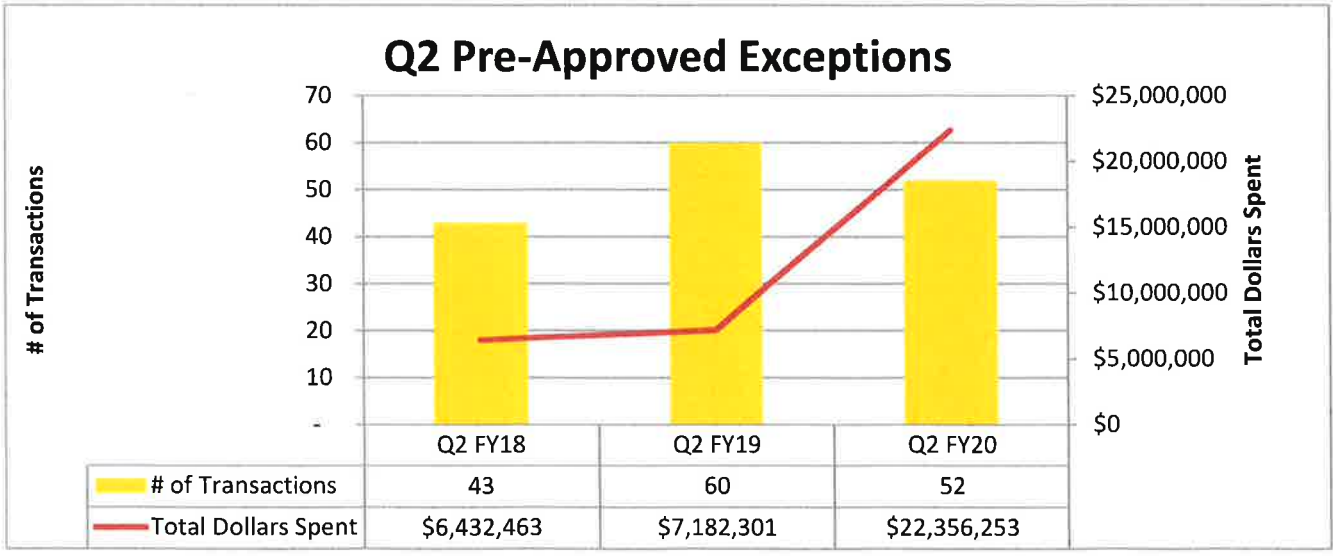
I. Summary of Purchasing Activity for Q2 FY20



	Q2 FY18	Q2 FY19	Q2 FY20
# of Transactions	115,500	116,632	96,573
Total Dollars Spent	$217,438,357	$195,297,019	$206,247,770



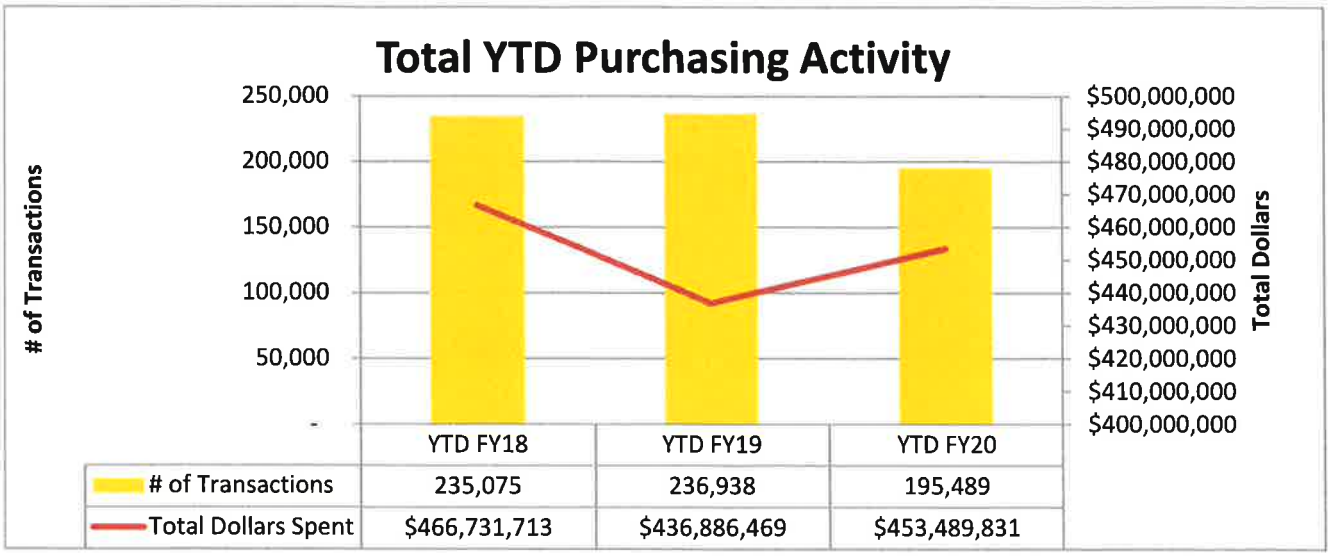
	Q2 FY18	Q2 FY19	Q2 FY20
# of Transactions	63	67	67
Total Dollars Spent	$14,568,552	$19,447,062	$12,596,716



