Finance & Operations Committee

February 2022

February 10, 2022

1:00 p.m.

Boardroom, McNamara Alumni Center

FIN - FEB 2022

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 10, 2022**

AGENDA ITEM: Ongoing Impacts of COVID-19 on University Finances

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

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

PRESENTERS: Myron Frans, Senior Vice President
Julie Tonneson, Vice President and Budget Director

PURPOSE & KEY POINTS

The purpose of this item is to provide the committee with a final assessment of COVID-19's impacts on the University's finances during FY 2020 and FY 2021, and to update them on the pandemic's continuing budgetary impacts in FY 2022.

FY 2020 and FY 2021 COVID-19 Budget Impacts

In the spring of 2021, the committee heard an update on the actual FY 2020 shortfalls driven by COVID-19 ($65 million) as well as an estimate of the FY 2021 impact ($173 million), which combined to a total projected shortfall of $238 million. The final numbers for the combined months of March 2020 through June 2021 can now be shared, after the close of FY 2021. From a budgetary perspective, the situation can be summarized as follows:

Shortfalls

Loss of Auxiliary Revenues	$121.3 million
Loss of Other Revenues*	52.9 million
Twin Cities Athletics (loss of rev/increased exp)	21.5 million
Loss of Tuition	15.5 million
Other Pandemic Expenses	2.6 million
Total Shortfall	$213.8 million

**Other revenues includes ticket sales for events, sales of good & services, clinical income, study abroad fees, hosted conferences, child care center fees, etc.*

This total differs from that communicated last spring due to a reduction in the net impact to Twin Cities Athletics. Before the final actitivty for the year was known, the projected shortfall for Twin Cities Athletics was $45 million: after factoring in all revenues and costs through June 30, the final shortfall was reduced to $21.5 million.

Solutions

Four primary actions were implemented to address the shortfall across the 16 months prior to July 1, 2021. Each of these solutions was discussed with the Board along the way:

1.	Use of unit level balances and Central Reserves	$88.5 million
2.	Allocation of Federal Institutional Relief Aid	79.6 million
3.	Implementation of the furlough/temp pay reductions	24.2 million
4.	Implementation of a loan to Twin Cities Athletics	21.5 million
	Total Solutions	$213.8 million

Federal Relief Aid

The University received federal assistance to address the pandemic's negative budgetary impacts through three pieces of legislation: the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Corona Response and Relief Supplemental Appropriation (CRRSA) Act; and the American Rescue Plan (ARP). The relief came in three components in all three acts: direct student aid, targeted awards to address specific populations, and "institutional" aid. This summary and associated presentation will address only the "institutional" portion and some of the small targeted awards that could be applied to general budgetary shortfalls in specific units. Across the three acts, the total available to address a portion of the pandemic's impact on the institution's budget was $106.6 million.

Applied to the shortfalls through 6/30/21:

- CARES "Institutional" applied to the $213.8M $17.8M (full award)
- CRSSA "Institutional" applied to the $213.8M $37.4M (full award)
- ARP "Institutional" applied to the $213.8M $22.6M (partial award)
- Fex. Targeted awards applied to the $213.8M $1.8M

Applied to FY 2022 (see below for details):

- ARP "Institutional" allocated in FY22 $26.6M (remainder of award)
- Fed. Targeted awards allocated in FY22 $0.4M

Because the federal awards became available to "draw down" from the federal government at different times that did not always correspond to decision making processes centered around fiscal years, and because the University recognized it needed to access other/additional solutions to fully address the shortfalls, a portion of the final aid available (ARP and targeted awards) was held to address anticipated additional COVID-related shortfalls in FY 2022. If the additional shortfalls this fiscal year were less than the $27.0 million available to allocate, the funds would have been used to backfill departmental reserves used earlier in the process. That is not the case, however. As described in the next section, the FY 2022 COVID-related shortfalls again exceed the remaining federal relief aid.

All federal dollars have been received by the University, and all have now been allocated to address the negative budgetary impacts of COVID-19 across many units in accordance with the federal guidelines and restrictions.

FY 2022 Lingering Budgetary Impacts of the Pandemic

A process to gather information from units on the continuing financial impacts of COVID-19, similar to that used during FY 2021, was implemented during January 2022. Although the approved FY 2022 budget incorporated estimated continuing reductions in revenues and offsetting solutions, it was necessary to assess whether impacts were worse than planned or remained unsolved. All units were asked to assess their activities and identify which of three outcomes applied to their unit:

- To this point you have not seen, and do not expect, any significant revenue loss or expenditure increases during this fiscal year specifically tied to the pandemic.
- There may be minor revenue and expense impacts of the pandemic this fiscal year but they are expected to be manageable within your current budget plans.
- You have identified significant FY22 revenue losses and/or expenditures related to the pandemic that you would like to discuss.

Seventeen units responded under the third bullet, and meetings were held to discuss their projected impacts and potential solutions. That review resulted in a current estimated budgetary impact of the pandemic during FY 2022 of $38.5 million.

Loss of Tuition	$15.6 million
Loss of Auxiliary Revenues	12.8 million
Loss of Other Revenues	9.1 million
Other Pandemic Expenses	1.0 million
Total Shortfall	$38.5 million

Two solutions are available to resolve the identified $38.5 million: allocation of the final $27.0 million of federal institutional and targeted relief aid, and $11.5 million of unit level balances and/or the Central Reserves allocation approved in the FY 2022 budget for unit support related to COVID-19.

It is expected that by the end of the fiscal year, the amounts identified above will shift: some growing, others declining, and new issues surfacing. A final review will be conducted with the units in late May and June to arrive at the fiscal year totals. Additional COVID-19 related impacts that must be addressed by the institution will be covered by a combination of unit level balances and the remaining Central Reserves allocation for that purpose (roughly $8.0 million). If the Central Reserves allocation is not needed, the remaining funds will revert back to the Central Reserves balance.

Of note, Twin Cities Athletics does not appear in the above list of financial impacts. A recent, thorough review of their estimated revenues and expenditures for the year revealed the potential for a best-case, slightly positive balance at the end of the year, to a worst-case scenario leading to a shortfall of $7.0-$8.0 million. While the projected balance ranges from +$0 to -$8M, the negative impact of COVID-19 is estimated at $3M-$10.5M. Without the impact of COVID-19, the projected balance would be higher: other non-COVID related factors make up the difference. A good deal of variability remains in the potential outcome based largely on uncertainty around the completion of all planned sporting events (for Twin Cities Athletics, the Big Ten, and the NCAA) with the accompanying conference/TV revenues and potential impacts of the ruling on the Alston case related to education-related compensation for student athletes. Other variables are in play as well, including potential FEMA reimbursement of COVID-related costs from prior years, changes in testing protocols, changes in travel costs, etc. Any necessary action to offset a negative balance at the end of the year will be determined when the amount is known, but if significant, it may involve an increase in the FY 2021 loan.

FY 2023 and Beyond

During the FY 2022 review of continuing COVID-19 impacts on the budget, discussions were held as to whether this year's issues were estimated to be one-time or ongoing. The overall total impact has reduced drastically from last year to this: from approximately $149.0 million to an estimated $38.5 million. It is expected that the impact for FY 2023 will be even less, particularly in the area of lost sales income. However, pockets of activity will continue, perhaps including enrollment in some areas, that will not recover to pre-COVID levels in the next several years (or perhaps ever). As a result, planning is beginning now to implement permanent changes to accommodate lower revenues from existing activities. In some cases, the reduction in scope will lead to reduced positions and operating costs beginning in FY 2024. In other cases, it will lead to a shift of effort to new revenue-generating activities. These discussions are ongoing. The one-time resources available to combat the impacts of COVID-19 are gone, and there are no plans to actively budget a portion of Central Reserves for this purpose past this fiscal year.

BACKGROUND INFORMATION

The Board previously discussed the COVID-19 impact on University finances at three Finance & Operations Committee meetings in the last year (more during the first months of the pandemic in the last quarter of FY 2020):

- April 2021: *University of MN – Federal COVID Relief Summary*
- May 2021: *FY 2021 Annual Operating Budget Update*
- June 2021: *President's Recommended FY 2022 Annual Operating Budget*

Ongoing Impacts of COVID-19 on University Finances

Myron Frans, Senior Vice President
Julie Tonneson, Associate Vice President, Budget and Finance

Finance & Operations Committee

February 10, 2022

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

Topics for this agenda item include:

- FY20 and FY21 Budgets – COVID Experience
- FY22 Estimated COVID Impacts
- Use of Federal Relief Funds Throughout

University of Minnesota
Pandemic Driven Shortfall

FY20	$65M
FY21	$149M
Total through 6/30/21	$214M

Solutions (in order of application):

- Furlough/Temporary Pay Reduction (F/TPR) savings within each unit toward their shortfalls
- Federal Relief Funds
- Balances/Unit Reserves
- F/TPR savings from central support units reallocated
- Central Reserves
- Loans

3/1/2020 Through 6/30/2021
Pandemic Driven Financial Shortfall

3/2020 Through 6/30/2021 Pandemic Driven Financial Shortfalls					
University of MN (dollars in millions)					
Due to:					
Loss of Auxiliary Revenues	$121.3	*57%*			
Loss of Other Revenues*	52.9	*25%*			
TC Athletics Loss of Rev/Increased Exp	21.5	*10%*			
Loss of Tuition	15.5	*7%*			
Other Pandemic Expenses	2.6	*1%*			
	$213.8		**Solutions:**		
			Unit level balances & central reserves	$88.5	*41%*
* Examples = ticketed events & venues, sales of goods			Federal Relief	79.6	*37%*
and services, clinical income, study abroad fees,			Furlough/Temporary Pay Reductions	24.2	*11%*
hosted conferences, child care center, etc.			Loan to TC Athletics	21.5	*10%*
				$213.8	

Federal emergency relief funds to the University are:

- spread across three buckets: CARES, CRSSA, and ARP
- awarded directly to the University – not funneled through the state
- one-time, nonrecurring awards
- restricted to address direct financial impacts of the pandemic; cannot be used for items of our choosing (initiatives or general operations)
- broken down into two categories, with a minimum amount specified for student support and a maximum identified as institutional support
- subject to audit for compliance with guidelines

Student Portion of Relief Aid

	CARES Act	CRSS Act	ARP Act
Required Student Payment	**$17.8m**	**$18.0m**	**$49.5m**
	Fully Distributed	Fully Distributed	Distributed Fall 2021 and Spring 2022

Distributed as block grants based on financial need and emergency/student support grants

“Institutional” Portion of Relief Aid

CARES Act	CRSSA Act	ARP Act
$17.8m	**$37.4m**	**$49.2m**
All distributed prior to July 1, 2020	All distributed prior to July 1, 2021	$22.6m distributed prior to July 1, 2021 $26.6m distributed prior to Feb. 1, 2022

100% to offset a portion of the U’s pandemic shortfall

University COVID-19
FY20 Shortfall = $65 Million

- **Driven by Refunds to Students and Revenue Losses**

$46.1m – University Budget Cuts & Reserves 71%

$17.8m – CARES Act 27%

$1.1m – Targeted Federal Grants 2%

University COVID-19
FY21 Shortfall = $148.9 Million

- **Driven by Revenue Losses**
  - Tuition, Room & Board, Misc.

Implemented Solutions:

$66.6m – University Budget Cuts & Reserves 45%	$21.5m – Loan 14%	$60.0m – CRSSA and ARP Acts 40%	$0.8m – Targeted Federal Grants <1%

FY22 – Impacts on the Budget

Recurring/Nonrecurring changes built into the approved budget (estimates):

- Lingering reductions to revenues
- Pandemic related expenses

Solutions built into the approved budget:

- RIO
- Other Expenditure Cuts
- Rate adjustments
- New or expanded revenue generating activities
- Use of balances
- Loans

Continuing FY22 Impact – Beyond What We Solved For in the Approved Budget:

$15.6M	- tuition revenue – continuing students
$12.8M	- auxiliary revenue – housing/dining/parking/bookstores
$9.1M	- other revenues – sales of services slower to resume
$1.0M	- expenses related to masking and testing
$38.5M	Total

University COVID-19
FY22 Shortfall = $38.5 million

Again Driven by Revenue Losses
- Tuition, Room & Board, Misc.

$11.5m – University Balances & Reserves 30%

$26.6m – ARP Act 69%

$0.4m – Targeted Federal Grants 1%

Impacts Continuing Beyond FY22 - Patterns Here to Stay?

IF Here to Stay:

- Enrollment based revenue losses
- Permanently reduced sales
- Provision of PPE and other safety protocols

~~**One-time Relief Aid and Balances**~~

Beginning FY23:

- Reduction to recurring spending base
- Growth in new revenue opportunities

UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 10, 2022**

AGENDA ITEM: FY 2023 Annual Operating Budget Framework

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

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

PRESENTERS: Julie Tonneson, Vice President and Budget Director

PURPOSE & KEY POINTS

The purpose of this item is discussion of the FY 2023 annual operating budget framework, highlighting revenue and expense categories. This is the final committee discussion on the FY 2023 budget before the presentation of the President's Recommended Annual Operating Budget for FY 2023 at the May meeting.

Budget Development

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

Although a small component of planning for the budget framework, 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 estimated and provided at the total University level as part of the recommended annual operating budget. In any given year among different units of the University, increases and decreases in these other funds can play a significant role in supporting program enhancements and general cost increases in existing activities. The recent example of substantial growth in earnings on the University-managed endowment shows how these other revenues can support program goals. The endowment example will be discussed during the February meeting.

Budget development is a 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 MPact 2025 Systemwide Strategic Plan (MPact 2025) initiatives, may first lead to an imbalanced budget. If so, that requires going back to each question and adjusting answers until final plans balance the budget to address University goals in the best way possible.

Expense and Resource Categories

Inflation

The University experiences inflation in many different ways. Just as in a personal household, costs for some items in a given year may grow significantly, while prices for other items remain flat or even decrease. The University could be considered a collection of many different "homes" or "cities." Given the diversity in purpose and activities found across campuses, colleges, and support units, inflation affects these units differently. For example, University Libraries has faced inflation rates on collections materials and subscriptions well beyond what is captured in the different aggregate inflation indices. Still, virtually no other University unit has had to manage that expense. In some years, prices for materials used in art classes (precious metals), labs (gases and chemicals), or facility projects (lumber) might be high, but again, those costs impact only those units. These examples are combined with more general cost increases experienced broadly for salaries, fringe benefits, utilities, office supplies, and so on.

This environment leads the University to manage inflationary costs in three primary ways:

1. Some cost increases are addressed at the institutional level through planning as part of the budget framework. These items are identified and estimated as required obligations when resource decisions are made. This is true for utilities, debt service, technology maintenance agreements, and so forth, as well as for compensation. The institution makes decisions on how to support these cost increases in building the budget framework during the budget development process.
2. For other general cost increases that will impact all units but to varying degrees (sometimes in insignificant amounts), units are asked to manage them within their local budget planning processes. No institutional-level decision is made on how to handle the costs of pens and paper, for example. Each unit assesses its need and buys these types of items over time, budgeting for a revolving set of needs annually (same total dollar amount but varying purchases each year, for example). They will use reserves and balances if necessary and rely on the annual variances in the budget (actual expenditures less than budgeted) if their budgeted line items are insufficient.
3. Finally, units are asked to note areas of significant financial concern during the annual budget development process. This process allows units to communicate projected cost increases that exceed the general categories mentioned above, leading to central decisions about whether to invest a portion of the planned strategic investment pool to cover these costs or to require the unit to reallocate resources to cover these costs internally. The example of library collections would fall in this category. Often a portion of the strategic investment pool is allocated to University Libraries to support these costs.

This approach requires monitoring inflation rates to recognize and plan for the categories above, but decisions are not made to apply a standard percent across all expenditures. The inflation indices monitored by the University include the Consumer Price Index for Urban Consumers (CPI-U), the Personal Expenditure Price Index (PCEI), and the Higher Education Price Index (HEPI). The first two measure price increases for a "market basket of goods and services" purchased by U.S. consumers. The HEPI measures price increases for goods and services purchased by colleges and universities (excluding research-focused purchases), so it is more heavily weighted toward changes in personnel costs, including subcategories reflecting market-influenced prices for faculty.

Expenditure Categories

Compensation

Over the past 20 years, compensation has accounted for a steady 60-65 percent of University annual spending. The annual percentage change in the general compensation pool for planning purposes represents an average increase across all employees. The University establishes it as part of the budgeting process. A variety of factors determines the "pool" increase: the national/regional cost of living (inflation rate analysis as mentioned above), the average projected compensation increases in competitive industries or institutions, the balance between available resources (including required internal reallocations), other framework costs, and strategic investment plans.

For FY23 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* = $4.0 million
- One percent salary increase framework funds* = $12.0 million
- Fringe with no salary increase **all** funds = $30.0 million
- One percent salary increase **all** funds = $22.0 million

**State and Tuition Funds*

Facilities/Operations/Strategic Choices

In all other categories of spending, the University must address costs, 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, etc., will be incorporated into the recommended budget based on known or estimated cost increases. For other more discretionary items for core operations or strategic programmatic opportunities, a decision needs to be made on the size of the pool given other variables in balancing he framework.

Recent experience in these cost categories has been as follows:

- Facilities Expenses = $3.0 to $7.0 million
- Technology Licensing/Maintenance = $1.0 to $3.0 million
- Other Core Operations = $5.0 to $10.0 million
- Strategic Choices = $10.0 to $20.0 million

Resource Categories

State Appropriation

The official (in-law) operating appropriation to the University for FY 2023 is equal to that of FY 2022: the state did not provide an increase for the second year of the biennium. However, due to required timing last spring on finalizing the University's budget for internal purposes, the FY 2022 budget was approved by the Board before the final appropriation was signed into law. Therefore, the budget incorporated an appropriation for the current year that is $2.5 million less than what was finally enacted by the legislature.

Assumed Recurring Operating Appropriation Incorporated into the Board Approved FY 2022 Budget	Actual Recurring Operating Appropriation Signed into Law for FY 2022	Variance
$711,163,000	$713,663,000	$2,500,000

Because the $2.5 million variance was not committed to recurring expenses in the FY 2022 budget, it is available to commit to recurring expenses in FY 2023. It can be viewed as an increase in the appropriation for budget development purposes.

Tuition

Decisions related to resident and nonresident undergraduate rates for FY 2023 need to consider a variety of factors: projected cost increases (inflation), desired investments in excellence, available increases in state appropriations, the tuition level rank by campus in their various comparison groups, the availability of need-based financial aid for students, and the financial burden placed on all students and families.

For FY 2023, each one perecent increase in **resident** undergraduate tuition is equivalent to the following in estimated incremental new tuition revenue:

- Twin Cities campus = $3.3 million
- Other system campuses combined = $1.2 million

For FY 2023, each one percent increase in **nonresident** undergraduate tuition is equivalent to the following in estimated incremental new tuition revenue:

- Twin Cities campus = $1.4 million
- Other system campuses combined = $0.1 million

The graduate and professional tuition rates vary by school and program, often reflecting market rates, 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 perecent increase in these tuition rates (if all were to be raised at the same rate) is equivalent to an estimated $3.5 million in new tuition revenue.

Reallocation

Reallocation in the budget planning context means that decisions are made to reduce spending in some areas/activities to pay for cost increases and investments in other areas/activities – on a recurring basis. In each of the last eight years, planned reallocations have been incorporated into the budget framework at 1 percent to 2.5 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 units has not been implemented across the board as it has varied based on each unit's unique financial circumstances and needs. 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 FY 2023 and beyond, planned spending reductions and reallocations will continue to be an essential part of balancing the budget, even as the focus or goals may shift from year to year. It may be necessary to offset scenarios envisioning reductions to state appropriations, but even with stable or growing state support, the need to reprioritize the use of resources will remain. The expectation for managers across the system to find and implement opportunities to gain efficiencies and lower costs (or at least the growth in some costs) will continue as a part of the budget process. Efforts also are underway as part of the PEAK Initiative to restructure and gain efficiencies and service improvements across a variety of functions. This work will contribute to units' ability to manage this reallocation process in the future, but is not expected to impact the FY 2023 budget plans. While change may take place during the fiscal year, there is no concrete information at this time to estimate budgetary implications.