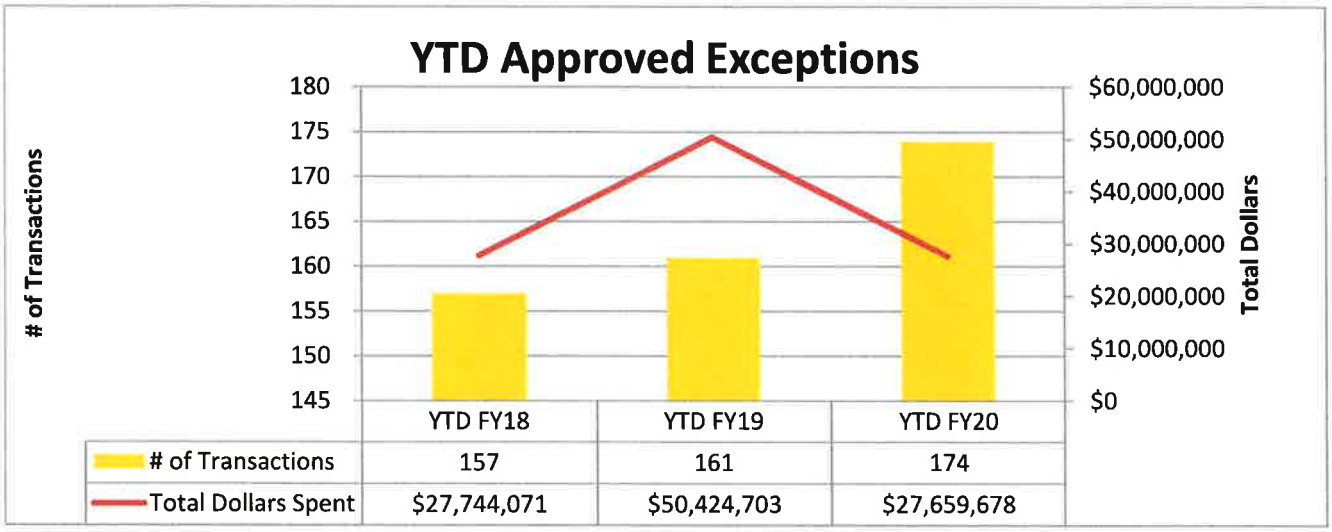
	Q2 FY18	Q2 FY19	Q2 FY20
# of Transactions	43	60	52
Total Dollars Spent	$6,432,463	$7,182,301	$22,356,253

Q2 Exceptions	106	127	119
Q2 Exception Dollars	$21,001,015	$26,629,363	$34,952,969

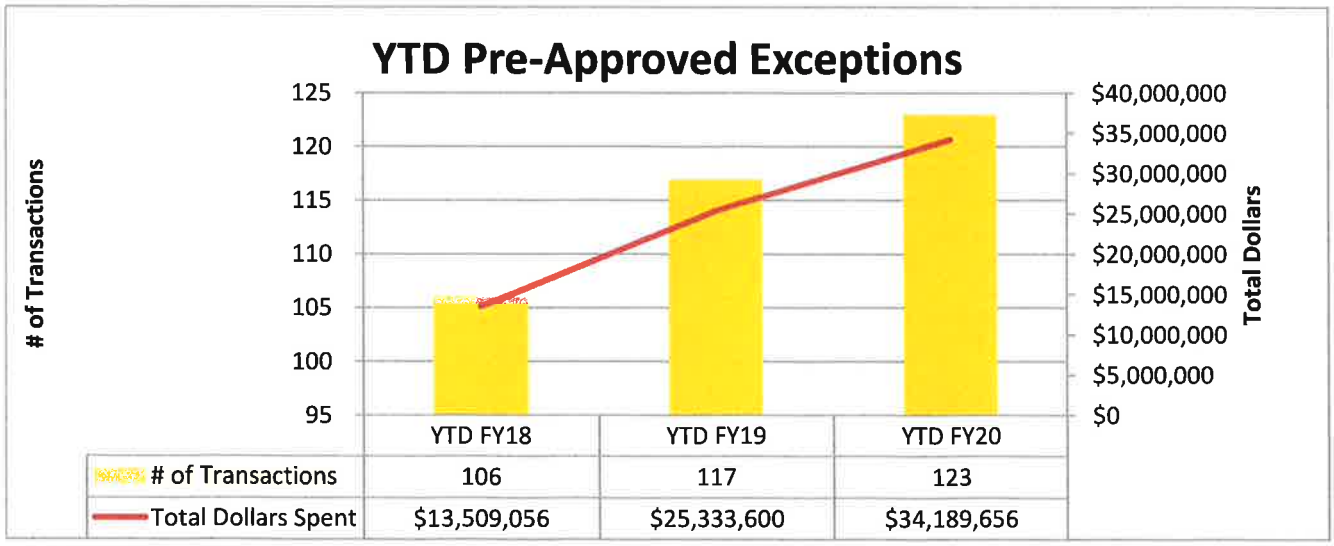
Summary of Purchasing Activity YTD FY20



	YTD FY18	YTD FY19	YTD FY20
# of Transactions	235,075	236,938	195,489
Total Dollars Spent	$466,731,713	$436,886,469	$453,489,831



	YTD FY18	YTD FY19	YTD FY20
# of Transactions	157	161	174
Total Dollars Spent	$27,744,071	$50,424,703	$27,659,678



	YTD FY18	YTD FY19	YTD FY20
# of Transactions	106	117	123
Total Dollars Spent	$13,509,056	$25,333,600	$34,189,656

YTD Exceptions	263	278	297
YTD Exception Dollars	$41,253,127	$75,758,303	$61,849,334

II. Purchases made as Approved Exceptions to Competitive Purchasing Process Q2FY20

Exception #1:	Total # of Exceptions	Total Dollars
Purchasing of research products (animal feed, serum, test equipment/supplies) for clinical trials. Also purchasing from a previous supplier to ensure consistency of research results.	12	$1,391,930

Exception #2:	Total # of Exceptions	Total Dollars
Equipment that requires brand compatibility with existing equipment and is available only from manufacturer or sole source authorized distributor.	17	$5,273,512

Exception #3:	Total # of Exceptions	Total Dollars
Funding source or granting agency specified a single supplier.	5	$994,285

Exception #4:	Total # of Exceptions	Total Dollars
Other	25	$3,843,817

Emergency Exception #1:	Total # of Exceptions	Total Dollars
A threat to health, welfare, safety.	2	$780,000

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.	4	$156,169

Emergency Exception #4:	Total # of Exceptions	Total Dollars
Emergency equipment repairs and parts or emergency facility repairs and parts under $100,000.	2	$157,004

TOTAL Approved Exceptions	**67**	**$12,596,716**

III. Pre-Approved Exceptions to Competitive Purchasing — Q2FY20

Exception #1:	Total # of Exceptions	Total Dollars
Lodging, travel (does not include group airfare or charter air).	4	$436,905

Exception #2:	Total # of Exceptions	Total Dollars
Media advertising, purchase or access to uniquely compiled database information.	3	$372,668

Exception #3:	Total # of Exceptions	Total Dollars
Farm commodities such as grain or livestock.	1	$142,500

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).	0	$0

Exception #5:	Total # of Exceptions	Total Dollars
Subcontractors previously arranged by Sponsored Projects Administration (SPA).	2	$163,861

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.	2	$318,176

Exception #7:	Total # of Exceptions	Total Dollars
Service/maintenance agreements with the original manufacturer/ developer for equipment and software.	11	$16,821,335

Exception #8:	Total # of Exceptions	Total Dollars
Unique specification research animals purchased under guidelines of the Institutional Animal Care and Use Committee (IACUC).	1	$210,000

Exception #9:	Total # of Exceptions	Total Dollars
Software license renewals and software upgrades available only from developer. This includes adding licenses to an existing license agreement.	8	$740,261

Exception #10:	Total # of Exceptions	Total Dollars
Development, design and/or creation of original artwork.	1	$400,000

Exception #11:	Total # of Exceptions	Total Dollars
Fairview purchases related to research projects.	5	$1,303,623

Exception #12:	Total # of Exceptions	Total Dollars
Entertainers, lecturers, speakers and honoraria.	4	$509,050

Exception #13:	Total # of Exceptions	Total Dollars
Purchases from University Physicians that are not part of sponsored research activities.	1	$128,500

Exception #14:	Total # of Exceptions	Total Dollars
Study Abroad Administrators (Does not include group airfares).	7	$634,374

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

Exception #16:	Total # of Exceptions	Total Dollars
Search Firms that have met pre-defined criteria.	1	$75,000

TOTAL Approved Exceptions	**52**	**$**	**22,356,253**

IV. Regents Policy Violations — Q2FY20

There are no Regents Policy Violations to report.

Office of Human Resources
University of Minnesota
Driven to Discover®

REPORT ON THE 2019 **EMPLOYEE ENGAGEMENT SURVEY**

Executive Summary of Total University of Minnesota Results

Our Employee Engagement Survey Process

WHEN

- Administered October 14-November 1, 2019
- Faculty and staff have participated in five surveys since 2013

WHAT

- 36 scored questions
- Faculty and staff complete slightly different surveys that measure the same dimensions, but with wording tailored to their roles.