BACKGROUND INFORMATION

The Board discussed aspects of the FY 2023 annual operating budget framework at two Finance & Operations Committee meetings:

- October 2021: *Overview of University Budget Model*
- December 2021: *FY 2023 Budget Variables and Levers*

The committee will review the President's Recommended FY 2023 Annual Operating Budget at the May meeting and take action at the June meeting.

FY 2023 Annual Operating Budget Framework

Julie Tonneson, Vice President and Budget Director

Finance & Operations Committee

February 10, 2022

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

UNIVERSITY BUDGET

UNIVERSITY OF MINNESOTA

Today’s Agenda – FY23 Framework

- Framework as Part of the Normal Process
- Expenditure Estimates and Planning
  - Inflation
- Resource Options and Planning
  - Endowment Growth
- Pulling it All Together – Example Scenarios

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

Change in Available Resources	= or >	**Change in Costs and Investments**

FY22 Framework – Approved Budget

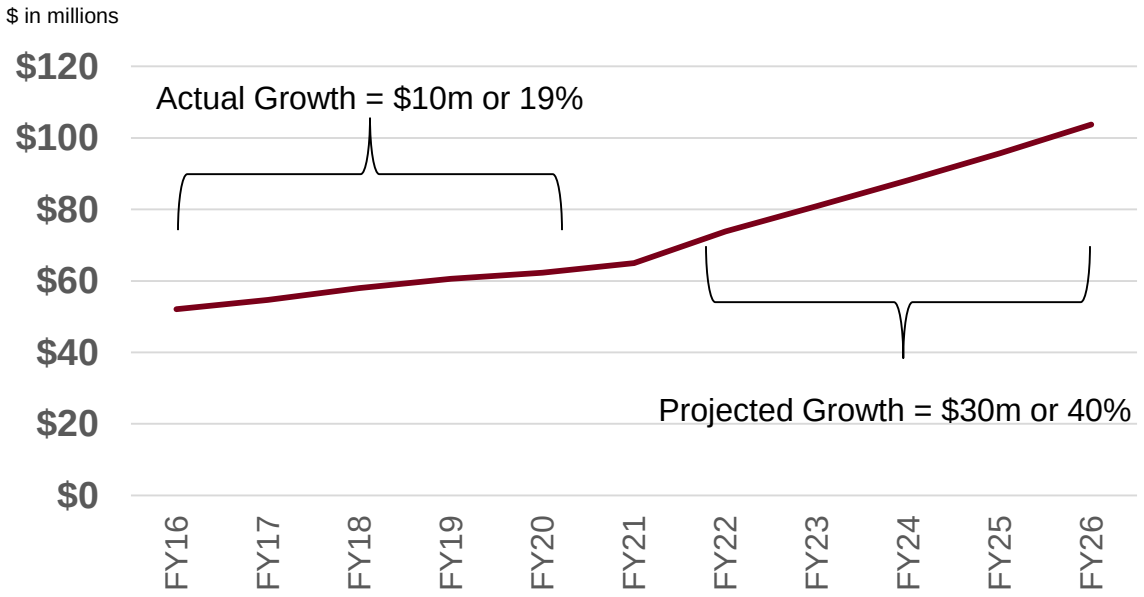
Incremental Resources:	Proposed
Increased State Appropriations	$15,500,000
Tuition Revenue	$13,600,000
Unit Reallocations	$49,600,000
One-Time Unit Balances to Bridge	$200,000
Unit Revenue Increases	$9,600,000
Total Incremental Resources	$88,500,000
Incremental Expenditures:	
Compensation and Benefits	$18,700,000
Institutionally Managed Student Financial Aid	$100,000
Core Operations and Services	$29,400,000
Student Services Instructional and Financial Support	$100,000
MPact 2025 & Program Enhancement and Compliance	$32,200,000
Facilities and Technology Infrastructure	$7,200,000
Total Incremental Expenditures	$87,700,000
Balance	**$800,000**

FY22 Budget Plan: Framework Funds Highlighted

	University of Minnesota	Nonsponsored Budget Plan FY22	With Estimated Sponsored	
RESOURCES				
a	**Carry Forward**	**$1,129,384,053**	$1,129,384,053	
	Current Revenue - Total Revenue by Fund			
	State O&M Appropriation	$618,318,000		41%
	Tuition	$1,026,028,656		
	State Special	$92,995,000		2%
	Sales, Fees, and Misc	$340,796,569		8%
	Indirect Cost Recovery	$169,500,322		4%
	Auxiliary Enterprises	$321,327,320		8%
	Internal Sales	$188,875,035		
	Private Practice	$129,925,441		3%
	Federal Appropriations	$17,947,207		0%
	Gifts & Endowment Income	$260,044,052		6%
	Restricted Grants, Contracts & Misc	$415,080,037	$650,000,000	26%
b	**Total Revenues**	**$3,580,837,639**	**$4,230,837,639**	
c	**TOTAL NET RESOURCES (a+b)**	**$4,710,221,692**	**$5,360,221,692**	

Recent gains in endowment earnings increase funds available for academic mission

Earnings Distribution from the Consolidated Endowment Fund



Benefits:

- Research
- Instruction
- Students

↓

- Faculty Chairs
- Student Employees
- Student Aid

Planning for Framework Funds

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

Expenditure Estimates and Planning

Inflation Indices

	Most Recent Rate	& "As Of" Date
Consumer Price Index (CPI-U) published monthly by US Bureau of Labor Statistics prices paid by urban consumers for goods & services	7.0%	Dec.
Personal Consumption Expenditures Price Index (PCE) published monthly by US Bureau of Economic Analysis prices paid by consumers for goods & services, factoring in consumer behavior due to rising costs and industry forecasting analysis	5.7%	Nov.
Higher Education Price Index (HEPI) *FY21 Final* published annually by the Commonfund Institute price of goods & services purchased by colleges and universities (non-research) – weighted more toward personnel costs (including faculty)	2.7%	Dec.

Maintain the Core

Compensation

Fringe – 0% Salary

- “other funds” = $26m
- State & Tuition = $4m
  (net of planned $24.6m savings)

Salaries – each 1%

- “other funds” = $10m
- State & Tuition = $12m

Facilities/Tech.

Facilities:

- Utilities +1-2%
- New Bldg Ops 4-5 spaces
- Debt Service - down
- Leases - down

Technology Licensing & Maintenance

Low Year - $1-2 million

Supplies/Equip etc.

Inflation and program driven purchases

Units cover within “churn” of their budgets or

Units bring forward for central consideration as “significant financial concerns” = strategic investment (next slide)

Beyond the Core – Invest in Strategic 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 are constrained or core needs are greater than in a "typical" year

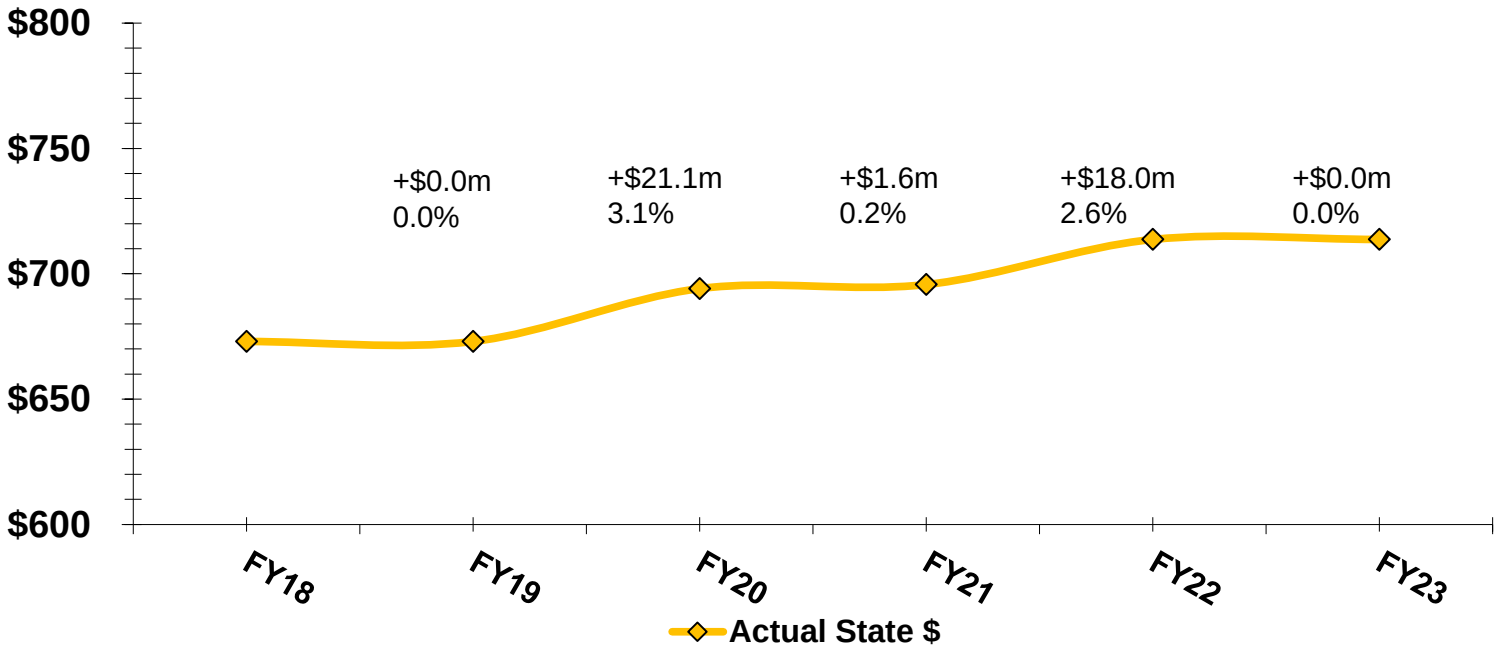
Resource Options and Planning: Constrained by Available Resources

State $$

Tuition

Reallocations

State Appropriation – Slow, Sporadic Growth



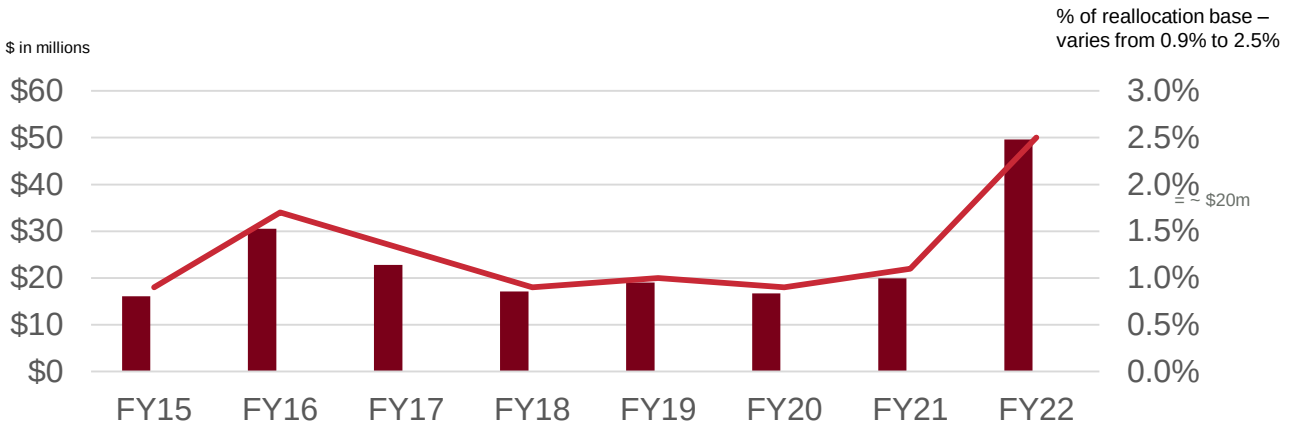
*Includes Cigarette Tax and MnCare – excludes nonrecurring project appropriations

Tuition Goals

	Estimate/Potential for FY23
• Resident undergraduate TC – *keep within inflation*	$3.3m per 1%
• NRNR undergraduate TC – *increase but recognize unique recruiting season*	$1.4m per 1%
• Resident and NRNR undergraduate system campuses – *differential from TC?*	$1.3m per 1%
• Graduate and professional – *keep within inflation*	$3.5m 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; FY20 and FY21 do not include one-time reductions in response to COVID-19

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

Pulling it all together:

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

Framework Funds

Incremental Resources - Examples			
Tuition	0.0%	1.0%	1.5%
TC Resident Undergrad	$0	$3.3m	$5.0m
System Campus Res Undergrad	$0	$1.2m	$1.8m
TC NRNR Undergrad	$0	$1.4m	$2.1m
System Campus NRNR Undergrad	$0	$0.1m	$0.2m
Resident Grad & Professional	$0	$1.9m	$2.9m
NRNR Grad & Professional	$0	$1.6m	$2.4m
State Appropriation	uncommitted - in law		$2.5m
	1.0%	1.5%	2.0%
Internal Reallocation	$20.0m	$30.0m	$40.0m

Incremental Expenditures - Examples			
		each	
Compensation	0.0%	1.0%	
Fringe Alone	$4m		2%=$28m
Salary Increase (assoc. fringe)	$0m	$12m	
Other Costs	Minimum	Invest	Advance
Facilities	$0.0m	$5.0m	$10.0m+
Technology	$1.8m	$4.0m	$8.0m+
Maintain/Strengthen Support Core	$2.5m	$5.0m	$8.0m+
Maintain/Strengthen Academic Core	$6.0m	$8.0m	$12.0m+
Strategic Program Pool	$0	$10.0m	$20.0m+

Possible Scenarios:

FY23 Example Frameworks for Incremental Budget Changes

	Resources	Example 1		Example 2		Primary Decision Points
1	Tuition-Res Undergrad	9,000,000	*2.0%*	18,000,000	*4.0%*	✓
2	Tuition-Nonres	3,000,000	*2.0%*	6,000,000	*4.0%*	✓
3	Tuition-Grad & Professional	7,000,000	*2.0%*	10,500,000	*3.0%*	✓
4						
5	New State Appropriation	2,500,000		2,500,000		
6						
7	Reallocation - General	20,000,000	*1.0%*	24,700,000	*1.2%*	✓
8						
9	Other Revenues-TBD	-		-		
10						
11	**Total Resources**	**41,500,000**		**61,700,000**		
12						
13						
14	**Costs**					
15						
16	**Compensation - Fringe (no salary increase)**	**4,000,000**		**4,000,000**		✓
17	Compensation - Salary Increase	24,000,000	*2.0%*	48,000,000	*4.0%*	
18	**Facilities**	**-**		**-**		
19	**Tech Licenses/Maint.**	**1,800,000**		**1,800,000**		
20	Program/Service Investments (Core +)	11,000,000		7,500,000		✓
21						
22	**Total Challenge/Spend**	**40,800,000**		**61,300,000**		
23						
24	**Balance - Resources over Challenge**	700,000		400,000		

Questions
Thoughts
Input

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 10, 2022**

AGENDA ITEM: Performance Management Practice Overview

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

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

PRESENTERS: Kenneth Horstman, Vice President, Office of Human Resources
Brandon Sullivan, Senior Director of Leadership and Talent Development

PURPOSE & KEY POINTS

The purpose of this item is to update the committee on efforts to develop and implement sophisticated talent management practices to advance MPact 2025 Systemwide Strategic Plan (MPact 2025) initiatives.

To remain competitive, the University is adopting talent and performance management evidence-based solutions for managing and developing employees whose unique contributions strengthen the institution and propel its mission. When done well, talent and performance management practices increase employee engagement and retention and contribute to improved business outcomes. Additionally, talent and performance management provides career pathing opportunities to retain and advance talent within the institution.

BACKGROUND INFORMATION

Board of Regents Policy: *Employee Performance Evaluation and Development* governs performance evaluation and development of University faculty, academic professional and administrative staff, civil service staff, and union-represented staff employees. Guiding principles that relate to talent and performance management as defined by the policy include:

(a) The University cultivates a high performing workforce through employee performance evaluation and development that engages the entire organization, is appropriate to the nature of the work, recognizes and rewards exemplary performance, and addresses substandard performance.

(b) The University is committed to assessing and supporting the development of the behavioral and functional competence of its employees, consistent with expressed academic and administrative needs, the role of the employee, and performance expectations.

(c) The University is committed to a performance evaluation process that incorporates regular feedback and candid discussion about performance.

(d) The University is committed to responsible investments in its employees through professional development, education, and training directed at maximizing productivity,

enhancing employee personal and professional competencies, supporting employees as they seek new career opportunities within the University, and generating a succession of leaders prepared and able to lead the University into the future.

(e) The University holds its leaders, responsible administrators, and supervisors accountable for actively supporting and engaging in the performance evaluation and development process in a fair and equitable manner and for ensuring the alignment of employee and organizational goals and priorities.

Talent and Performance Management Practice Overview

Kenneth Horstman, Vice President, Human Resources
Brandon Sullivan, Senior Director of Leadership and Talent Development

Finance & Operations Committee

February 10, 2022

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

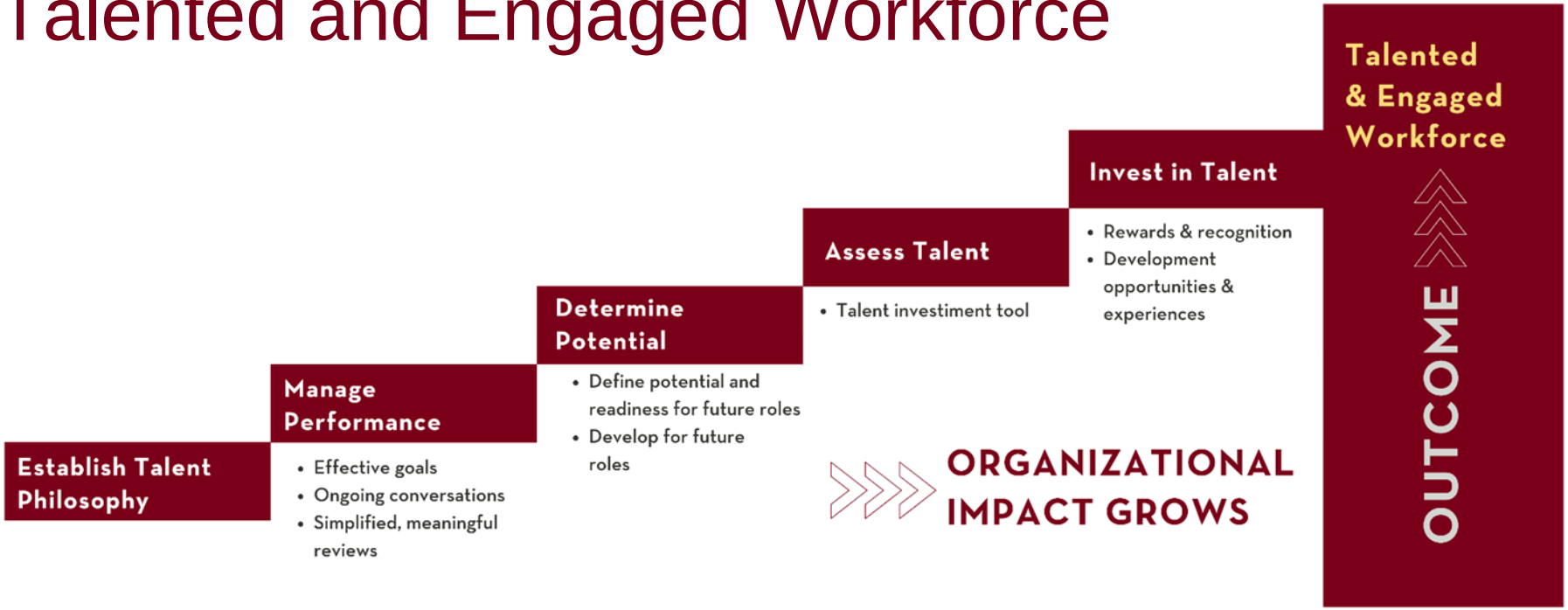
Talent and Performance Management Solutions Advance MPact 2025

Remain competitive in recruiting and retaining diverse talent

Increase job satisfaction

Cultivate an inclusive and welcoming campus climate

An Evidence-Based Approach Toward a Talented and Engaged Workforce



Objectives

Diverse Talent Pool	Synchronized Practices	Actionable Insights
A diverse pool of talent ready to fill mission critical roles.	Adoption of talent and performance management practices and processes across all campuses, colleges, and units.	Insights about the University's workforce that informs talent development, succession management, talent mobility, and recruitment efforts.