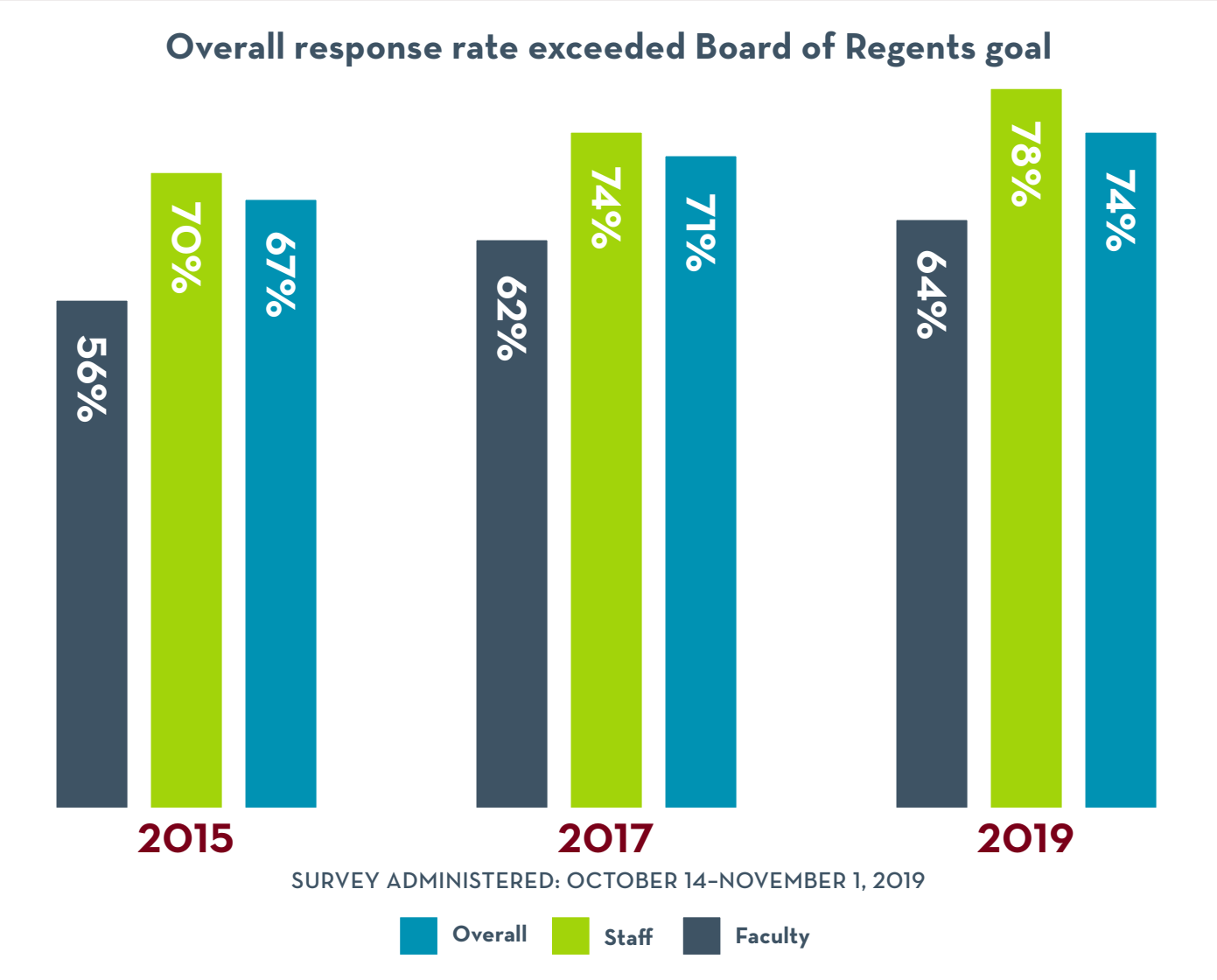
HOW

- Faculty and staff receive an email with an invitation to complete the survey.
- An external vendor administers the survey to ensure confidentiality.

RESULTS ROLL OUT

- Leaders access online survey reports in January for discussion and action.

Faculty and Staff Exceed Board of Regents Goal of 72% Survey Participation.



Board of Regents goal: 72% overall response rate by 2021

Overview of Results

Based on survey data, STAFF who felt action was taken based on the last survey also were:

1.8x more likely to **participate in a feedback meeting** to discuss the previous survey results.

1.4x more likely to agree their department **proactively identified and removed barriers.**

1.4x more likely to highlight there was strong **cooperation and sharing of ideas.**

1.4x more likely to have **trust and confidence** in their college's leadership team.

1.3x more likely to feel **recognized for their contributions.**

1.2x more likely to agree they planned to **continue working at the University** for a long time.

1.2x more likely to agree to the **Commitment and Dedication** and **Effective Environment items.**

Based on survey data, FACULTY who felt action was taken based on the last survey also were:

1.8x more likely to **participate in a feedback meeting** to discuss the previous survey results.

1.6x more likely to agree their department **proactively identified and removed barriers.**

1.4x more likely to highlight their department **supported their overall wellbeing.**

1.4x more likely to have **trust and confidence** in their college's leadership team.

1.3x more likely to feel **recognized for their contributions.**

1.2x more likely to agree they planned to **continue working at the University** for a long time.

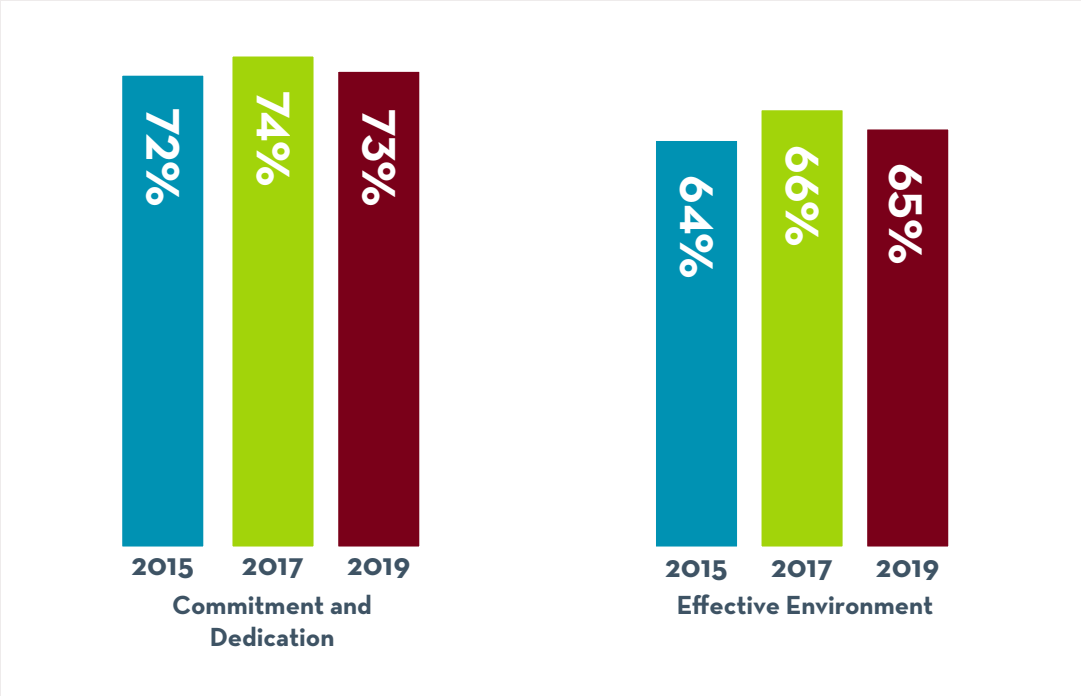
1.2x more likely to agree to the **Commitment and Dedication** and **Effective Environment items.**

2019 Survey Data Shows When Action is Taken, Results Improve

The results of the 2019 Employee Engagement Survey show a consistent level of engagement among faculty and staff overall. The results clearly make the connection between taking action on 2017 survey results and positive change. Both faculty and staff reported the largest gains since the last survey in 2017 on items related to survey follow up.

KEY INSIGHT: Leaders can have the greatest impact in the work environment by leveraging previously successful steps in the communicating and action planning process.

Faculty–Systemwide Results



KEY TAKEAWAYS

- Faculty results for 2019 are relatively consistent compared to 2017 results.
- Commitment and Dedication dimension continues to be a strength among faculty.
  - » 80% of faculty agreed or strongly agreed that their department was committed to high quality support and service. *This was the most favorable dimension in 2019.*
- Survey Follow-Up dimension had the strongest, most significant improvement. (+6%)
  - » "I participated in a feedback meeting about the previous survey results." (+6)
  - » "Action was taken on issues raised in the last survey." (+5)
  - » "The information from this survey will be used constructively." (+4)

Most favorably scored items:

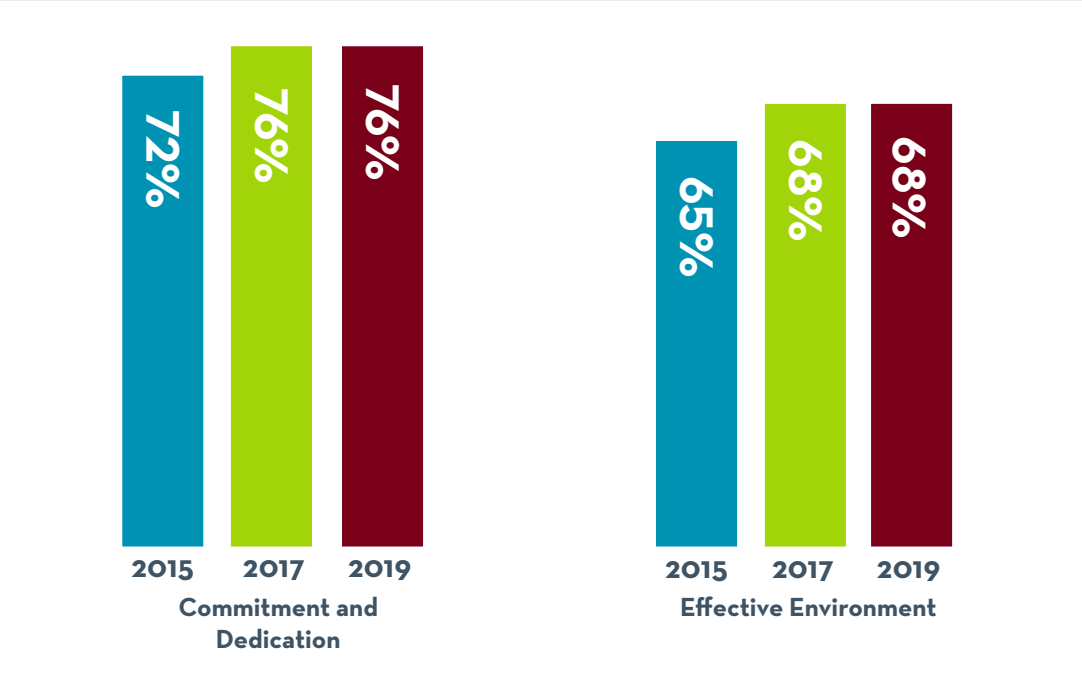
- **92%** –"My job provides me the opportunity to do challenging and interesting work."
- **85%** –"I understand the results expected of me in my work." (+1)
- **82%** –"I feel proud to work on my campus of the University of Minnesota." (-1)
- **82%** –"I have enough authority to carry out my job effectively." (-1)
- **81%** –"The people in my department are committed to delivering high impact, high quality scholarship." (0)
- **81%** –"The people in my department are committed to delivering high quality service." (0)

Least favorably scored items:

- **37%** –"Action was taken on issues raised in the last survey." (+5)*
- **39%** –"My department proactively identifies and eliminates barriers to getting work done efficiently." (-2)
- **42%** –"There is an equitable distribution of workload within my department." (-2)
- **48%** –"The information from this survey will be used constructively." (+4)
- **50%** –"My department offers effective mentoring and coaching to support my development."

*There was a wide range of favorability (20%–59%) in colleges among faculty.

Staff–Systemwide Results



KEY TAKEAWAYS

- Staff results for 2019 are consistent with the 2017 results.
- Commitment and Dedication dimension continues to be a strength among staff.
  - » 87% of staff agreed or strongly agreed that their department was committed to high quality support and service. *This was the most favorable dimension in 2019.*
- Survey Follow-Up dimension had the strongest, most significant improvement. (+3%)
  - » "I participated in a feedback meeting about the previous survey results." (+5)
  - » "Action was taken on issues raised in the last survey." (+2)
  - » "The information from this survey will be used constructively." (+3)

Most favorably scored items:

- **88%** –"The people in my department are committed to delivering high quality services." (0)
- **87%** –"I understand the results expected of me in my work." (0)
- **87%** –"I feel proud to work for the University of Minnesota." (0)
- **86%** –"My department is committed to providing high quality customer support." (+1)
- **85%** –"I am treated with respect as an individual." (+1)

Least favorably scored items:

- **47%** –"Action was taken on issues raised in the last survey."* (+3)
- **54%** –"There is an equitable distribution of workload within my department." (-1)
- **56%** –"My department proactively identifies and eliminates barriers to getting work done efficiently." (-1)
- **56%** –"The training new employees receive in my department is effective." (0)
- **57%** –"There is good cooperation and sharing of ideas between my department and other departments." (-1)
- **57%** –"The information from this survey will be used constructively." (+2)

*There was a wide range of favorability (17%–70%) in colleges and units among staff.