Gaining Momentum

- Revolutionized fragmented and administratively burdensome performance management processes
- Created shared understanding of talent and performance management concepts
- Increased supervisors' competencies and self-efficacy in performance management practices

Continuing the Transformation

- Systemwide adoption (processes and practices)
- Increase senior leader engagement in talent strategies
- Further develop talent and performance management supervisory skills and learning
- Evaluate technology needs to sustain and grow talent and performance practices

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 10, 2022**

AGENDA ITEM: Board of Regents Policy: *Property and Facility Use*

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

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

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

PURPOSE & KEY POINTS

The purpose of this item is to review proposed off-cycle amendments to Board of Regents Policy: *Property and Facility Use.* The amendments are the result of the committee's September 2021 discussion regarding the establishment of strategic real estate principles. The focus of the proposed amendments include:

1. Incorporating new strategic real estate principles to guide acquisition and disposition of real estate.
2. Clarifying the priority for use of property and facilities.
3. Retitling the policy to reflect the expanded focus, with real estate added to property and facility use.

The Board last amended the policy on February 11, 2011.

PRESIDENT'S RECOMMENDATION

The President recommends adoption of the proposed amendments to Board of Regents Policy: *Property and Facility Use.*

BOARD OF REGENTS POLICY:
~~*Property and Facility Use*~~*Real Estate and Facilities*

SECTION I. SCOPE.

This policy governs ~~use~~ the University of Minnesota's (University) real estate strategy for the acquisition and disposition of property, and the use of facilities owned by or leased to the University ~~of Minnesota (University)~~.

SECTION II. GUIDING PRINCIPLES.

The University's real estate strategy is grounded in supporting the University's mission in a manner that recognizes its long-term vision and fiscal responsibility to the people of the State of Minnesota.

Subd. 1. Acquisition and Disposition of Property.
Acquisition and disposition of property has a significant impact on the future of the University and as a result, the University must be circumspect in its decision-making. The following guiding principles will be considered as the University acquires and disposes of property:

(a) **Support the University's teaching, research, and outreach mission and align with the Systemwide Strategic Plan.** Acquisitions must support the University's teaching, research, and outreach mission – either directly or for mission-supporting activities and infrastructure – and align with the Systemwide Strategic Plan. Dispositions may occur when it is determined that the property is no longer required to fulfill the University's mission, or the disposition of the property better meets the University's needs as defined by the Systemwide Strategic Plan.
(b) **Align with campus master plans (campus plans).** Future acquisitions and dispositions should be contemplated in the campus plans for each campus. Priority consideration will be given for expansion at the edge of the existing campus or for properties within the campus boundaries as identified in the campus plan. Sites that are not adjacent to the campus or other University properties will be prioritized based on access (e.g., transit, bike, pedestrian) or as needed for mission-critical support.
(c) **Provide strategic value when balanced against scarce resources and minimize financial liability.** The University will prioritize properties for acquisition if a specific, mission-supporting use has been identified for the property long-term. The University will also consider the financial impacts of holding property, including minimizing the University's long-term financial liability in order to minimize the capital and operating costs of the property until it is developed for the

specific, mission-supporting use. Acquisitions and dispositions of property being held for a future use shall include proformas and cost-benefit analyses over identified time horizons.

(d) **Positively impact areas adjacent to the University or limit negative impact.** Property may be acquired or disposed of to provide benefit and enhancement to the local area. In limited instances, property may also be acquired in an effort to preclude conflicting uses that negatively impact adjacent campus properties.

Subd. 2. Use of Property and Facilities.
The following guiding principles shall guide the use of University property and facilities.:

(a) **Maintain facilities to support the University's teaching, research, and outreach mission.** The University is committed to maintaining property and facilities for the primary purpose of meeting the needs of the institution, and furthering its teaching, research, and outreach mission. This includes uses that: (1) contribute to the physical and cultural development of University students supplementary to formal course work; and (2) stimulate the intellectual lives and personal development of University students, faculty, staff, and the broader community.

(a)(b) **Align with campus plans.** The use and stewardship of University property and facilities shall be consistent with the campus plan for each campus.

(b)(c) **Provide strategic value.** The University is committed to maximizing the efficient and effective use of its property and facilities in order to provide appropriate, high quality, and sufficient space and infrastructure for University purposes and programs.

(c)(d) **Support the broader community as able.** University property and facilities are valuable public assets that may be appropriate for broader community use.

SECTION III. IMPLEMENTATION.

Subd. 1. Reservation of Authority.
The Board of Regents (Board) reserves to itself authority to approve those acquisitions and dispositions of property that require Board approval as defined by Board of Regents Policy: *Reservation and Delegation of Authority.*

Subd. 12. Delegation of Authority.
The president or delegate shall maintain administrative policies and procedures to implement this policy, including articulating appropriate processes, define defining permissible uses, set setting contracting guidelines, establishing scheduling priority, and ensure ensuring appropriate property and facility management guidelines, and establish scheduling priority of University property and facility use.

Subd. 2. Campus Master Planning.
The use and stewardship of University property and facilities shall be consistent with the master plan for each campus.

Subd. 3. Non-University Use.
Use of University property and facilities by individuals and by non-University entities may be permitted under the following conditions:

(a) the property or facility is available and not being used for a University purpose or program; and
(b) an appropriate contracted agreement has been developed between the University and the individual or non-University entity.

REVISION HISTORY

Adopted: July 9, 2004
Amended: February 11, 2011
Supersedes: All previously approved policies on use of buildings and facilities and Northrop Memorial Auditorium. Dated April 14, 1937; July 19, 1940; January 8, 1954; February 19, 1963; January 9, 1969; and September 13, 1974; And building and facility usage dated July 11, 1975.

Board of Regents Policy: *Property and Facility Use*

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

Finance & Operations Committee

February 10, 2022

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

University Services

We Make the University Work

Systemwide Strategic Plan Direction

Commitment 5: Fiscal Stewardship

GOAL 3

Build comprehensive long-range capital facilities and land-holding strategies to drive strategic growth.

ACTION

- Establish new long-term physical master plan for each campus that serves our community and is updated regularly.
- Advance innovative financing to support long term strategic objectives.
- Establish land retention, acquisition, and use strategy.

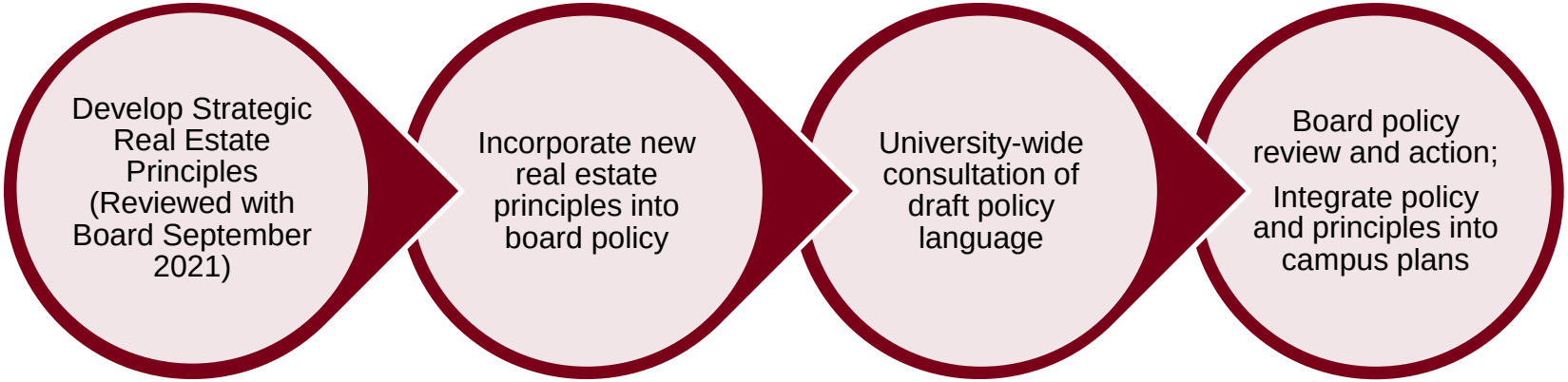
U of M Land Holdings and Facilities

U-owned land: 28,534 acres

- Campuses: 2,068 acres
- ROCs: 16,909 acres
- Other: 9,557 acres

Total Space: 32.0 million GSF

Implementation process



Key Changes to the Policy

- Incorporate new strategic real estate principles to guide acquisition and disposition of real estate
- Clarify guiding principles and the priority for use of property and facilities
- Retitle the policy to reflect the expanded focus
  - Current policy name: *Property and Facility Use*
  - Proposed new name: *Real Estate and Facilities*

Guiding Principles for Acquisition and Disposition of Property

Added four new principles to the policy:

- Support the University's teaching, research, and outreach mission and align with the Systemwide Strategic Plan
- Align with campus master plans (campus plans)
- Provide strategic value when balanced against scarce resources and minimize financial liability
- Positively impact areas adjacent to the University or limit negative impact

Guiding Principles for Use of Property and Facilities

Clarified existing principles within the policy:

- Maintain facilities to support the University's teaching, research, and outreach mission
- Align with campus plans
- Provide strategic value
- Support the broader community as able

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 10, 2022**

AGENDA ITEM: Resolution Related to Issuance of a Century Bond

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

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

PRESENTERS: Myron Frans, Senior Vice President
Michael Volna, Associate Vice President, Finance

PURPOSE & KEY POINTS

The purpose of this item is to review and act on the resolution authorizing the issuance and sale of a century bond in an amount up to $500 million that will provide funds for capital projects and allow the University to create an internal bank revolving loan program.

A century bond provides a source of low-cost funds for loans to be made from an internal bank revolving loan program. Proceeds will be added to the internal bank and loaned internally, but only for capital projects. Each loan will include a repayment plan that fully collects principal and interest from internal borrowers. The interest will be used to pay the interest owed to external bond holders. The principal will be recycled to new loans for additional capital needs. This "recycling" feature ensures that the original century bond proceeds are used many times over, rather than just once, and acts as a multiplier of the University's debt capacity.

This issuance supports Action Item 5.3 of MPact 2025 Systemwide Strategic Plan (MPact2025), which is designed to advance innovative financing to support long-term strategic objectives.

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

BACKGROUND INFORMATION

This topic was discussed by the committee at the December 2021 meeting.

Approval is sought in compliance with Board of Regents Policies as follows:

- *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 4
- *Debt Transactions*, Section III, Subd. 4

PRESIDENT'S RECOMMENDATION

The President recommends approval of the resolution related to the Issuance of a Century Bond.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Issuance of Century Bond

WHEREAS, on October 8, 2021, the Board of Regents (Board) approved a six-year capital plan and a capital improvement budget in support of the University of Minnesota's (University) strategic priorities; and

WHEREAS, advancing innovative financing to support long-term strategic objectives is one of the action items within Commitment 5: Fiscal Stewardship as outlined in the MPact 2025 Systemwide Strategic Plan; and

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale of long-term indebtedness, the final maturity of a given series of which does not exceed 101 years from the date of issuance (Debt), the proceeds of which are to be used to initially finance, on a revolving basis, University capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of the Debt; and

WHEREAS, through the application of the proceeds to capital projects and internal collection of debt service from University academic and support units, the establishment of an internal bank funding model initially for future capital projects will be created; and

WHEREAS, to ensure the prudent and fiscally responsible management of the Debt and to ensure its ability to repay the outstanding principal due at or prior to maturity, the University will develop guiding principles to govern the use, investment, and expenditures of the proceeds of the Debt which will be presented to the Board for approval, as appropriate, prior to the expenditure of proceeds of the Debt for purposes other than payment of costs of issuance; and

WHEREAS, the Debt will be issued pursuant to one or more Order(s) of the University, which will contain the terms of such Debt and agreements and covenants of the University with respect to the payment of the principal of, premium or discount, if any, and interest on such Debt; and

WHEREAS, the University also seeks to appoint an underwriting firm and a registered municipal advisory firm, both of which have experience with century bond transactions, to assist with the issuance of the Debt;.

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

1. To provide funds to initially finance capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, as well as the costs of issuance of such financing(s), the Board hereby authorizes the sale and issuance of Debt in the principal amount of up to $500,000,000. The Debt may be issued in one or more series in the form of bonds or notes, at a maximum fixed rate not to exceed 4.5 percent per annum, each series to mature not later than 101 years after the respective date of issuance.

2. The Debt will be issued as a general obligation of the University and will be issued as taxable debt in order to provide greater flexibility regarding expenditure of proceeds and accumulation of dedicated funds for debt service than is permitted for bonds issued on a tax-exempt basis.

3. The University shall set aside funds from a source other than bond proceeds to be invested so that it may ultimately be used to repay the total outstanding principal at maturity.

4. The purchases of land and buildings, construction and remodeling projects, or acquisition of equipment to be initially financed by the proceeds of the Debt shall be the source of funding of which is so designated by the Board or by the Treasurer as part of the University's capital planning process.

5. The Debt may be sold in one or more negotiated sales 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. The Treasurer is further authorized to negotiate and approve the terms and conditions of any credit support or liquidity facility for any series of Debt, if so required. 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.

6. 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 Order 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 Secretary and Treasurer are authorized to execute and deliver the Debt in accordance with such Order or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the documents evidencing the Debt may be by facsimile.

7. The Treasurer is authorized to execute and deliver a purchase agreement 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.

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

9. 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 issuance and sale of the Debt.

10. 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.

11. The execution of any document by the appropriate University officers herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any 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.

12. University officers are authorized and directed, prior to the expenditure of proceeds of the Debt for purposes other than payment of costs of issuance, to develop guiding principles to govern the use, investment and expenditure of the proceeds of the Debt, including principles to manage internal loans and application of repaid funds in accordance with the University's policies governing debt transactions and investments, to ensure the sound fiscal management of Debt proceeds, and to manage payment of the outstanding principal and interest.

13. The Board approves the appointment of Barclays as underwriter for the sale and issuance of the Debt or a portion thereof.

14. The Board approves the appointment of Janney Montgomery Scott as independent municipal debt advisor to assist with the sale and issuance of the Debt.

The above authorizations and resolutions shall remain in effect until February 28, 2023.

University of Minnesota
Board of Regents Finance & Operations Committee
Resolution Related to the Issuance of Century Bond

At the December 2021 Board of Regents Finance and Operations Committee meeting information was presented describing an innovative capital financing strategy involving a form of debt called a century bond. Based on market conditions regarding borrowing funds at historically low raes and the Committee's reception of the concept, we are seeking approval from the Board on the resolution included with these materials authorizing the issuance of up to $500 million in debt in the form of a century bond.

Review of Century Bond Strategy

The capital financing strategy utilizing a century bond that was proposed at the December Board meeting includes three parts:

1. Issuance of a century bond
2. Use of an "Internal bank"
3. Set aside a reserve amount ("principal repayment reserve"), invested in the endowment, that will grow and eventually be available to repay the century bond principal at maturity.

Issuance of a Century Bond - The Administration seeks approval to issue up to $500 million in debt in the form of a century bond. The amount has been determined based on the dollar amount of capital needs represented in the University's 2021 Six Year Plan, approved by the Board in October 2021. The proposed century bond effectively represents advanced financing for $500 million of the estimated $604 million needed to fund the University's portion of the SYP. A $500 million century bond also is reasonable in comparison to the University's estimated available debt capacity of $900 million to $1 billion, according to the debt capacity study prepared by Janney Montgomery Scott, which is included in the docket. The resolution's reference to "up to $500 million" provides the flexibility to adjust the amount in response to

market conditions and demand by issuing less than the desired $500 million if circumstances warrant.

The Board resolution authorizing issuance of the century bond includes a "not to exceed" interest rate of 4.5% as a safeguard against locking in an unreasonable interest rate for 100 years. Based on expected market conditions, the University's credit quality, and other factors we are confident the University's century bond will not exceed that interest rate. In early discussions with our proposed underwriter and debt advisor, they concur with that assessment.

Use of an "internal bank" – An internal bank mechanism will be used to allocate (lend) funds internally, and then collect repayments from units. This approach is similar to the method currently used for the collection and repayment of traditional external debt. The internal bank is key to the overall capital financing strategy, as it provides funds for payment of the required external interest expense and returns the principal to the internal bank where it can then be lent again to fund other projects. The University already utilizes a nominally sized internal bank for financing smaller projects. If a century bond issuance is approved, we will expand the use of the internal bank to include century bond proceeds, and we will immediately review the existing internal bank processes to ensure that the internal bank functions effectively at the greater scale of a century bond, utilizes best practices, and is sustainable for 100 years.

Principal Payment Reserve – The third element in the strategy requires that the University set aside a dollar amount and invest it to grow to $500 million by the time the century bond principal must be repaid. It will be important to have policies that protect the set-aside reserve from premature use before it reaches the amount needed to repay the principal. Early financial analysis indicates a set-aside reserve in the $6 million to $8 million range will be recommended. The set-aside reserve cannot come from the century bond proceeds because of federal tax implications so non-operating University funds will be used for the set-aside. Approval of the set-aside reserve amount and the investment of the reserve in the endowment will be sought later as part of the governance and policy framework (see next section).

Governance and Policy Framework

This strategy requires adopting policies, principles, and guidelines that provide a framework for oversight, accountability, and long-term risk management. There are several key governance areas that rating agencies will focus on, including investment strategies and policies pertaining to the principal repayment reserve; limitations on use of the principal repayment reserve before it grows to the amount needed for repayment of the principal; guidelines for ensuring the internal bank funds are not diverted for uses that undermine the ability to re-lend the funds; and reporting and oversight mechanisms. The debt resolution reinforces the importance of a policy framework by requiring that policies and guidelines be developed and adopted before century bond proceeds may be used for capital projects.

The University already has a robust governance and policy framework for oversight and management of capital programs. These include policies and board approvals about the Six-

Year Capital Plan, Annual Capital Budget, State capital requests, individual capital projects not included in the Annual Capital Budget, and approval of the issuance of debt to finance projects.

In addition, Section V of Janney's report on the University's century bond strategy (*External Review of Potential Century Bond Strategy, 10-01-2021* by Janney Montgomery Scott*)* provides a comprehensive list of governance and policy best practices pertaining to century bonds such as guiding principles, roles and responsibilities, permitted uses of funds, segregation, protection of set-aside amounts, internal lending practices, and reporting and key metrics. The report is included with the February docket materials. Many of those best practices align with rating agency expectations, so the Administration will leverage Janney's report to develop proposed enhancements to the University's existing governance and policy framework. The work will begin upon approval of the resolution, with the goal of presenting recommendations to the Board for review and adoption by the June 2022 meetings. We recommend policies be approved before using any century bond proceeds. At that time, we also recommend that the Board approves the amount of the set-aside reserve and the investment of the reserve in the endowment.