Resources to Support Action

The Employee Engagement survey is the only opportunity for faculty and staff to provide confidential feedback about their experience working at the University of Minnesota. The survey is intended to provide data to leaders in order to celebrate strengths and focus efforts for positive change.

Because of the wide range in favorability among survey items at the campus, college, and unit levels, action taken at each of those levels has the greatest potential for increased engagement. Leaders should begin taking action by sharing the data, recognizing and celebrating strengths, and working to gain a deeper understanding of the underlying issues.

Leaders at every level can take advantage of the resources developed by Leadership and Talent Development to take action on survey results at **ee.ltd.umn.edu**. Some of those resources include:

- Interpreting data
  - The Quick Guide to Interpreting Survey Results can help leaders identify where things are going well and where changes need to be made.
  - The Interpreting Employee Engagement Results is also useful to understand the survey data.
- Discussing data
  - Leaders can use the Discussion Phase Video for guidance in facilitating discussions with their faculty and staff. These discussions can be beneficial to understand the context around the feedback faculty and staff provided in the survey.
  - The Quick Guide to Discussion can also be helpful to guide meaningful discussions around survey data.
- Taking action
  - These resources can be used to create and implement a plan to address the issues faculty and staff identified as critical to improving the workplace.
    - Action Phase Video
    - Academic Unit Profile
    - Employee Engagement in Action Webinar
    - Employee Engagement Drivers and Discussion Questions
    - Engagement Drivers and Reflection Questions
    - Roles and Responsibilities of Academic Leaders

Leaders should take advantage of consults from their local human resources office and Leadership and Talent Development in the Office of Human Resources. These consultants will provide support through each phase of the employee engagement cycle.

Email ee2@umn.edu to connect with a consultant.

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Office of the Senior Vice President for Finance and Operations

301 Morrill Hall
100 Church Street Southeast
Minneapolis, MN 55455

TO: Regent David McMillan, Chair – Finance and Operations Committee
Regent Richard Beeson, Vice Chair – Finance and Operations Committee

FROM: Brian D. Burnett, Senior Vice President

DATE: January 15, 2020

RE: State Capital Appropriations Expenditure Report

Attached please find the State Capital Appropriations Expenditure Report, as required by state statute. This report includes all expenditures during calendar year 2019, and is forwarded to you in this fashion due to the short turn-around in order to meet the state's deadline (statute requires a January 15 submission on expenditures through the preceding December 31, which do not fully post to University systems until January 10.) Staff in Government Relations forward this report to the State, and a copy will be included as an information item in the February committee docket.

Please contact me with any questions.

cc: Joan T.A. Gabel, President
Mike Berthelsen, Vice President – University Services
JD Burton, Chief Government Relations Officer – University Relations
Brian Steeves, Executive Director and Corporate Secretary – Board of Regents

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301 Morrill Hall
100 Church Street S.E.
Minneapolis, MN 55455

TO: Representative Mary Murphy, Chair, Capital Investment Committee
Representative Connie Bernardy, Chair, Higher Education Finance and Policy Committee
Representative Lyndon Carlson Sr., Chair, Ways and Means Committee
Senator David Senjem, Chair, Capital Investment Committee
Senator Julie Rosen, Chair, Finance Committee
Senator Paul Anderson, Chair, Higher Education Finance and Policy Committee
Commissioner Myron Frans, Minnesota Management and Budget

FROM: Brian D. Burnett, Senior Vice President

DATE: January 15, 2020

RE: Capital Appropriation Expenditure Report

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

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

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

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

Capital Appropriations Expenditure Report

In fulfillment of MN 135A.046 subd. 3

January 2020

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Major Projects - Spending Status

Year	Full Allocation	% Spent or Encumbered Under Contract	% Spent, Encumbered or Otherwise Obligated to Complete a Project	Comments
2015	$ 26,529,000	100%	100%	$814,539 balance from 'Poultry Testing Lab' (E815PTL) converted to HEAPR per Statute
2016	$ -	na	na	No appropriation
2017	$ 99,334,000	92%	98%	
2018	$ 34,400,000	65%	88%	$4M for UMD Glensheen is uncommitted
2019	$ -	na	na	No appropriation

Definitions

Allocation: The State appropriation for each project.
Spent: The amount the University has paid to contractors from signed contracts.
Encumbered: This includes:
a. Project amount specifically under contract with a general contractor, architect, engineer, or other vendor.
b. Internal project where work has begun and/or internal purchase order/work has been completed.
Obligated: Funds required to complete the project that are not yet under contract.

Note: percentages are rounded.

HEAPR - Spending Status

Year	HEAPR Allocation	% Spent or Encumbered Under Contract	% Spent, Encumbered or Otherwise Obligated to Complete a Project	Comments
2015	$ -	na	na	No appropriation; $814,539 balance from 'Poultry Testing Lab' (E815PTL) converted to HEAPR per Statute
2016	$ -	na	na	No appropriation
2017	$ 20,600,000	93%	94%	
2018	$ 45,000,000	88%	97%	
2019	$ -	na	na	No appropriation

Definitions

Allocation: The State appropriation for each project.
Spent: The amount the University has paid to contractors from signed contracts.
Encumbered: This includes:
a. Project amount specifically under contract with a general contractor, architect, engineer, or other vendor.
b. Internal project where work has begun and/or internal purchase order/work has been completed.
Obligated: Funds required to complete the project that are not yet under contract.

Note: percentages are rounded.

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University of Minnesota

Status Report: Total Capital Appropriations 2015 to 2018
Projected 01/31/2020 - Definitions on last page

(A) Project Name	(B) Appropriation Amount	(C) Spent and/or Encumbered	(D) Obligated	(E) (B-C-D) Unencumbered	(F) Status	(G) Estimated Occupancy	(H) Comments
2018 State Capital Appropriations: Major Projects							
Pillsbury Hall Rehabilitation	24,000,000	19,366,071	4,633,929	0	Construction	8/27/2021	
UMD Glensheen Renewal	4,000,000	0	0	4,000,000			Working on fundraising to meet state obligation
Morris Teaching and Learning Spaces	3,200,000	2,579,242	352,982	267,777	Construction/Sub Comp	5/31/2020	
Crookston Teaching and Learning Spaces	3,200,000	446,153	2,753,847	0	Procurement	8/21/2020	
Subtotal - '18 Appropriations: Major Projects	**34,400,000**	**22,391,466**	**7,740,758**	**4,267,777**			
2018 State Capital Appropriations: HEAPR Projects							
Completed Projects	16,966,020	16,966,020	0	(0)			
UMTC Emergency Renewal	1,787,649	0	1,300,000	487,649	Programming	Unknown	
ADA Projects	47,649	0	0	47,649	Programming	Unknown	
Cooke Heat Recovery Unit Replacement	750,000	192,720	557,280	0	Construction Documents	8/31/2020	
PWB Fire Alarm System Upgrade	5,511,432	5,511,432	0	0	Construction	12/30/2019	
Anderson Accessible Restroom Upgrade	16,708	14,379	2,329	0	Design Development	8/31/2019	
Humphrey Partial Roof, Skylight & Tuckpointing	3,000,000	2,689,993	0	310,007	PA Closeout	9/10/2019	
2019 Twin Cities Elevator Modernization	1,500,000	1,500,000	0	0	Substantial Completion	10/18/2019	
Green Hall Accessible Restroom Upgrade	87,265	79,196	0	8,069	PA Closeout	12/31/2019	
Alderman Room 405 Predesign	127,000	0	127,000	0	Procurement	3/31/2020	
Biological Sciences Heat Recovery	521,000	0	521,000	0	Schematic Design	8/7/2020	
Vet Med South Accessible Restroom Upgrade	71,378	68,579	2,799	0	Construction	3/31/2020	
Andrew Boss Lab HVAC, Life Safety, & Accessibility	10,049,722	9,473,286	576,436	0	Construction	6/19/2020	
Skok Hall Accessible Restroom Upgrades	100,000	54,375	0	45,625	PA Closeout	12/31/2019	
UMD Ward Wells Fieldhouse Floor Replacement	1,700,000	1,628,981	(0)	71,019	PA Closeout	9/5/2019	
UMD NRRI Elevator Modernization	95,000	85,333	9,667	0	Design Development	1/31/2020	
UMM Campus Wide Controls Upgrade	153,779	55,053	98,726	0	Construction	3/31/2020	
UMM Blakely Hot Water Converter Upgrade	801,233	797,355	3,878	0	Construction	3/31/2020	
UMM HFA Art Room Safety Upgrades	21,063	2,358	18,705	0	Construction	3/31/2020	
UMC Campus Wide Electrical Distribution	597,631	365,341	(0)	232,290	Substantial Completion	8/31/2019	
Cedar Creek Critical Infrastructure Needs	5,438	0	0	5,438	Programming	Unknown	
Cedar Creek Dorm Boiler/Water Heater Replacement	14,500	1,751	12,749	0	Construction	2/28/2020	
Cedar Creek Chickadee Cabin Roof Replacement	24,000	20,775	0	3,225	PA Closeout	11/18/2019	
Cedar Creek Lodging Septic Replacement	10,500	9,374	0	1,126	PA Closeout	10/25/2019	
Itasca New Well for Building 41	11,759	0	11,759	0	Construction	6/30/2020	
Itasca Sewer Line to Existing Building	12,230	0	12,230	0	Construction	6/30/2020	
Itasca Classroom Lab HVAC Replacement	14,000	0	14,000	0	Construction	3/31/2020	
Itasca Men's Bathhouse LED Light Upgrades	12,000	11,875	125	0	Construction	3/31/2020	
Itasca Lodging & Labs HVAC & Plumbing Replacement	31,044	5,168	0	25,876	PA Closeout	11/12/2019	
Cloquet Septic System Renewal	640,000	26,862	613,138	0	Design Development	7/20/2020	
NWROC Dust Emission Mitigation	200,000	0	160,000	40,000	Design Development	4/30/2020	
WCROC Farrowing Bldg Make-Up Air Unit Replcmnt	16,381	0	16,381	0	Construction	4/30/2020	
WCROC Maint Shop Infrastructure	86,264	78,460	7,804	0	Construction	3/31/2020	
WCROC Cold Storage Bldg Exterior Door Replcmnt	17,355	0	17,355	0	Construction	4/30/2020	
Subtotal - '18 Appropriations: HEAPR Projects	**45,000,000**	**39,638,668**	**4,083,359**	**1,277,973**			

University of Minnesota

Status Report: Total Capital Appropriations 2015 to 2018
Projected 01/31/2020 - Definitions on last page