How This Strategy Complements Capital Funds

Most capital projects involve a mix of funding from multiple sources, including state funds, dollars raised through philanthropy, cash generated by units, and University debt. The proposed century bond strategy represents a way to ensure that there will be a predictable source of low interest-rate funds available to finance the estimated $604 million needed for the University's portion of the Six-Year Plan. Those other sources of funds will continue to be needed, so this strategy complements, but will not replace, other sources of capital funds.

Similarly, the century bond strategy is not envisioned to replace HEAPR funds received from the State. HEAPR is a source of funds that do not require repayment. Utilizing the internal bank to loan century bond funds for HEAPR projects might mean critical infrastructure repairs and maintenance become unaffordable to many units that do not have the ability to repay them. We provided information in December describing another strategy for increasing funds available for HEAPR. That strategy involved seeking a commitment from the State for $35 million per year for 25 years to finance debt that the University would issue. Those debt funds would be used in a manner similar to HEAPR. Based on the November state financial forecast, this strategy is being held back and instead the University is requesting $400 million in HEAPR as part of the supplemental request. However, this strategy remains an option, and in light of the Governor's recommendation to provide $200 million for HEAPR, may be reintroduced if circumstances favor this strategy.

By utilizing the internal bank concept to loan and collect century bond funds, the University will be able to re-lend them multiple times over the 100-year life of the century bond. For example, if the $500 million proceeds are lent, collected, and re-lent according to the typical 25-year amortization cycle, the funds would circulate four times during the next 100 years and would fund $2 billion of capital projects during that time frame.

Timeline

Interest rates continue to be extraordinarily attractive, however it is expected that the Federal Reserve will begin raising rates during calendar year 2022. The Administration has prepared an aggressive plan for issuance. The plan would permit the University to price the century bond debt within the first two weeks of April – about 9 weeks after approval by the Board. Both firms being recommended for this transaction feel this is timeline aggressive but achievable. A summary of the timeline is included with the docket materials

Recent Century Bond Activity

Janney's report *External Review of Proposed Century Bond Strategy* (included with the docket materials) includes a list of universities that have issued century bonds between 1996 and 2020. The list has been extracted from the report and is included below. The Universities highlighted in green represent public universities that have issued century bonds.

Sale Date	Borrower	Ratings (M/S/F)*			Par Amount	Credit Spread	Coupon
04/02/1996	Yale University	Aaa	AAA	NR	$125,000,000	70 bps	7.375%
10/31/1996	Massachusetts Institute of Technology	Aaa	AAA	NR	$75,000,000	60 bps	7.250%
06/24/1997	Boston University	A3	BBB+	NR	$100,000,000	95 bps	7.625%
05/11/2011	Massachusetts Institute of Technology	Aaa	AAA	NR	$750,000,000	130 bps	5.600%
08/10/2011	University of Southern California	Aa1	AA	NR	$300,000,000	174 bps	5.250%
10/19/2011	Ohio State University	Aa1	AA	AA	$500,000,000	170 bps	4.800%
11/29/2011	California Institute of Technology	Aa1	AA+	NR	$350,000,000	180 bps	4.700%
02/21/2012	University of California	Aa1	AA	AA+	$860,000,000	165 bps	4.858%
03/22/2012	Tufts University	Aa2	AA-	NR	$250,000,000	165 bps	5.017%
03/29/2012	University of Pennsylvania	Aa2	AA+	NR	$300,000,000	140 bps	4.674%
06/26/2012	Bowdoin College	Aa2	NR	NR	$128,500,000	200 bps	4.693%
04/23/2013	Hamilton College	Aa2	NR	NR	$103,000,000	198 bps	4.750%
04/01/2014	Massachusetts Institute of Technology	Aaa	AAA	NR	$550,000,000	108 bps	4.678%
11/06/2014	Ohio University	Aa3	A+	NR	$250,000,000	250 bps	5.590%
04/01/2015	University of California	Aa2	AA	AA	$500,000,000	230 bps	4.767%
05/23/2016	Wesleyan University	Aa3	AA	NR	$250,000,000	215 bps	4.781%
07/26/2016	Massachusetts Institute of Technology	Aaa	AAA	NR	$500,000,000	160 bps	3.885%
09/07/2016	California Institute of Technology	Aa2	AA-	NR	$150,000,000	205 bps	4.283%
09/15/2017	University of Virginia	Aaa	AAA	AAA	$300,000,000	137 bps	4.179%
01/09/2019	Georgetown University	A2	A-	NR	$304,000,000	218 bps	5.215%
08/01/2019	University of Pennsylvania	Aa1	AA+	NR	$300,000,000	115 bps	3.610%
09/05/2019	University of Virginia	Aaa	AAA	AAA	$350,000,000	117 bps	3.227%
09/10/2019	Rutgers University	Aa3	A+	NR	$330,000,000	172 bps	3.915%
11/20/2019	University of Pittsburgh	Aa1	AA+	NR	$400,000,000	135 bps	3.555%
11/20/2019	California Institute of Technology	Aa3	AA-	NR	$500,000,000	145 bps	3.650%
01/30/2020	University of Southern California	Aa1	AA	NR	$320,000,000	120 bps	3.226%
02/27/2020	University of California	Aa2	AA	AA	$300,000,000	190 bps	3.706%

Since the publication of their report in early December, additional century bond activity has occurred.

- In December of 2021, Michigan State University's Board of Trustees approved the sale of a $500 million century bond. Michigan State (Moody's rating – Aa2) plans to price their bonds in the first calendar quarter of 2022.
- In January 2022 Claremont McKenna College (Moody's rating - Aa3) sold a $300 million century bond. Claremont McKenna achieved a pricing of 3.775%.

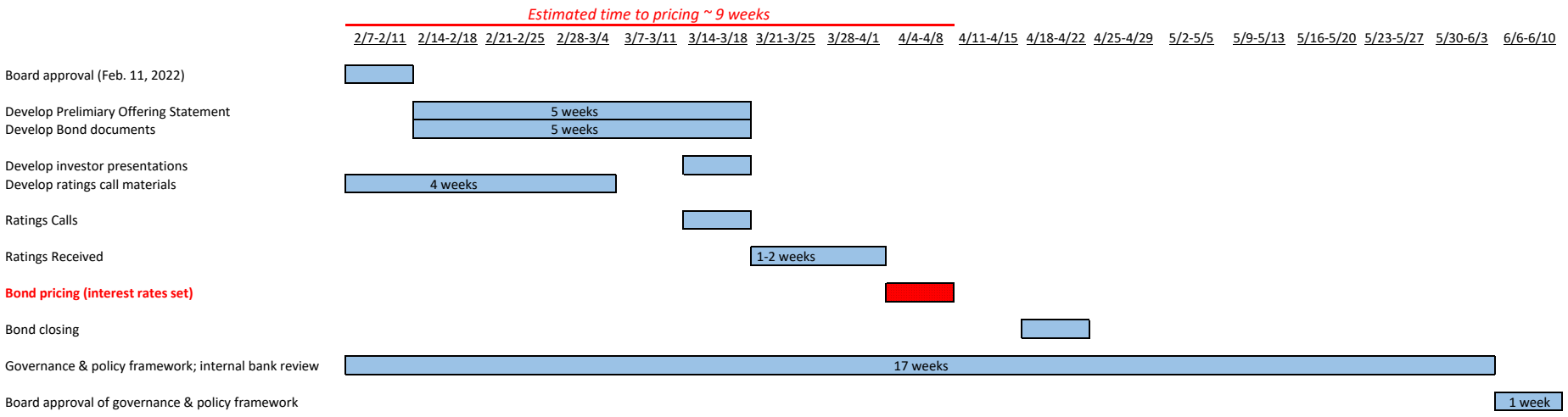
Approval of Underwriters and Independent Debt Advisors

Finally, we request approval to appoint underwriters and debt advisors for the century bond transaction. The approvals for these services are included within the resolution that the Finance and Operations Committee is being asked to approve.

Underwriters – We request approval to appoint Barclays as the underwriter for this transaction. The University utilizes a pool of preapproved debt underwriters that have been selected via a competitive process, and Barclays is one of the preapproved firms. They have a long history of underwriting debt issuances for the University. Equally important, Barclays has been the lead underwriter on 11 of the 24 century bond issuances that have occurred in higher education. Their experience will be a tremendous asset to the University.

Independent Debt Advisors – The Administration will request approval to appoint Janney Montgomery Scott as the advisor for this transaction. Janney has a very senior team that have deep experience with higher education institutions that have issued debt in conjunction with an internal bank model. Janney has previously performed engagements to review the University's century bond strategy and perform a debt capacity study, as noted above, and the reports issued at the conclusion of their engagements will be included with the docket materials.

Century Bond Issuance Timeline



EXTERNAL REVIEW OF POTENTIAL CENTURY BOND STRATEGY

UNIVERSITY OF MINNESOTA

Driven to Discover℠

FINAL REPORT

October 1, 2021

PROJECT SCOPE AND OBJECTIVES

Janney was engaged to provide an external review of the University's proposed century bond strategy. The University has defined the limited scope of this engagement as follows:

1) Review of the University's strategy as set forth in the University's "white paper" with additional supporting documentation available as necessary for the review, and

2) Delivery of a report with observations, considerations, and recommendations regarding:

    a. Whether the University's proposed strategy embodies best practices for municipal issuers of century bonds, with an emphasis on the comparison of the strategy to that used by other university issuers.

    b. Whether the strategy has addressed the risks associated with century bonds and identifies appropriate risk mitigation techniques.

    c. Whether the University's strategy includes appropriate policy, governance and oversight mechanisms.

    d. Other factors or considerations which the University should address as it finalizes the strategy.

In addition, Janney will be available to attend a future meeting of the University's Debt Management Advisory Committee (DMAC) to review and answer questions about this report.

REVIEW OF PROPOSED STRATEGY

Janney reviewed the proposed century bond strategy as provided in the University's white paper. The information shown in the box below is a summary of the University's initial strategy that we categorized into four areas: (1) century bond structure and execution; (2) principal repayment strategy; (3) use of century bond proceeds; and (4) internal bank framework. For purposes of this report, we will evaluate the elements of the University's strategy with respect to best practices, risk mitigation, governance, and other factors (e.g., state dynamics, rating agencies).

Century Bond Structure and Execution

- Assumes an issuance of a $400,000,000 century bond
- Continue to request State funding (HEAPR and 2/3 capital funding)

Principal Repayment Strategy

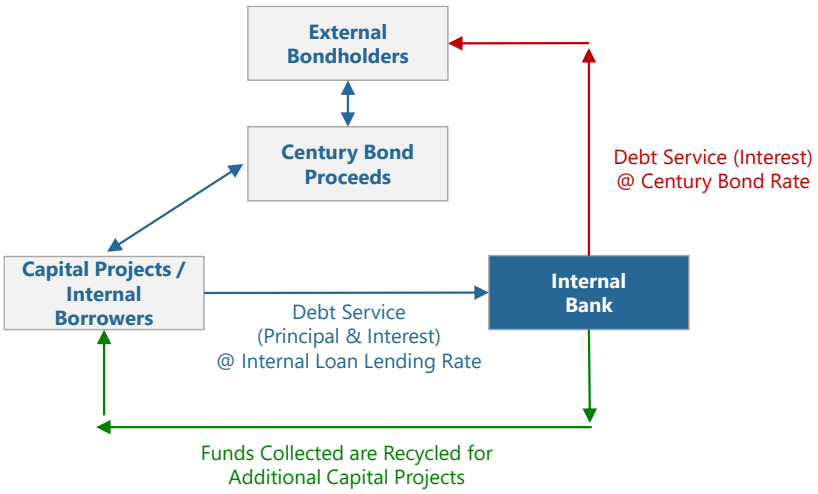
- Use working capital (or other University equity) to fund set-aside principal reserve
- The size of the reserve will be based on assumptions for investment earnings

Use of Century Bond Proceeds

- The century bond proceeds are used for capital projects only
  - Fund capital projects approved by the Board as part of the annual capital budget process
  - Earnings on unspent bond proceeds will be used for capital projects or to pay bond interest
- Century bond proceeds will not be used for long-term investment purposes

Internal Bank Framework (see graphic below)

- The University seeks to create a sustainable mechanism for long-term capital funding
- Projects funded by century bond proceeds will have internal loans that repay over time (e.g., 20 years)
- Internal debt service and earnings on unspent proceeds cover century bond interest (years 1-25)
- The principal structure of external debt is deferred for 100 years while internal loan principal is repaid annually which creates residual balances that can be used to make new loans (i.e. recycling)



SECTION 1: CENTURY BOND STRUCTURE & EXECUTION

Historical Context – The modern use of century bonds began in the early 1990's when "blue-chip" corporate borrowers such as IBM, Disney, and Coca Cola used this taxable structure to create equity-like capitalization at relatively low interest rates. While a handful of private universities issued century bonds in the 1990's as well, the higher education sector didn't actively employ this strategy until after the financial crisis of 2008. This activity coincided with the growing market for taxable municipal bonds, initially driven by the introduction of the Build America Bonds program. More recently, the elimination of tax-exempt advance refundings and federal tax cuts brought a marked increase in supply and greater visibility for taxable municipal bonds with investors.

With an increasingly robust taxable municipal market, not-for-profit borrowers who do not have access to true equity, such as colleges and universities, have utilized this concept of "equity-like" funding. The table included in Appendix A provides a comprehensive list of higher education institutions that have issued century bonds including two Big Ten Conference institutions – Ohio State University and Rutgers University.

Execution Considerations – We observed increased primary market activity from January 2019 through February 2020 with eight higher education century bonds totaling $2.8 billion. There has not been any further higher education century bond issuance since then as a result of increased rate volatility. In recent months, we have observed that there is demand for long-dated (30-40 year) taxable bonds. However, a century bond issue requires price discovery during the marketing period prior to sale. This is because there is limited primary market issuance and investors tend to "buy and hold" which limits secondary trading data. The demand for century bonds will depend on the absolute level of rates and market volatility when the University plans to come to market.

Given the permanence of this structure, Janney recommends that the University develop parameters for a "go/no-go" decision and a "Plan B" in the event that market conditions change prior to issuance. If the cost of a century bond is too high, the University could issue a shorter maturity (e.g., 40 years). The University's internal lending rate will be dependent on the rate on the century bond and there will likely be a point at which the internal lending rate would no longer be affordable for internal borrowers and their budgets. With further model development, the University can analyze the impact of higher century bond cost and the impact on the internal lending rate.

The "Plan B" strategy would include all of the elements of the century bond strategy with the primary difference being that the external debt would be issued with a shorter bullet maturity with the intention to "roll" the bullet maturity before its due date. This approach introduces market risk after the initial maturity but still allows for the application of the broader strategy. For reference, the table at right provides indicative rates for the University assuming a 30, 40, and 100 year maturity as of September 30, 2021.

Indicative Rates for UMN (as of 09/30/2021)			
Maturity	**Benchmark**	**Credit Spread**	**Coupon**
30 Years	2.08%	0.75%	2.83%
40 Years	2.08%	0.90%	2.98%
100 Years	2.08%	1.40%	3.48%

The following chart provides historical context for the indicative century bond rate in the current market. For purposes of this comparison, we assume a hypothetical static credit spread of 0.90% and apply that to historical 30 year UST rates to estimate the University's 30 year taxable borrowing cost. The time period represents the last fifteen years and begins approximately when the U.S. government resumed issuing the 30 year Treasury bond in 2006. Based on these assumptions, the current indicative century bond rate is lower than the estimated 30-year borrowing cost 80% of the time making the current cost of a century bond attractive relative to history.

The spread between 30 and 100 year maturities can vary depending on market conditions and credit quality. For example, in September 2019, University of Virginia (Aaa) priced a 30 and 100 year maturity on the same day with a rate differential of 0.25%. Another example occurred in January 2019 when Georgetown University (A3) priced a 30 and 100 year maturity on the same day with a rate differential of 0.90%.

Regardless of maturity, Janney would recommend that the size of the issue be at least $300 million in order for the bond to be included in the Bloomberg Barclays U.S. Aggregate Index. Bonds that are "index eligible" are viewed as having more liquidity and some investors also have index funds or track the index as a benchmark, so inclusion in the index is helpful for reporting and for limiting tracking error. As a result, having an index eligible issue will help the University maximize investor interest.

In general terms, a taxable bond that has (i) a single maturity; (ii) index-eligible size (≥ $300 million); and (iii) a make-whole call will attract the broadest investor interest. As the structure moves away from a more "corporate-style" approach (e.g., amortizing structure, smaller size, par call), it narrows the potential investor base as certain investors will not buy those structures. So when we talk about the pricing benefit of an index versus non-index issue, it is really a hypothetical benefit based on the assumed relative demand. Notably, of the 24 century bond issues sold in the past ten years, only three issues (see Appendix A) were sub-index size[1].

Our initial recommendation for the size of the University's century bond is a range of $300 million to $500 million. The rationale for this range includes:

- Meets requirement for index eligibility
- Should be sized based on future capital plans for optimization of internal bank
- Moderate sized investor base for this structure
- Larger size may pressure current ratings[2]

[1] The minimum size for inclusion in the U.S. Aggregate Index changed in 2017 from $250 to $300 million.

[2] Refer to Section 6 of this report for further discussion of debt capacity and rating considerations.

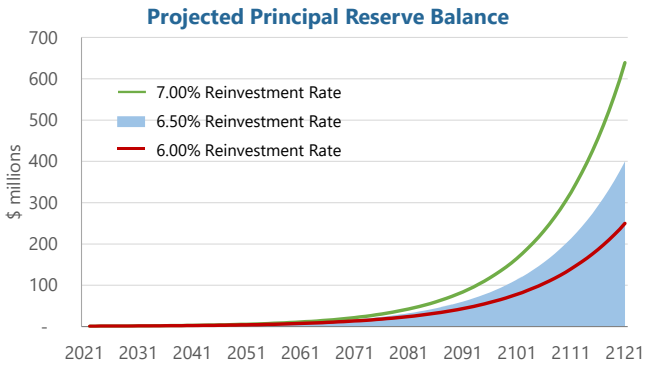
SECTION 2: PRINCIPAL REPAYMENT STRATEGY

The University has identified a "set-aside" strategy for the repayment of principal in 100 years, which we consider a best practice. Further, the University has taken a thoughtful approach by initially funding this reserve with other University funds (i.e. not using century bond proceeds). This is also considered a best practice so as not to create additional cost from unrelated business income tax ("UBIT"). There are several examples of similar repayment strategies as described in the following table[3].

Institution	Par Issued	Set Aside	Funding Source	Investment Strategy	Assumed Earnings
Ohio State University	500,000,000	10,000,000	University Cash	Long-Term Inv. Pool	N/A
Rutgers University	330,000,000	2,500,000	Internal Bank Equity	Separate Fund in LTIP	5.00%
Ohio University	250,000,000	7,000,000	University Cash	50% Liquid / 50% LTIP	30Yr UST / 6.90%
Wesleyan University	250,000,000	2,000,000	University Cash	S&P Index Fund	N/A

The remaining question will be determining the appropriate size of the initial deposit in the reserve. Given the long time horizon, the ability to repay principal in the future is sensitive to changes in the investment return assumptions. The University's analysis indicates an assumed average investment return of 6.50% which would require a minimum initial deposit of $720,000.

Janney recommends that the initial deposit be sized based on a sensitivity analysis that looks at historical returns and volatility for the Consolidated Endowment Fund and future target returns. As shown in the graph on the right, a 50 basis point difference in the average reinvestment rate over 100 years can result in an ending balance ranging from $250 to $640 million.