(A) Project Name	(B) Appropriation Amount	(C) Spent and/or Encumbered	(D) Obligated	(E) (B-C-D) Unencumbered	(F) Status	(G) Estimated Occupancy	(H) Comments
Total - 2018 State Capital Appropriations	**79,400,000**	**62,030,134**	**11,824,116**	**5,545,750**			
2017 State Capital Appropriations: Major Projects							
UMD Chemical Science & Advanced Materials Building	28,267,000	26,491,542	0	1,775,458	Substantial Completion	12/21/2018	
Health Sciences Education Center	66,667,000	60,843,499	5,823,501	0	Construction	4/1/2020	
Plant Growth Facility Biological Sciences Conservatory	4,400,000	4,259,322	(0)	140,678	Substantial Completion	6/22/2019	
Subtotal - '17 Appropriations: Major Projects	**99,334,000**	**91,594,363**	**5,823,501**	**1,916,137**			
2017 State Capital Appropriations: HEAPR Projects							
Completed Projects	10,161,794	10,161,794	0	(0)			
UMTC HEAPR Projects	242,200	0	0	242,200	Programming	Unknown	
Moos Tower North Plaza Water Infiltration	214,000	143,899	70,101	0	Construction Documents	6/30/2020	
KE Emergency ATS Replacement	65,000	0	65,000	0	Construction	6/30/2020	
Willey Hall Roof & Skylight Replacement	2,390,000	2,390,000	0	0	Substantial Completion	10/18/2019	
Andersen Library Ground Water Piping Repairs	100,000	99,395	0	605	Pacloseout	11/30/2019	
Mech Eng Phase II Renewal-Mech/Elec/Plumbing	83,371	68,998	14,373	0	Construction	Occupied	
Campus Wide Elevator Renewal & Replacement	4,030,000	3,219,164	0	810,836	Pacloseout	8/31/2019	
Ruttan Hall Window,Skylight, Ext Door Replcmnt	3,200,000	3,098,617	0	101,383	Pacloseout	Occupied	
SWROC HEAPR Projects	3,458	0	0	3,458	Programming	Unknown	
HRC HEAPR Projects	35,177	0	0	35,177	Programming	Unknown	
HRC Offices Mound Septic System	40,000	0	40,000	0	Construction	5/31/2020	
NWROC Septic System Renewal	35,000	2,649	32,351	0	Construction	5/31/2020	
Subtotal - '17 Appropriations: HEAPR Projects	**20,600,000**	**19,184,516**	**221,824**	**1,193,660**			
Total - 2017 State Capital Appropriations	**119,934,000**	**110,778,879**	**6,045,325**	**3,109,796**			

University of Minnesota

Status Report: Total Capital Appropriations 2015 to 2018
Projected 01/31/2020 - Definitions on last page

(A) Project Name	(B) Appropriation Amount	(C) Spent and/or Encumbered	(D) Obligated	(E) (B-C-D) Unencumbered	(F) Status	(G) Estimated Occupancy	(H) Comments
2015 State Capital Appropriations: Major Projects							
Completed Projects	25,714,461	25,714,461	0	0			
Subtotal - '15 Appropriations: Major Projects	**25,714,461**	**25,714,461**	**0**	**0**			
2015 State Capital Appropriations: HEAPR Projects							
Completed Projects	814,539	814,539	0	(0)			
Subtotal - '15 Appropriations: HEAPR Projects	**814,539**	**814,539**	**0**	**(0)**			
Total - 2015 State Capital Appropriations	**26,529,000**	**26,529,000**	**0**	**(0)**			
Grand Totals - 2015 to 2018	**225,863,000**	**199,338,013**	**17,869,441**	**8,655,546**			

University of Minnesota

Status Report: Total Capital Appropriations 2015 to 2018
Projected 01/31/2020 - Definitions on last page

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

Notes:

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

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

University of Minnesota

Status Report: Total Capital Appropriations 2015 to 2018
Projected 01/31/2020 - Definitions on last page

(A) Project Name	(B) Appropriation Amount	(C) Spent and/or Encumbered	(D) Obligated	(E) (B-C-D) Unencumbered	(F) Status	(G) Estimated Occupancy	(H) Comments
Summary of University State Capital Appropriations							
Total Dollars by Status							
2018 Appropriations							
Major Projects	34,400,000	22,391,466	7,740,758	4,267,777			
HEAPR Projects	45,000,000	39,638,668	4,083,359	1,277,973			
Subtotal	79,400,000	62,030,134	11,824,116	5,545,750			
2017 Appropriations							
Major Projects	99,334,000	91,594,363	5,823,501	1,916,137			
HEAPR Projects	20,600,000	19,184,516	221,824	1,193,660			
Subtotal	119,934,000	110,778,879	6,045,325	3,109,796			
2015 Appropriations							
Major Projects	25,714,461	25,714,461	0	0			
HEAPR Projects	814,539	814,539	0	(0)			
Subtotal	26,529,000	26,529,000	0	(0)			
Major Projects	159,448,461	139,700,290	13,564,258	6,183,913			
HEAPR Projects Only	66,414,539	59,637,723	4,305,183	2,471,633			
Grand Total: 2015-2018 Appropriations	225,863,000	199,338,013	17,869,441	8,655,546			
Total Percent by Status							
2018 Appropriations							
Major Projects	34,400,000	65%	23%	12%			
HEAPR Projects	45,000,000	88%	9%	3%			
Subtotal	79,400,000	78%	15%	7%			
2017 Appropriations							
Major Projects	99,334,000	92%	6%	2%			
HEAPR Projects	20,600,000	93%	1%	6%			
Subtotal	119,934,000	92%	5%	4%			
2015 Appropriations							
Major Projects	25,714,461	100%	0%	0%			
HEAPR Projects	814,539	100%	0%	0%			
Subtotal	26,529,000	100%	0%	0%			
Major Projects	159,448,461	88%	9%	4%			
HEAPR Projects Only	66,414,539	90%	6%	4%			
Grand Total: 2015-2018 Appropriations	225,863,000	88%	8%	4%			