If the University increases the amount of the initial deposit, returns do not need to be as high for the balance to reach the $400 million goal. For example, if the University were to deposit $5 million today, the reserve fund would need to earn at least 4.48% in order to grow its balance to $400 million in 100 years for principal repayment. It is also important to note that the initial deposit would be significantly higher if the University ultimately decides to issue a 30 or 40 year maturity instead of a century bond and plans to pay the debt off at maturity.

Janney recommends that the University develop a more conservative investment return assumption to size the initial deposit. If investment returns are more in line with the assumed 6.50%, the balance will grow to $400 million in 70 years at which point the University could adjust asset allocation to protect principal for the remaining 30 years. The following table provides examples of different combinations of initial deposits and "budgeted" investment returns versus long-term target investment returns.

Initial Deposit	Budgeted Return	Projected Bal. ($400M)	Target Return	Projected Bal. ($400M)
2,500,000	5.21%	in Year 100	6.50%	in Year 81
5,000,000	4.48%	in Year 100	6.50%	in Year 70
7,500,000	4.06%	in Year 100	6.50%	in Year 64
10,000,000	3.76%	in Year 100	6.50%	in Year 59

[3] Information is sourced from publicly available information including audited financial statements and public Board minutes.

In addition to considering a more conservative return assumption, Janney recommends that the University build in balance target goals which can be tracked periodically throughout the 100 years. The balance target will be a minimum and maximum balance that is required at specific time intervals (e.g., year 25, 50, 75, 90).

- Minimum Balance Target: If the University has not reached pre-determined minimum balances at certain checkpoints, it will be required to transfer a certain amount into the fund in order to ensure a large enough balance for repayment at maturity. The University will also be "locked out" of using fund balances until it has accumulated enough funds to repay 100% of century bond principal.
- Maximum Balance Target: If the University reaches a certain balance (greater than principal amount of century bond) it can divest a portion of excess fund balances and re-allocate these funds to additional capital projects.

Some institutions, such as Ohio University, incorporate asset allocation targets at each of these checkpoints as well. This approach is similar to a target retirement fund used for a 401(k) plan where the investment strategy becomes more conservative over time as the retirement date (principal repayment) approaches.

SECTION 3: USE OF CENTURY BOND PROCEEDS

The University's approach to using century bond proceeds follows best practices in terms of segregating funds, avoiding potential UBIT issues, and setting objectives for recycling funds for future capital. Based on our understanding, the University has done a thorough analysis of the potential use of century bond proceeds from a UBIT perspective. Assuming that the University has available working capital or other funds that can be used to initiate the overall strategy, we believe this best serves the goal of creating a sustainable capital funding mechanism.

Investment as a Separate Strategy – The University has also made it clear that the overall strategy is focused on asset stewardship and is not being used for investment purposes. As such, century bond proceeds will be treated the same as other University debt in that they can only be used for approved capital projects. This will be an important part of the supporting narrative for internal stakeholders (Board of Regents) and external stakeholders (rating agencies and investors). In our opinion, rating agencies will view the long-term capital strategy as a credit positive as compared to a more endowment-driven strategy which may be viewed negatively. The University could consider reallocating a portion of its working capital to higher yielding investments. However, this concept would depend on working capital needs and would be separate and distinct from the century bond strategy.

Prioritizing Critical Capital Needs – While this program could have broad application for the University's capital plans, it may be helpful to create more definition around what types of projects the program is used for. In each capital funding decision, an institution is expressing a view on its strategic priorities. The funding sources for these investments include philanthropy, reserves, debt, and in some cases state appropriations. Because each of these sources are limited, asset stewardship of existing facilities may be a lower priority than "new construction" projects. Ultimately this is a question of intergenerational equity.

Our understanding is that the deferred maintenance needs at the University are significant with nearly $5 billion projected over the next ten years. While the State has been very supportive of the University's capital renewal efforts through the HEAPR program, it will not be enough to address the significant needs across the campuses. The century bond program could help "close the gap" and by addressing needs incrementally and on an ongoing basis, the University can reduce the need for urgent/expensive repairs that could create negative headline risk or disrupt the student experience.

For additional context, we also look at peer institutions and their respective age of plant metric[4]. Age of plant is a Moody's metric that provides a rough indicator of institutional deferred maintenance as well as the operating efficiency of the existing plant facilities. Based on FY20 data, the University had the highest age of plant in the Aa1 comprehensive public university peer group and the second highest age of plant in the Big Ten Conference[5] peer group. This may also be incorporated into the positioning of the proposed strategy with key stakeholders including the State.

Aa1 Public Universities - Age of Plant	
University of Nebraska	10.4
North Carolina State University	11.5
Ohio State University	11.7
Pennsylvania State University	11.7
University of Utah	11.8
University of Colorado	12.5
University of Iowa	12.5
Virginia Tech University	13.6
Texas Tech University System	13.7
University System of Maryland	14.8
University of Missouri System	15.2
University of Pittsburgh	15.8
University of Minnesota	17.3
Aa1 Public University Median:	12.5

Big Ten Universities - Age of Plant	
University of Nebraska (Aa1)	10.4
Ohio State University (Aa1)	11.7
Pennsylvania State University (Aa1)	11.7
Northwestern University (Aa1)	11.7
University of Iowa (Aa1)	12.5
University of Michigan (Aaa)	13.2
Purdue University (Aaa)	13.9
Michigan State University (Aa2)	14.3
University System of Maryland (Aa1)	14.8
Rutgers University (Aa3)	15.8
Indiana University (Aaa)	16.0
University of Minnesota (Aa1)	17.3
University of Illinois (A1)	18.1
Big Ten Conference Median:	13.9

[4] Source: Moody's Investors Service; calculated as accumulated depreciation divided by annual depreciation expense.
[5] Excludes University of Wisconsin (not rated by Moody's); State of Wisconsin issues debt on the University's behalf.

SECTION 4: INTERNAL BANK FRAMEWORK

Current Internal Funding Practices **–** The University has historically used an internal charging model as a mechanism to fund the external debt service (principal and interest) paid. The approach to collecting debt service from internal units was updated in 2008 in conjunction with a change to the University's budget model. Debt proceeds are used to pay specific capital project costs. The related debt service on that outstanding debt is funded by charges to the applicable college(s) based on usage or occupancy of the related building/renovation. Initially, collections were just enough to cover the related debt service, but the process has slowly evolved to bring more uniformity to the interest rate charged to units with some differences, primarily depending on whether the associated external debt was issued as commercial paper or long-term (25-year) debt.

Application for Century Bond Strategy **-** The University plans to apply an internal bank framework to the proposed century bond strategy to maximize future capital funding capacity. The proposed strategy assumes that internal loans will generally be made with a 25-year amortizing structure at a rate that is higher than the century bond rate. The actual amortization structure for internal loans will be dependent on type of project that is being financed. As internal loans are repaid each year, balances can be used to pay for interest expense on the century bond and redeployed for future capital needs.

Janney believes that the overall approach to the internal bank framework is appropriate and reflects a long-term view of asset stewardship. It will be important to analyze several aspects of the recommended approach to ensure long-term objectives are achieved. It is also important to note that many of these key assumptions are interrelated.

- Seed Funding for Internal Bank: The University plans to use working capital or other University equity to provide "seed funding" for the internal bank. It also may be necessary to pay down one or more of the outstanding commercial paper (CP) series and transfer the associated internal collections to the century bond program for the remaining term of the original CP. The University would continue to collect the internal charges related to the CP without the need to pay ongoing external CP principal and interest. This allows funds to grow within the internal bank faster and supports the payment of century bond interest while the program ramps up.

- Recycling of Funds: The long-term sustainability of this program will depend on the University's ability to maximize recycling opportunities. We believe that the "highest use" of program funds is lending for capital. To that end, Janney recommends that internal bank balances be used to fund capital and should not be invested in a quasi-endowment. These balances can be used for smaller/short-term projects and create additional recycling capacity in the first 25 years of the program. This approach is consistent with the University's debt policy and reduces the program's vulnerability to fluctuations in investment returns.

- Internal Lending Rate: The internal lending rate should be higher than the interest rate on the century bond. The exact "spread" above the century bond rate allows for ongoing access to capital for internal borrowers. The University should also maintain flexibility to adjust the lending rate periodically as a matter of policy.

Peer Examples – The internal bank concept has been an effective capital strategy tool for several institutions including credit peers such as Ohio State University, University of Nebraska, and University of Missouri System. We have also observed institutions applying the same approach to their century bond programs to fund deferred maintenance and/or institutional sustainability goals.

- University of California (link): The $500 million century bond issued in 2015 was used to address a backlog of deferred maintenance and capital renewal needs at the Davis, Irvine, Riverside, San Francisco, and Santa Cruz campuses. These campuses will manage the bond proceeds as internal loans that will be amortized and repaid over time horizons of approximately 15-30 years, depending on use, until maturity of the century bonds. Some campuses will use the internal loan proceeds to create a revolving fund for capital renewal.
- University of Pennsylvania (link): The 2012 century bond issue was part of the Climate Action Plan. $200 million of proceeds were used for energy efficiency upgrades and deferred maintenance. The utility cost savings realized through lighting upgrades and HVAC upgrades will be used to offset debt service and the principal repayment of the HVAC projects will be used to fund future projects.
- Massachusetts Institute of Technology (link): Starting with the 2012 century bond issue, MIT has utilized century bonds to create funding for its Accelerated Capital Renewal Program. This program identified capital renewal priorities and committed significant near-term funding after a period of limited investment for deferred maintenance.

SECTION 5: POLICY & GOVERNANCE

The long time horizon is a key driver of the overall strategy. However, that same time horizon creates several risks that require fiscal discipline and thoughtful policy. The University's white paper creates a roadmap for a policy document that will govern the century bond strategy in its initial implementation and for future administrations. In our view, it is critical to have a well-defined scope with respect to use of century bond program funds and have intentional "checkpoints" over the course of 100 years to allow for adequate time to make necessary adjustments. The following outline includes key policy elements based on our experience with century bond and internal bank frameworks utilized at other institutions.

I. Policy Statement: Should acknowledge that the policy is intended to ensure proper use of proceeds, principal repayment in 100 years, and assist future administrations in managing the program. The policy is not intended to prescribe specific actions to be taken by future administrations, but to provide a framework for evaluating key metrics for the program over time. In order to establish a formal internal bank framework, the internal lending related to the century bond will be separate from existing debt. As time passes and legacy debt is repaid, the University can fully transition to the new framework.

II. Responsibilities: Identify members of University leadership with responsibility for implementation of the policy and administering the century bond program. Incorporate DMAC to provide additional oversight.

III. Permitted Use of Bond Proceeds: Should be consistent with University Debt Policy and only be used for capital projects. Earnings on unspent proceeds can be applied to pay interest on the century bond issue or for capital projects. Bond proceeds will not be used for long-term investment or any other purpose that would result in UBIT. In addition, bond proceeds will not be used for operations as the University will have more flexible and cost-effective alternatives such as a line of credit or taxable CP.

IV. Century Bond Program: The Century Bond Program will include the creation of three pools of funds. This section of the policy should outline the initial funding plan, objectives, investment strategy, and ongoing management parameters for each pool.

   a. Principal Repayment: Include concept of adjusting asset allocation if balance exceeds par issued

   b. Century Bond proceeds: Segregated initial proceeds in our custodial bank that are drawn for approved capital projects (same practice currently used by the University for 25-year debt).

   c. Internal Bank: Focus on loan amortization and collection; recycling funds and providing access to capital on rolling 25-year time horizon for most projects. In some cases, a shorter amortization period may be applicable.

V. Internal Lending Program: Should provide standard terms for short-term and long-term lending including amortization schedule and standard interest rates. This section should also describe process for an internal borrower to request a loan, the approval process, and the documentation.

   a. Process for Setting Lending Rate: The University intends to maintain a stable lending rate as part of the proposed strategy; the University reserves the right to adjust the internal lending rate based on future capital needs and projected fund balances.

VI. Reporting & Key Metrics: The Senior Vice President of Finance and Operations will provide an annual report to the Board of Regents including the prior year's capital funding activities, current fund balances, and future lending capacity. In addition, the Senior Vice President of Finance and Operations will also make a recommendation as to any changes in the internal lending rate or investment strategy.

SECTION 6: RATING & DEBT CAPACITY CONSIDERATIONS

Rating Agency Considerations – The University's proposed capital funding strategy should be viewed as a credit positive by the rating agencies. However, the increase in leverage will likely pressure the University's current ratings. In our view, institutions should not allow rating agency views to drive strategic and financing decisions. With this in mind, we recognize the importance of the University's strong credit rating and while it may not drive the decision to issue the century bond, the impact on credit rating is a factor to consider.

University of Minnesota is currently rated Aa1 with a stable outlook by Moody's and AA with a stable outlook by Standard & Poor's. The University's rating is driven by excellent strategic positioning as Minnesota's flagship university, strong financial resources, excellent fundraising and conservative debt structure with annual amortization that offsets future borrowing plans. Challenges include moderate operating performance, constrained revenue growth, ongoing capital needs and exposure to healthcare operations. In their most recent rating reports, both Moody's and Standard & Poor's cite additional substantial new debt without improved operating performance as a factor that could lead to a downgrade. It is also important to note that Moody's revised their higher education rating methodology in August 2021. There was no change in the University's rating upon implementation of the revised methodology. While the Moody's scorecard may change, the fundamental credit analysis will not change.

The chart on the right displays the University's FY20 performance on spendable cash and investments to debt compared to Aa1 public university peers[6]. This ratio is a key metric which will drive Moody's quantitative view on a large debt issuance for the University. The chart compares University of Minnesota's actual FY20 performance versus FY20 if the University had $400 million of additional debt. The additional debt results in the University's metric becoming weaker and falling below the Aa1 median of 2.4x. However, the University's pro forma performance of 2.2x is still solid and remains stronger than 4 out of the 13 other Aa1 institutions.

Aa1 Public Universities - Spend. C&I to Debt	
University of Iowa	3.4
University of Maryland System	3.2
University of Pittsburgh	3.1
North Carolina State University	2.9
University of Minnesota - Actual FY20	2.8
Ohio State University	2.5
Pennsylvania State University	2.4
University of Colorado	2.4
University of Delaware	2.3
University of Utah	2.3
University of Minnesota - Plus $400M Debt	2.2
Texas Tech University System	2.2
University of Nebraska	2.0
University of Missouri System	1.9
Virginia Tech University	1.7

The University's credit rating has a quantitative impact on the interest rate of any future debt issuance. For a century bond, we estimate in the current market that the University's interest rate would increase by 15-20 basis points which equates to $600,000 to $800,000 of increased annual interest expense for a $400 million issuance if the University were to be downgraded to Aa2 by Moody's and AA- by Standard & Poor's. Importantly, at these rating levels the University would still have strong market access to issue a century bond in the current market.

There is also a qualitative impact of the University's credit rating due to the public relations aspect of the public rating. This is why it is important for the University to carefully evaluate potential rating pressure and socialize internally with management as well as Board of Regents so that the University can be prepared and create a cohesive message in case a rating downgrade occurs.

In our view, the University accurately assessed the rating agency impact of a century bond strategy. From a quantitative perspective, the rating agencies will treat century bonds like traditional debt and the par amount outstanding will impact the University's credit ratios. This will likely result in near-term pressure on debt ratios

[6] Source: Moody's Investors Service

given that the University would effectively be pre-funding projects now that would have otherwise been financed in the future after the University had paid down currently outstanding debt. In addition, the University's maximum annual debt service (MADS) burden ratio from Standard & Poor's will increase significantly because Standard & Poor's assumes a smoothed 30-year repayment of all 100 years of debt service for a century bond in its methodology to calculate MADS.

However, access to low-cost capital has been viewed positively by the rating agencies over the past year and their view on pre-funding capital projects has evolved. In a March 2021 report, Moody's explicitly stated that in the current market, they view that institutions benefit from debt strategies that allow them to "lock in low-cost, long-term capital." Moody's views that these strategies can be successful if there is strong management and governance surrounding the strategy which allow for institution's to "balance short-term benefits with longer-term risks."

This highlights that while quantitative impact will influence rating agency views on the University's century bond strategy, qualitative assessments by the rating agencies will be of equal importance. This is due to the fact that a century bond is a departure from the University's traditional approach to debt financing; however, it is a strategy that the rating agencies have viewed as successful at similar institutions.

Similar to the discussions with the Board of Regents, the key to rating agency management is to provide a clear articulation of the strategy and the importance to achieving the University's goals, as well as the management framework for the program. The University cited one example of this in the white paper where Moody's specifically states for one institution that the ability to access the century bond market was a credit positive as it offers long-term capital at affordable costs. This statement indicates that Moody's understands the institution's strategy and believes that the institution has the internal discipline, governance, and sophistication to successfully execute and manage to its strategy.

Debt Capacity & Financial Strength Assessment – As noted, debt capacity and related rating considerations should not drive the University's approach to financing capital projects. These decisions should be made in the course of the University's normal capital funding decision-making process which considers all potential funding sources (gifts, state funding, debt, reserves) for capital needs.

In the white paper, the University calculates debt capacity by projecting certain components of financial ratios (cash, investments, operating expenses, etc.) and projecting debt under two different scenarios to determine the differential impact on quantitative debt capacity:

- Traditional Approach: Assumes the University issues debt for its share of state-funded projects and 100% of University funded projects over the next six years structured as 25-year level debt service.
- Century Bond Approach: Assumes the University issues a $400 million century bond now to fund all near-term capital needs.

The University's analysis displays that the traditional approach results in $180 million of additional quantitative debt capacity compared to the century bond issuance. The primary reason for this difference is due to the lack of principal amortization from the century bond issuance compared to the traditional amortizing structure. In our view, this analysis is a reasonable comparison of the University's quantitative debt capacity between the traditional and century bond approach. However, this analysis does not include any incremental impact of the broader century bond strategy and internal bank mechanisms that will create additional funds for capital investment and reduce the need for additional future debt.

The reduction in future external debt needs will be driven by the amortization structure and interest rate of internal loans underwritten by the University under the century bond internal bank framework. The interest rate will ultimately be determined based on a spread to the century bond interest rate. The University will have more flexibility on how it structures the amortization length of internal loans. If internal loans are structured with shorter amortization, annual net funds available for recycling will increase. If internal loans are structured with longer amortization, annual net funds available for recycling will decrease. The chart below illustrates this dynamic assuming a 4.00% century bond interest rate, 4.50% internal loan rate, $400 million of principal issued externally, and $400 million underwritten internally.

Internal Loan Amortization (Years)	10	15	20	25	30
Internal Loan Debt Service @ 4.50%	50,552	37,246	30,750	26,976	24,557
Century Bond Interest @ 4.00%	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)
Net Funds Available for Investment	**34,552**	**21,246**	**14,750**	**10,976**	**8,557**
Six-Year Funds Available for Investment	**207,309**	**127,473**	**88,503**	**65,854**	**51,340**

$, in Thousands

Based on this analysis, if the University structures the internal loans with a 20-year amortization, it will generate $14.8 million of annual funds for investment. The annual funds generated offsets the impact of the lack of principal amortization on debt capacity as these funds can be recycled to pay for capital needs versus issuing additional external debt. As noted, the net funds available for investment has a negative relationship with internal loan amortization meaning that as the internal loan amortization length increases, net funds available decreases.

The six-year balance displays how close the University is to filling the gap between the $180 million of additional debt capacity created in the traditional approach through six-years of annual principal amortization. Under the century bond approach, the University only covers this gap based on the 10-year amortization structure for internal loans, which may not be feasible given the high annual cost to units. However, under all scenarios the net funds created through the internal bank will offset at least a portion of this amount and illustrates the impact of recycling on overall need for debt funding. The long-term benefit of the century bond will be realized in that the funds will be recycled 3 to 4 times throughout the 100 years that the bond remains outstanding. For the traditional approach, there is no similar long-lasting benefit.

The University's analysis focuses exclusively on the quantitative assessment of debt metrics in its evaluation of debt capacity. In our view, before a major debt issuance like this, it is a best practice for an institution to undergo a comprehensive review of its debt capacity and financial strength. This type of analysis helps to build comfort with senior leadership and Board members that the University is taking a thoughtful approach to such a large debt issuance. In addition, having a draft policy to share with the Board will also be helpful in this respect.

The assessment should include a review of market demand for students, research, gifts and grants, historical operating performance, financial reserves, management and governance, and external factors such as state funding environment and sector outlook. In addition, the debt capacity will examine historical and projected performance on debt metrics compared to rating medians and peers. The goal is to estimate the range of debt capacity at the University's current rating level. We recommend this comprehensive approach in order to further evaluate any rating pressures that may result from a large century bond issuance. We view this as a way to identify potential risks within the strategy and determine ways to mitigate the risks. For example, the risks of a potential downgrade could be mitigated by better tailoring rating agency management strategy to specifically address how the century bond strategy will alleviate certain credit challenges.

CONCLUSIONS

Based on our review, we believe the University's proposed strategy is thoughtful and well-reasoned. The sophisticated strategy incorporates several concepts that we consider best practices including segregating bond proceeds, avoiding potential UBIT issues, and employing an internal bank framework to recycle funds maximize funding capacity.

From a strategic perspective, we recommend that the University develop executive briefing materials to educate internal and external stakeholders. It will be important to focus on the goal of creating a sustainable program for capital funding and incorporating strong policy and governance controls. In our view, it is critical to have a well-defined scope with respect to use of century bond program funds and have intentional checkpoints over the course of 100 years to allow for adequate time to make necessary adjustments to the program.

As part of our engagement, we were also asked to review the elements of the strategy from a structure and risk perspective. We have identified some potential adjustments and clarifications for the University's consideration that will further support the long-term (perpetual) nature of this framework. In many cases, our feedback is simply to put more definition around parts of the strategy.

Summary of Potential Adjustments/Clarifications

- Size of Issue: Prioritize index-eligible size (≥ $300 million) for best execution with maximum size of $500 million based on future capital needs
- Alternative Structure: Further develop projection model to determine "Plan B" for a shorter duration (30/40 years) if market conditions warrant
- Principal Repayment: Incremental increase to initial deposit for principal reserve
  - Incorporate min/max balances for periodic checkpoints
  - Create lockout period on funds until balance exceeds principal amount
- Investment Assumption: Consider budgeting more conservative return for Principal Reserve to create buffer against investment volatility
- Seed Funding: Consider use of existing University equity to support internal bank during ramp-up

In addition to these conclusions, we believe that the introduction of the Century Bond Program will allow the University to have a more holistic discussion about capital planning and debt capacity. A $400 million century bond will utilize significant debt capacity in the near-term. However, it is intended to create long-term benefits for both the University and the State of Minnesota by generating additional funding capacity over time as funds are recycled and invested. This discussion should occur as part of the education process and be aligned with the century bond strategy. This will allow the University to move towards implementation with consensus on the relative importance of credit ratings and the outlook for the state funding environment.

APPENDIX A – HIGHER EDUCATION CENTURY BOND ISSUES

Higher Education Century Bonds							
Sale Date	Borrower	Ratings (M/S/F)*			Par Amount	Credit Spread	Coupon
04/02/1996	Yale University	Aaa	AAA	NR	$125,000,000	70 bps	7.375%
10/31/1996	Massachusetts Institute of Technology	Aaa	AAA	NR	$75,000,000	60 bps	7.250%
06/24/1997	Boston University	A3	BBB+	NR	$100,000,000	95 bps	7.625%
05/11/2011	Massachusetts Institute of Technology	Aaa	AAA	NR	$750,000,000	130 bps	5.600%
08/10/2011	University of Southern California	Aa1	AA	NR	$300,000,000	174 bps	5.250%
10/19/2011	Ohio State University	Aa1	AA	AA	$500,000,000	170 bps	4.800%
11/29/2011	California Institute of Technology	Aa1	AA+	NR	$350,000,000	180 bps	4.700%
02/21/2012	University of California	Aa1	AA	AA+	$860,000,000	165 bps	4.858%
03/22/2012	Tufts University	Aa2	AA-	NR	$250,000,000	165 bps	5.017%
03/29/2012	University of Pennsylvania	Aa2	AA+	NR	$300,000,000	140 bps	4.674%
06/26/2012	Bowdoin College	Aa2	NR	NR	$128,500,000	200 bps	4.693%
04/23/2013	Hamilton College	Aa2	NR	NR	$103,000,000	198 bps	4.750%
04/01/2014	Massachusetts Institute of Technology	Aaa	AAA	NR	$550,000,000	108 bps	4.678%
11/06/2014	Ohio University	Aa3	A+	NR	$250,000,000	250 bps	5.590%
04/01/2015	University of California	Aa2	AA	AA	$500,000,000	230 bps	4.767%
05/23/2016	Wesleyan University	Aa3	AA	NR	$250,000,000	215 bps	4.781%
07/26/2016	Massachusetts Institute of Technology	Aaa	AAA	NR	$500,000,000	160 bps	3.885%
09/07/2016	California Institute of Technology	Aa2	AA-	NR	$150,000,000	205 bps	4.283%
09/15/2017	University of Virginia	Aaa	AAA	AAA	$300,000,000	137 bps	4.179%
01/09/2019	Georgetown University	A2	A-	NR	$304,000,000	218 bps	5.215%
08/01/2019	University of Pennsylvania	Aa1	AA+	NR	$300,000,000	115 bps	3.610%
09/05/2019	University of Virginia	Aaa	AAA	AAA	$350,000,000	117 bps	3.227%
09/10/2019	Rutgers University	Aa3	A+	NR	$330,000,000	172 bps	3.915%
11/20/2019	University of Pittsburgh	Aa1	AA+	NR	$400,000,000	135 bps	3.555%
11/20/2019	California Institute of Technology	Aa3	AA-	NR	$500,000,000	145 bps	3.650%
01/30/2020	University of Southern California	Aa1	AA	NR	$320,000,000	120 bps	3.226%
02/27/2020	University of California	Aa2	AA	AA	$300,000,000	190 bps	3.706%

** Source: Bloomberg; ratings are based on the time of issuance. Credit spreads are based on spread to prevailing 30-year UST at time of issuance. Transactions highlighted in green indicate public university century bond issuers*

DECEMBER 9, 2021

DEBT CAPACITY AND AFFORDABILITY ASSESSMENT

UNIVERSITY OF MINNESOTA

UNIVERSITY OF MINNESOTA

Executive Summary

- **Debt Capacity** focuses on the amount of debt an institution can manage given the size of its balance sheet and scope of operations.
- **Debt Affordability** focuses on the ability for an institution to pay for the ongoing cost of additional debt through its operating budget.
- To assess debt capacity and affordability Janney began with a broad assessment of University of Minnesota's ("UMN" or the "University") credit and debt profile.
- We used this as the basis for the debt capacity and affordability assessment which included historical and projected debt metric analysis, examination of rating agency commentary and consideration of other factors.
- Based on these factors, we were able to estimate the University's debt capacity at its current rating level and one-notch below its current rating level.
- Conclusion assumes debt is issued incrementally over the next five years. The conclusion represents debt that can be issued above current levels and is inclusive of planned debt issuance.

Rating Level	Aa1/AA	Aa2/AA-
Debt Capacity Range	$900 million to $1 billion	$1.75 billion to $2.00 billion

CREDIT AND DEBT OVERVIEW

Credit Profile

UNIVERSITY OF MINNESOTA

KEY STATISTICS (FY21)

Moody's Rating (Outlook):	Aa1 (Stable)
S&P Rating (Outlook):	AA (Stable)
Total Operating Revenues:	$3.7 Billion
Total Cash and Investments:	$7.5 Billion
Outstanding Debt:	$1.4 Billion

Note: Key financial statistics based on Moody's methodology.

Credit Strengths

- Excellent position as a flagship research institution, land grant university and Big Ten Conference member
- Stable enrollment over long-term horizon
- Ample cash and investments and monthly liquidity
- Historically strong fundraising performance
- Consistent state appropriations support (including debt service support) and federal research funding
- Conservative debt amortization with high levels of near-term principal repayment

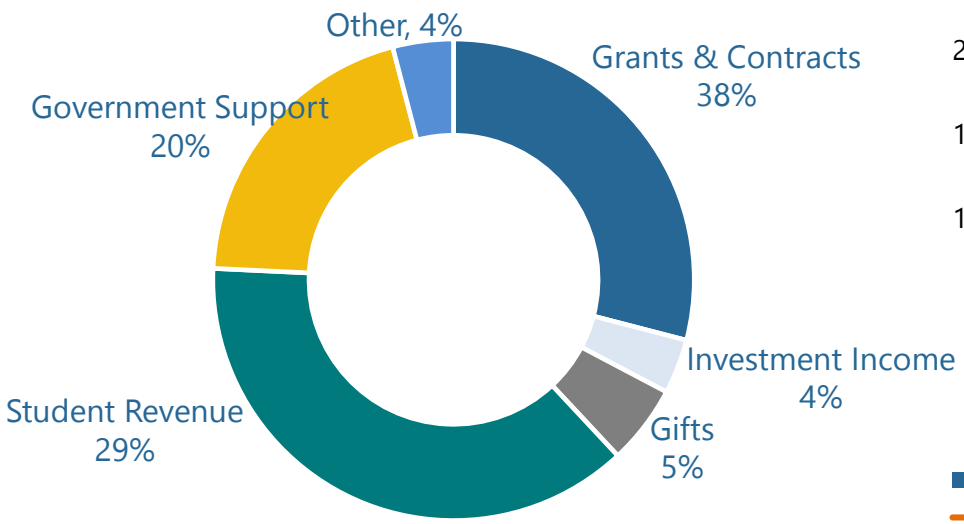
Credit Challenges

- Modest operating performance historically
- Competitive student market constrains revenue growth
- Affiliated practice plan results in healthcare exposure
- Capital plans will result in additional debt in the future

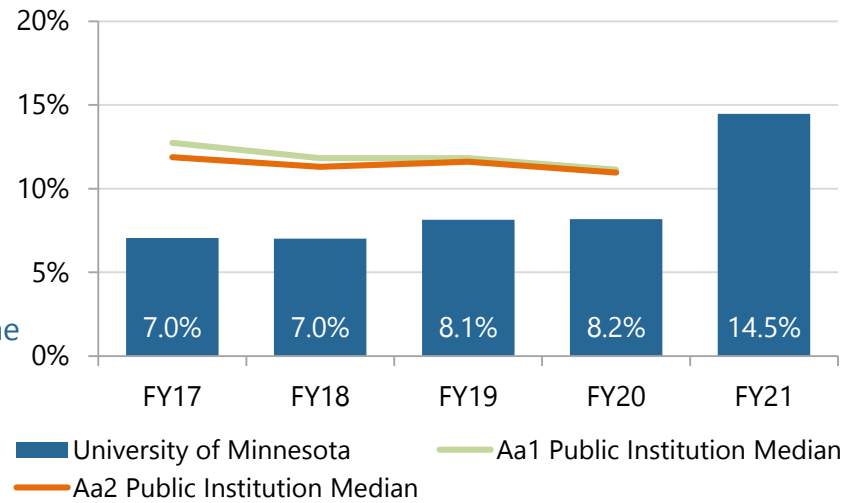
Operating Profile

- UMN has a diversified revenue base with grants & contracts representing the highest portion of revenues followed by student revenue and government support.
- Historically, UMN has an EBIDA Margin of 7% to 8% which is low compared to rating peers. The low EBIDA Margin is likely driven by the high portion of revenues from research which is a low margin business line.
- However, in FY21 EBIDA Margin improved to 14.5% due to expense savings and one-time funds received as part of COVID-19 HEERF relief package. We would expect this metric to normalize to historical levels in the coming years.
  - We estimate EBIDA Margin would be 12.9% if $69 million of HEERF funds were excluded from revenue.

FY21 Operating Revenue



EBIDA Margin (Higher is Better)

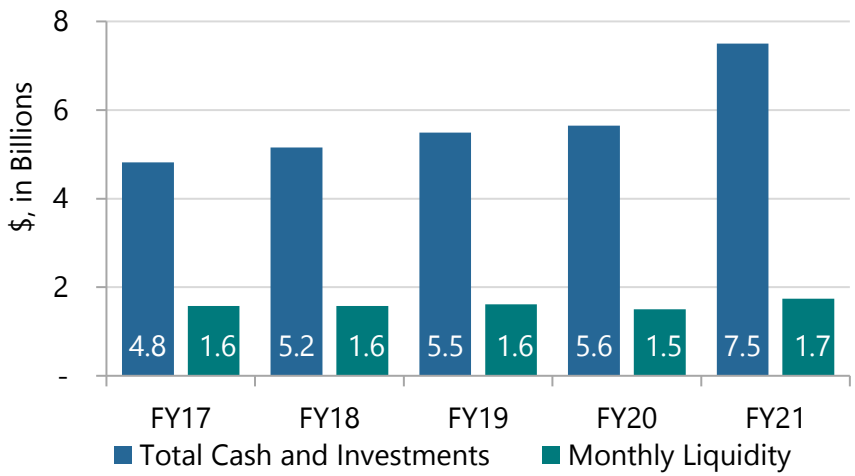


Source: Moody's Investors Service and UMN Financial Statements
Note: FY21 ratios based on Moody's methodology and estimated by Janney. Subject to change based on adjustments made by Moody's.

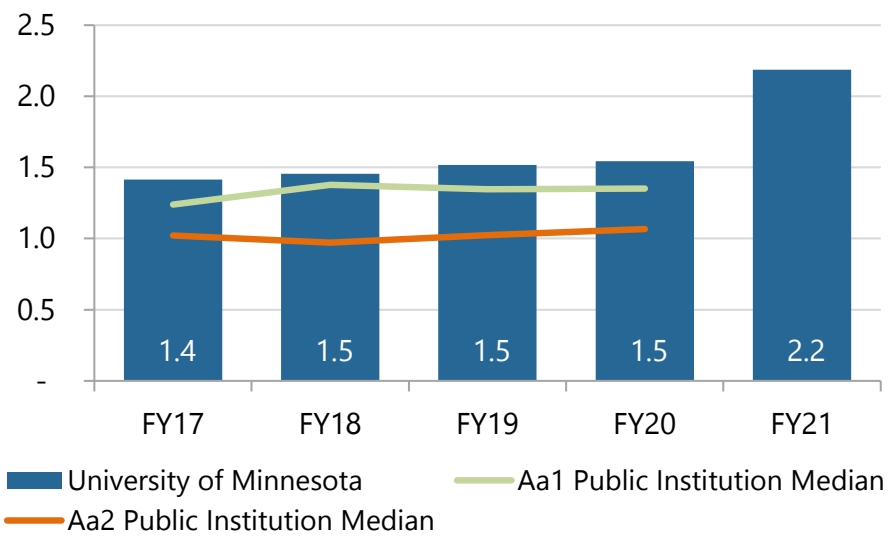
Balance Sheet Profile

- UMN has significant balance sheet wealth with $7.5 billion of cash and investments (including UMN Foundation). Like many institutions, UMN experienced significant cash and investment growth in FY21.
- 23% of UMN's cash and investments are considered monthly liquid ($1.7 billion) by Moody's. This is a significant amount of liquidity that equates to a strong 197 monthly days cash on hand in FY21.
- Historically, UMN's cash and investments to operations is in line with the Aa1 median; however, due to investment growth in FY21, this ratio is now significantly stronger. We expect that the rating median will also improve in FY21.

Cash & Investments and Monthly Liquidity (Higher is Better)



Total Cash & Investments to Operations (Higher is Better)



Source: Moody's Investors Service and UMN Financial Statements
Note: FY21 ratios based on Moody's methodology and estimated by Janney. Subject to change based on adjustments made by Moody's.

Summary of Types of Debt

General Obligation Bonds (Aa1/AA ratings by Moody's and S&P)

- Provides long-term financing for the acquisition, construction, renovation or expansion of various facilities.
- The bonds are secured by the full faith and credit of the University.

Special Purpose Revenue Bonds (Aa2/AA+ ratings by Moody's and S&P)

- Provides long-term financing for the acquisition, construction, renovation or expansion of various facilities.
- The bonds are secured by general fund continuing appropriations by the State of Minnesota.

Commercial Paper Program (P-1/A-1+ ratings by Moody's and S&P)

- Total authorization up to $400 million provides a flexible tool for short and long-term financing of capital projects as well as for certain operating purposes.
- CP is secured by the full faith and credit of the University.

Other Debt (Not Rated)

- The University has other debt including State Infrastructure Development Bonds, a promissory note and capital leases.

Debt Profile (as of 12/01/21)

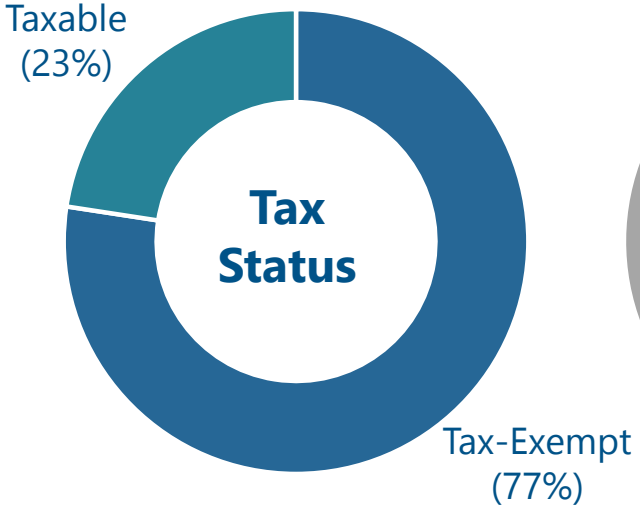
Series	Tax Status	Interest Rate	Par Amount	Next Par Call Date	Final Maturity
General Obligation Bonds					
Series 2010B	Taxable (Build America Bonds)	Fixed Rate	26,945,000	Make-Whole Call	08/01/35
Series 2011C	Taxable	Fixed Rate	13,850,000	Make-Whole Call	08/01/36
Series 2013A	Tax-Exempt	Fixed Rate	57,305,000	02/01/23 @ Par	02/01/38
Series 2013B	Taxable	Fixed Rate	10,525,000	02/01/23 @ Par	02/01/38
Series 2013D	Taxable	Fixed Rate	9,955,000	Make-Whole Call	08/01/38
Series 2014B	Tax-Exempt	Fixed Rate	130,900,000	01/01/24 @ Par	01/01/44
Series 2015B	Taxable	Fixed Rate	6,845,000	Make-Whole Call	08/01/31
Series 2016A	Tax-Exempt	Fixed Rate	107,900,000	04/01/26 @ Par	04/01/41
Series 2017A	Tax-Exempt	Fixed Rate	106,100,000	09/01/27 @ Par	09/01/42
Series 2017B	Tax-Exempt	Fixed Rate	154,730,000	12/01/27 @ Par	12/01/36
Series 2017C	Taxable	Fixed Rate	9,040,000	Make-Whole Call	04/01/29
Series 2019A	Tax-Exempt	Fixed Rate	99,085,000	04/01/29 @ Par	04/01/44
Series 2019B	Tax-Exempt	Fixed Rate	46,720,000	Non-Callable	10/01/29
Series 2019C	Taxable	Fixed Rate	18,975,000	04/01/29 @ Par	04/01/44
Series 2020A	Tax-Exempt	Fixed Rate	30,660,000	11/01/30 @ Par	11/01/45
Series 2020B	Taxable	Fixed Rate	81,830,000	11/01/30 @ Par	11/01/45
Series 2021C	Taxable	Fixed Rate	36,875,000	08/01/31 @ Par	08/01/38
Special Purpose Revenue Bonds					
Series 2015A	Tax-Exempt	Fixed Rate	59,190,000	08/01/25 @ Par	08/01/31
Series 2021A	Tax-Exempt	Fixed Rate	92,385,000	Non-Callable	08/01/36
Series 2021B	Taxable	Fixed Rate	31,100,000	08/01/31 @ Par	08/01/38
Other Debt					
Commercial Paper (TE)	Tax-Exempt	Variable Rate	103,948,000	Non-Callable	07/01/41
Commercial Paper (TX)	Taxable	Variable Rate	38,420,000	Non-Callable	07/01/39
Infrast. Develop. Bonds	Tax-Exempt	Fixed Rate	1,220,252	Non-Callable	11/01/25
Note Payable	Taxable	Fixed Rate	4,500,000	Non-Callable	01/20/25
Total Debt			**1,279,003,252**		

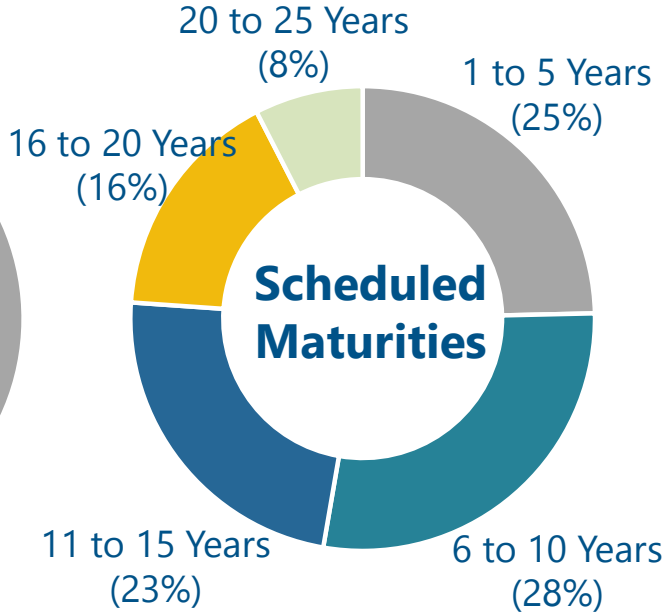
Janney

Source: UMN Financial Statements and Offering Documents

Debt Portfolio Composition (as of 12/01/21)

- The University's debt portfolio is 77% tax-exempt and 23% taxable debt.
- UMN's variable rate exposure is exclusively related to commercial paper which is backed by self-liquidity.
- 53% of the University's debt has a scheduled maturity within the next 10 years, reflecting a conservative debt portfolio with high levels of annual principal repayment.

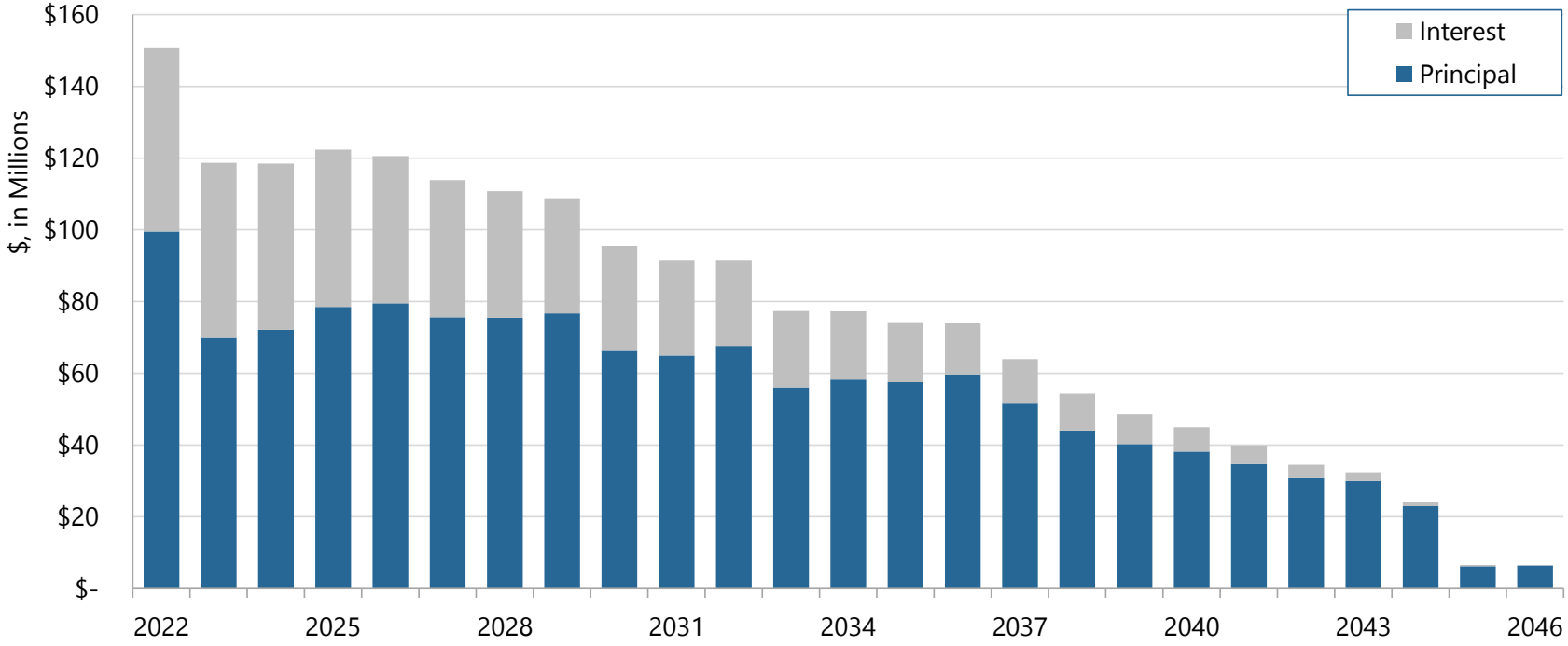




Source: UMN Financial Statements and Offering Documents

Debt Amortization Structure

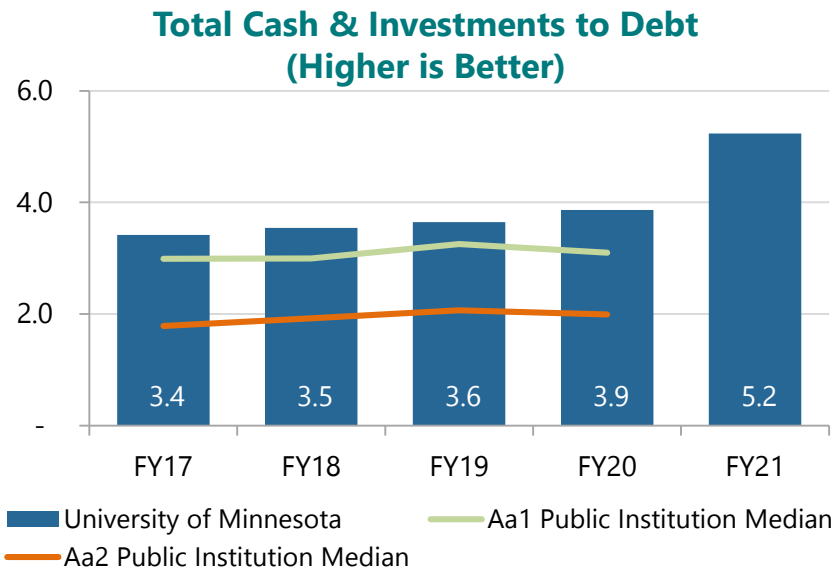
- UMN's debt portfolio is structured with annual principal repayments through FY46.
- The University has $409 million of debt maturing from FY22 to FY26, which represents 29% of its total debt outstanding. This amount includes $84 million that was already paid off in FY22.

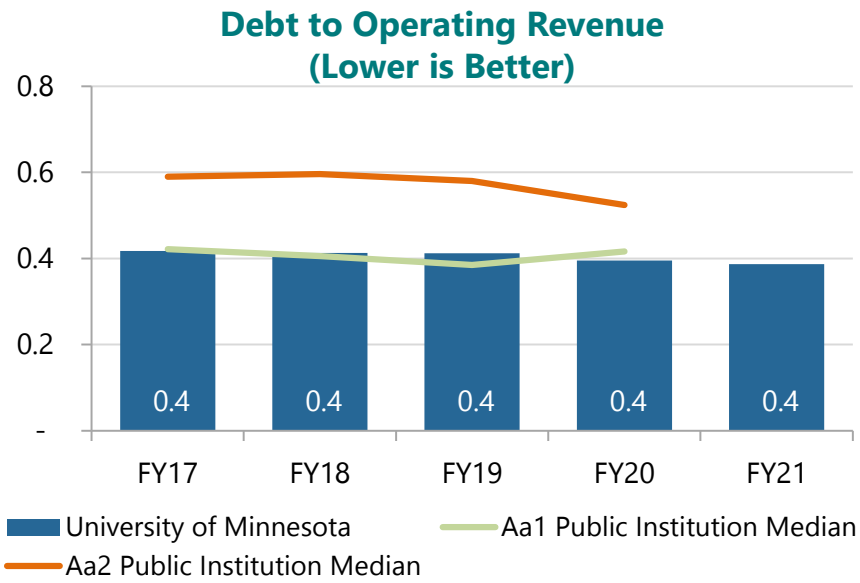


Source: UMN Financial Statements and Offering Documents
Chart above includes special purpose revenue debt paid for by the State.

Debt Leverage

- UMN's balance sheet leverage is moderate compared to peers as displayed by its cash and investments to debt ratio which is stronger than the Aa1 public institution median.
- The University's income statement leverage is solid as total debt is 0.4x of operating revenues in FY21, in line with the Aa1 public institution median.
- The size of the University's cash and investments and scale of operations compared to size of debt portfolio implies that UMN will have debt capacity at its current rating level.

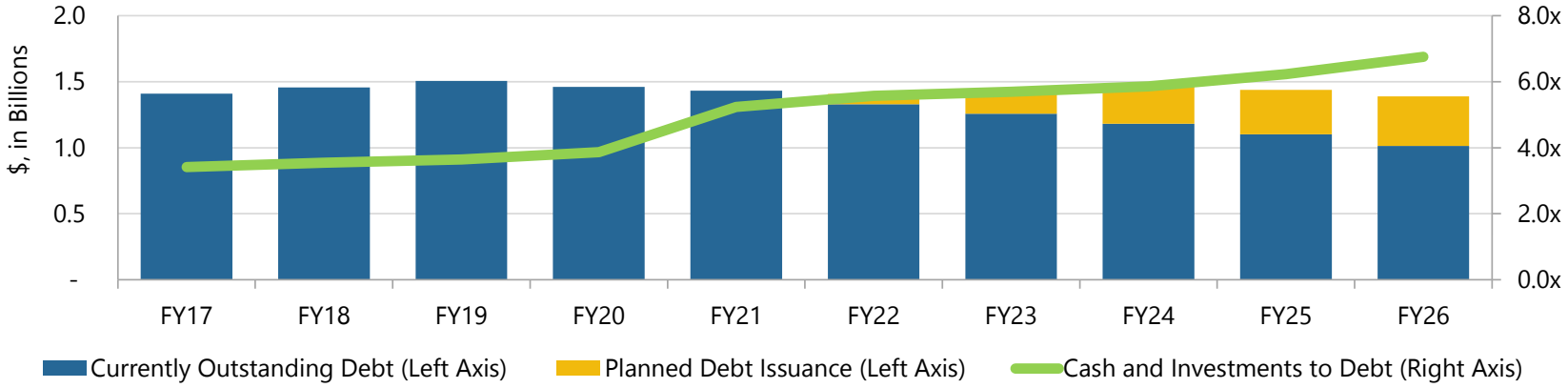




Source: Moody's Investors Service and UMN Financial Statements
Note: FY21 ratios based on Moody's methodology and estimated by Janney. Subject to change based on adjustments made by Moody's.
Charts above include special purpose revenue debt paid for by the State.

Future Debt Plans

- UMN currently has $1.3 billion of debt outstanding. From FY22 to FY26, UMN will pay down $409 million of this debt.
- The University has plans to issue an additional $376 million of debt from FY22 to FY26 resulting in a net decline in debt of $33 million over that time frame.
- The chart below displays the University's outstanding debt, planned debt issuance and cash and investments to debt.
- This chart highlights that UMN's debt is expected to remain stable over the next five years. However, since we assume that cash and investments will increase incrementally, the University builds capacity to issue additional debt.
- We project that cash and investments to debt will strengthen to 6.75x by FY26, well above the Aa1 median of 3.1x.



Source: UMN Capital Plan
Chart above includes special purpose revenue debt paid for by the State.

DEBT CAPACITY & AFFORDABILITY ASSESSMENT

Approach to Debt Capacity & Affordability Assessment

Overview

- The assessment focuses on the impact of additional borrowing on UMN's credit rating.
  - Debt Capacity: The amount of debt UMN can manage given the size of its balance sheet.
  - Debt Affordability: The ability of UMN to pay the ongoing cost of additional debt from operations.
- Similar to a rating agency's approach, the analysis will incorporate quantitative and qualitative factors.

Analytical Framework

Framework	Description
Step 1 Quantitative Analysis	Debt capacity and affordability can be measured by comparing medians for key metrics in a given rating category
Step 2 Projected Performance	To assess debt capacity and affordability on a forward looking basis, we examine projected performance on key debt capacity metrics[1].
Step 3 Rating Commentary	The rating agencies typically provide commentary on factors that could lead to a downgrade which can be used to identify rating sensitivities.
Step 4 Other Factors	Consideration is given to the University's capital investment strategy, state support, management and governance, and future repayment of principal
Step 5 Determine Outcome	We present the outcome as a range, reflecting the analytical and subjective nature of the analysis.

(1) Projections developed in conjunction with UMN.

Step 1 - Quantitative Analysis

- Debt capacity and affordability can be measured by comparing key metrics to medians for a given rating category.
- The rating agencies will evaluate a broad set of metrics; we focus on four key debt-related metrics that Moody's utilizes in their analysis of higher education credits.
- We use the Moody's methodology as it grounds the analysis in how a rating agency would evaluate the University.
- It is also important to recognize that this is a "point in time" analysis based on historical results.

Moody's Metric	Measures	Definition
Total Cash & Investments to Debt[(1)] *Higher is Better*	Balance Sheet Capacity	Total Cash & Investments / Total Debt
Total Debt to Operating Revenue *Lower is Better*	Income Statement Leverage	Total Debt / Operating Revenue [(2)]
Debt Service to Operating Expenses *Lower is Better*	Debt Affordability	Debt Service / Operating Expenses
Debt Service Coverage *Lower is Better*	Cash Flow Coverage	Operating Cash Flow [(2)] / Debt Service

Source: Moody's Investors Service

(1) Moody's recently introduced a revised rating methodology where they measure leverage by comparing total cash and investments to total adjusted debt (including adjusted net pension liability). For purposes of this analysis, we exclude the pension liability as we do not believe it necessarily impacts the University's debt capacity.

(2) Moody's makes certain adjustments to total operating revenue including normalization of annual endowment distributions.

(3) Debt quantitative analysis includes special purpose revenue debt paid for by the State.

Quantitative Analysis Overview

For each debt capacity ratio, we take a multi-phase approach to calculating quantitative debt capacity

- Phase 1: Calculate three-year average ratio for UMN and Aa1 public institutions
- Phase 2: Determine Aa1 public institution median for the three-year average ratio
- Phase 3: Establish debt capacity guideline based on median of three-year average ratio
  - If lower is better, guideline is 25% above median
  - If higher is better, guideline is 25% below median
- Phase 4: Calculate how much additional debt UMN could issue before reaching debt capacity guideline

- Due to the lack of FY21 data for other Aa1 institutions, we use results from FY18, FY19 and FY20 to calculate the three-year average ratio.
- Given the increase in cash and investments in FY21 at the University, we will also provide a quantitative analysis to estimate how this impacts debt capacity. This is included in our analysis in Step 2.

Total Cash & Investments to Debt (FY18-20 Average)
(Balance Sheet Capacity) – Aa1 Public Institutions

Observations on Balance Sheet Capacity

- UMN's three-year average total cash and investments ($5.4 billion) is higher than the Aa1 median ($4.2 billion).
- UMN's three-year average total debt ($1.5 billion) is higher than than the Aa1 median ($1.2 billion).
- This puts UMN's three-year average ratio of total cash and investments to debt at the stronger end of the Aa1 range.
  - Note that for this metric, a lower score is weaker
- When comparing UMN's FY20 metric (3.86) with the assumed guideline of 25% below the three year average median ratio, Janney estimates additional capacity of approximately $880 million[1] in the Aa1 category based on this metric in isolation.

Total Cash & Investments to Total Debt [2]	
Penn State University	5.12
University of Pittsburgh	4.72
NC State University	4.07
University of Nebraska	4.04
University System of Maryland	3.84
University of Minnesota	3.68
University of Iowa	3.23
Texas Tech University System	3.22
Ohio State University	2.89
University of Utah	2.86
University of Delaware	2.84
University of Colorado	2.71
University of Missouri System	2.69
Virginia Tech University	2.68
Aa1 Public Median:	3.22
Guideline (25% Below Median):	2.42
UMN FY20 Metric:	3.86
Additional Capacity @ Guideline Level:	$880M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% below the Aa1 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.
(2) Metrics shown are based on three year average for FY18-FY20.

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Debt to Operating Revenue (FY18-20 Average)
(Income Statement Capacity) – Aa1 Public Institutions

Observations on Income Statement Capacity

- UMN's three-year average total debt ($1.5 billion) is higher than the Aa1 median ($1.2 billion).
- UMN's three-year average operating revenue ($3.6 billion) is equal to the Aa1 median ($3.6 billion).
- This puts UMN's three-year average ratio of debt to operating revenue at the median of the Aa1 range.
  - Note that for this metric, a higher score is weaker
- When comparing UMN's FY20 metric (0.40) with the assumed guideline of 25% above the three year average median ratio, Janney estimates additional capacity of approximately $430 million[1] in the Aa1 category based on this metric in isolation.

Total Debt to Operating Revenue [2]	
University System of Maryland	0.22
University of Utah	0.23
Penn State University	0.30
University of Iowa	0.33
NC State University	0.34
University of Colorado	0.38
University of Minnesota	0.41
Texas Tech University System	0.41
Ohio State University	0.44
Virginia Tech University	0.44
University of Nebraska	0.45
University of Pittsburgh	0.45
University of Missouri System	0.46
University of Delaware	0.65
Aa1 Public Median:	0.41
Guideline (25% Above Median):	0.51
UMN FY20 Metric:	0.40
Additional Capacity @ Guideline Level:	$430M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% above the Aa1 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.
(2) Metrics shown are based on three year average for FY18-FY20.

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Debt Service to Operating Expenses (FY18-20 Average)
(Debt Affordability) – Aa1 Public Institutions

Observations on Debt Affordability

- UMN's three-year average debt service ($126 million) is higher than the Aa1 median ($106 million).
- UMN's three-year average operating expense ($3.6 billion) is higher than the Aa1 median ($3.5 billion).
- This puts UMN's three-year average ratio of debt service to operating expenses at the weaker end of the Aa1 range.
  - Note that for this metric, a higher score is weaker
- When comparing UMN's FY20 metric (3.03%) with the assumed guideline of 25% above the three year average median ratio, Janney estimates additional capacity of approximately $500 million[1] in the Aa1 category based on this metric in isolation.

Debt Service to Operating Expenses[2]	
Penn State University	1.77%
University of Utah	2.25%
University System of Maryland	2.71%
Ohio State University	2.75%
NC State University	2.76%
University of Missouri System	3.07%
University of Colorado	3.13%
University of Iowa	3.20%
University of Pittsburgh	3.29%
Virginia Tech University	3.30%
University of Minnesota	3.50%
University of Delaware	3.72%
Texas Tech University System	4.46%
University of Nebraska	4.90%
Aa1 Public Median:	3.13%
Guideline (25% Above Median):	3.92%
UMN FY20 Metric:	3.03%
Additional Capacity @ Guideline Level:	$500M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% above the Aa1 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.
(2) Metrics shown are based on three year average for FY18-FY20.

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Debt Service Coverage (FY18-20 Average)
(Cash Flow Coverage) – Aa1 Public Institutions

Observations on Cash Flow Coverage

- UMN's three-year average operating cash flow ($282 million) is lower than the Aa1 median ($397 million).
- UMN's three-year average debt service ($126 million) is higher than the Aa1 median ($106 million).
- This puts UMN's three-year average ratio of debt service coverage at the weaker end of the Aa1 range.
    - Note that for this metric, a lower score is weaker
- When comparing UMN's FY20 metric (2.73) with the assumed guideline of 25% below the three year average median ratio, Janney estimates no additional capacity [1] in the Aa1 category based on this metric in isolation.

Debt Service Coverage[2]	
Penn State University	10.28
University of Utah	5.93
Ohio State University	5.66
University of Pittsburgh	4.62
University of Missouri System	4.24
University of Iowa	4.13
NC State University	4.06
University System of Maryland	3.80
University of Colorado	3.76
Virginia Tech University	3.51
University of Delaware	3.38
Texas Tech University System	2.63
University of Minnesota	2.27
University of Nebraska	2.27
Aa1 Public Median:	3.93
Guideline (25% Below Median):	2.95
UMN FY20 Metric:	2.73
Additional Capacity @ Guideline Level:	$0M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% below the Aa1 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.
(2) Metrics shown are based on three year average for FY18-FY20.

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Step 2: Projected Performance

- While quantitative debt capacity is calculated using historical metrics, in order to gain a full picture of the University's debt capacity, we also examine projected financial performance.
- Below are the assumptions [1] used to calculate debt capacity ratios from FY22 to FY26. In addition to the assumptions below, we assume debt pay down and issuance occurs based on the chart on page 26.

	Projection
Operating Revenue	**FY22 to FY26**
Net Student Tuition and Fees	1.0%
Federal Grants and Contracts	2.0%
State and Other Government Grants and Contracts	3.0%
Nongovernmental Grants and Contracts	3.0%
Student Loan Interest Income	0.0%
Sales and Services of Educational Activities	2.0%
Auxiliary Enterprises	1.0%
Other Operating Revenues	0.0%
Federal Appropriations	1.0%
State Appropriations	1.0%
Grants - Nonoperating	2.0%
Gifts	2.0%
Capital Appropriation	0.0%

	Projection
Operating Expense	**FY22 to FY26**
Compensation and Benefits	3.0%
Supplies and Services	1.0%
Scholarships and Fellowships Expense	6.0%
Depreciation Expense	3.0%
GASB 68/75 Pension Adjustment	0.0%

University Cash and Investments	**FY22 to FY26**
Cash and Cash Equivalents (Current Assets)	1.0%
Short-Term Investments (Current Assets)	2.0%
Investments (Noncurrent Assets)	4.0%
UMN Foundation and Physicians Cash and Investments	**FY22 to FY26**
UMN Foundation Cash and Cash Equivalents	0.0%
UMN Foundation Investments	6.0%
UMN Foundation Investments Held for Custody of Others	6.0%
UMN Physicians Cash and Cash Equivalents	0.0%
UMN Physicians Investments	0.0%

(1) Assumptions based on discussion between Janney and University of Minnesota. Assumptions developed by examining historical compound annual growth rate (CAGR) of each line item and adjusting based on forward looking expectations at UMN.

Impact of FY21 Financial Performance

- FY21 financial performance presented multiple one-time events which impacted financial performance.

Operating Performance

- Operating performance improved as revenue related to Federal and State COVID-19 relief funds were realized in FY21. We expect this to be a one-time event across the sector.
- We do not view that the improved operating performance in FY21 increases debt capacity since it was related to relief funding which was a one-time event.
- If UMN is able to consistently improve operating performance from historical levels, we believe debt capacity will incrementally increase.

Cash and Investments

- FY21 saw record returns for endowments throughout the sector. At UMN, cash and investments increased by $1.85 billion or 33% from FY20 to FY21.
- We view that cash and investment growth incrementally increases the University's debt capacity.

Debt Capacity Impact: Cash and Investment Growth

- In order to understand the quantitative impact of cash and investment growth in FY21, we examined UMN's performance on cash and investments to debt in FY20 versus performance in FY21.
- The University's ratio improves from 3.86 to 5.24 due to growth in cash and investments.
- Based on FY21 levels of cash and investments, UMN could issue an additional $479 million of debt and have the same ratio in FY21 as it had in FY20.

$, in Millions	FY20	FY21	FY21 Pro Forma
Cash and Investments	5,648	7,498	7,498
÷ Debt	1,462	1,432	1,941
= Ratio	3.86	5.24	3.86

UMN would have to issue $479 of debt for ratio to reach FY20 level.

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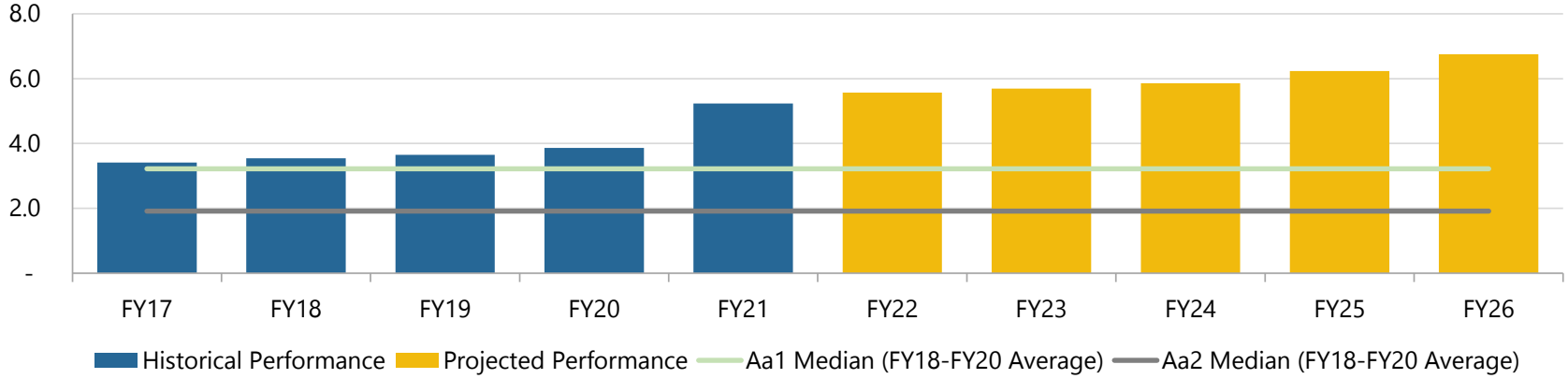
Projected Performance (Leverage Metrics)

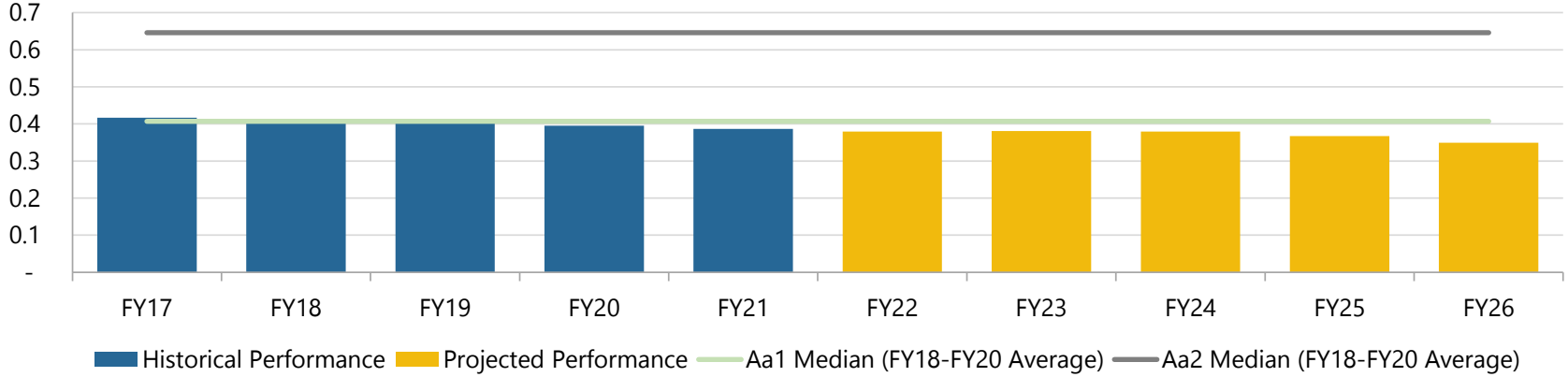
Cash and Investments to Debt (Balance Sheet Leverage)

- Observations: Results in strong incremental debt capacity as cash and investments grow and debt is paid down.



Debt to Operating Revenue (Income Statement Leverage)

- Observations: Results in minimal incremental debt capacity as revenue grows and debt is paid down.

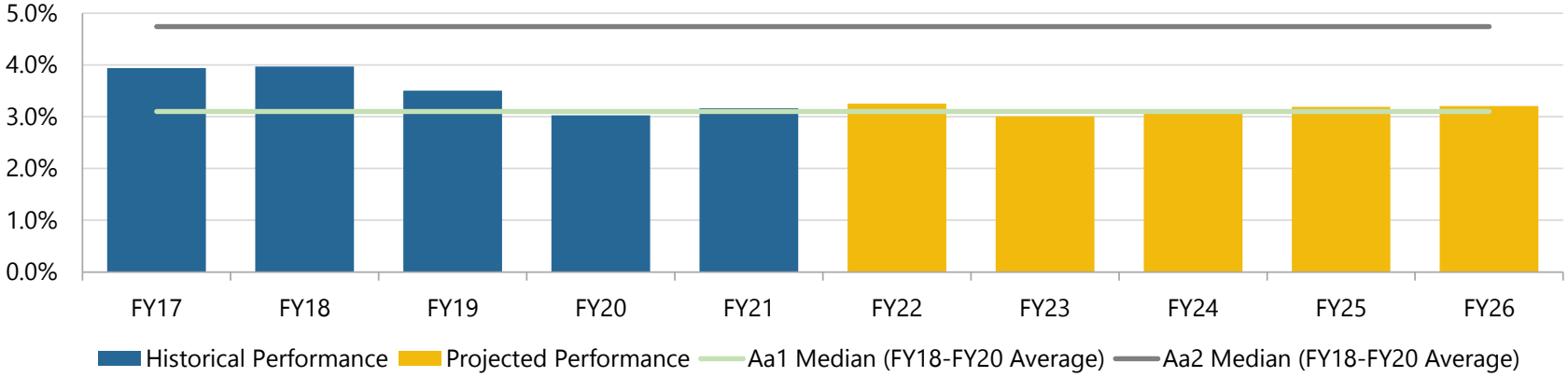


(1) Projected ratios are Janney's estimate based on assumptions on Page 20. Includes planned issuance of $376 million of new debt.

Projected Performance (Affordability/Coverage Metrics)

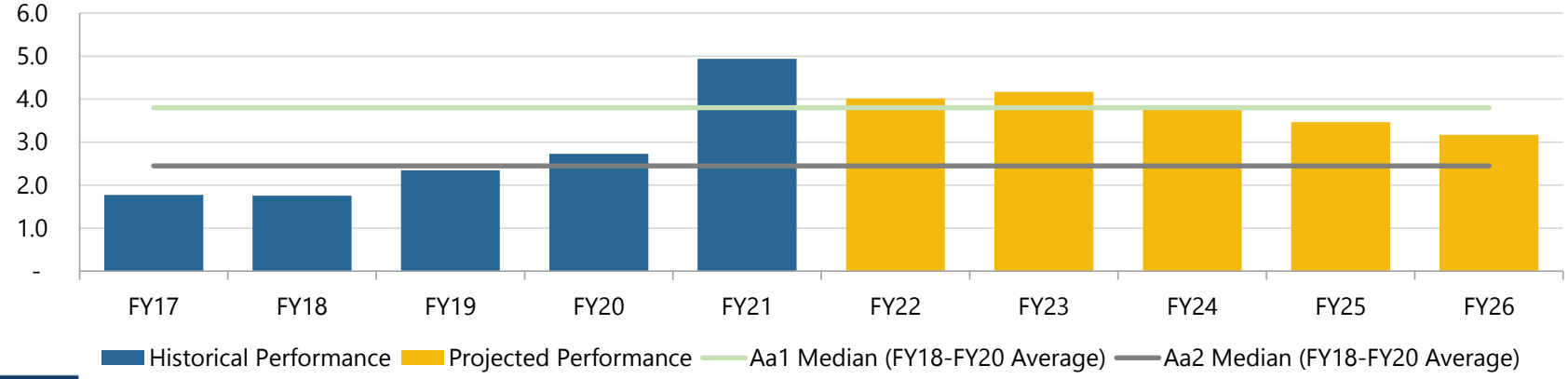
Debt Service to Operations (Debt Affordability)

- Observations: Results in no incremental debt capacity as ratio remains at current levels.



Debt Service Coverage (Cash Flow Coverage)

- Observations: Results in no incremental debt capacity as operating performance normalizes.



(1) Projected ratios are Janney's estimate based on assumptions on Page 20. Includes planned issuance of $376 million of new debt.

Step 3 - Rating Agency Commentary

- In each rating report, Moody's and S&P will include factors that could lead to a downgrade. We examined how this has changed over the last two reports to identify how additional debt would be viewed by each rating agency.

Moody's	S&P
2020 Report	**2020 Report**
▪ Sustained weakening of operations and cash flow generation ▪ Additional net new debt without improved operating performance	▪ Significant downturn in enrollment, weakening financial performance on an adjusted full-accrual basis, or a diminution of available resource relative to operations and debt ▪ Additional debt issuance could also pressure the rating
2021 Report	**2021 Report**
▪ Sustained weakening of operations and cash flow generation ▪ Additional **substantial** net new debt without improved operating performance	▪ Significant downturn in enrollment, weakening financial performance on an adjusted full-accrual basis, or a diminution of available resources relative to operations and debt ▪ Additional debt issuance could also pressure the rating
Janney Commentary	**Janney Commentary**
▪ Moody's includes the term "net" new debt which implies UMN can issue additional debt as it pays down principal ▪ In the 2021 report, Moody's added the word "substantial" to their report, implying that the University has additional capacity above current levels	▪ S&P uses the term "additional" debt which in our view implies UMN can issue incremental debt as it pays down principal ▪ There was no change in language between the two reports

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Source: Moody's Investors Service and S&P Global

Step 4 – Other Credit Factors & Considerations

Rating Agency Commentary on Other UMN Credit Factors

- UMN has a strong position as the flagship research university and land-grant institution in the State of Minnesota
- Operating performance consistently lags peers, which limits ability to afford additional debt
- The University receives strong state support including approximately $24 million per year for debt service
- Student demand is strong with nearly 60,000 FTEs, 20% of which are non-resident, non-reciprocity
- Substantial pension liability through share of the State's defined benefit plans

Other Considerations

- The University will pay down $409 million of debt and plans to issue $376 million of debt from FY22 to FY26
- This results in a net reduction in debt of $33 million from FY22 to FY26.

Principal Type	FY22	FY23	FY24	FY25	FY26	Total
Regular Paydown:	(97,342)	(70,196)	(74,990)	(79,466)	(86,657)	(408,651)
Planned Issuance:	77,589	104,314	98,438	57,025	38,460	375,826
Net Impact:	(19,753)	34,118	23,448	(22,441)	(48,197)	(32,825)

$, in Thousands

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Planned debt issuance provided by the University.
Chart above includes special purpose revenue debt paid for by the State.

Step 5 – Determine Outcome

Framework	Conclusions		
Step 1 Quantitative Analysis	Metric	Aa1 Quantitative Indication	Aa2 Quantitative Indication (1)
	Balance Sheet Leverage	$880 million of capacity	$2.4 billion of capacity
	Income Statement Leverage	$430 million of capacity	$1.5 billion of capacity
	Debt Affordability	$500 million of capacity	$1.4 billion of capacity
	Cash Flow Coverage	No additional capacity	$800 million of capacity
Step 2 Projected Performance	Positive Impact; FY21 cash and investment growth indicates $480 million of additional capacity. Continued growth in cash and investments will generate additional capacity. Neutral impact; Projected performance indicates minimal to no additional capacity generated from income statement, affordability and coverage metrics.		
Step 3 Rating Commentary	Neutral impact; the rating agencies have implied that UMN has ability to issue incremental debt to replace maturing principal. Moody's added language in 2021 stating that "substantial" would pressure the rating.		
Step 4 Other Factors	Neutral impact; strategic importance to the State and pay down of debt support future capacity; somewhat offset by operating performance that lags peers and unfunded pension liabilities		
Step 5 Determine Outcome	**Aa1/AA Rating Level: Estimate of $900 million to $1.00 billion of debt capacity** **Aa2/AA- Rating Level: Estimate of $1.75 billion to $2.00 billion of debt capacity** *Analysis above assumes debt is issued incrementally over the next five years. The conclusion represents debt that can be issued above current levels and is inclusive of planned debt issuance.*		

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(1) Aa2 Quantitative analysis included as Appendix

Breakdown of Aa1/AA Outcome

Framework	Amount	Justification
Quantitative Analysis (FY18-FY20 Actuals)	$400 million	Substantial balance sheet capacity offset by moderate income statement/affordability capacity and no coverage capacity
Projected Performance (FY21 Actuals and FY22-FY26 Proj.)	$200 million	Growth in cash and investments in FY21 provides additional capacity while projected performance indicates minimal to no capacity
Rating Commentary	-	Rating agency commentary is neutral
Other Factors (Pay Down of Existing Debt)	$400 million	Capacity is gained through regular pay down of debt (1)
Debt Capacity Outcome	$1.0 billion	*The $1 billion is based on the combination of the factors above. We present the result as a range of $900 million to $1 billion reflecting the subjective nature of the analysis.*

(1) Issuance of Century Bond would not change outcome of this analysis since it would not change the principal pay down schedule of existing debt.

Breakdown of Aa2/AA- Outcome

Framework	Amount	Justification
Quantitative Analysis (FY18-FY20 Actuals)	$1.4 billion	Substantial capacity on all four debt metrics
Projected Performance (FY21 Actuals and FY22-FY26 Proj.)	$200 million	Growth in cash and investments in FY21 provides additional capacity while projected performance indicates minimal to no capacity
Rating Commentary	-	Rating agency commentary is neutral
Other Factors (Pay Down of Existing Debt)	$400 million	Capacity is gained through regular pay down of debt (1)
Debt Capacity Outcome	$2.0 billion	*The $2 billion is based on the combination of the factors above. We present the result as a range of $1.75 billion to $2 billion reflecting the subjective nature of the analysis.*

(1) Issuance of Century Bond would not change outcome of this analysis since it would not change the principal pay down schedule of existing debt.

Downgrade Impact on Borrowing Cost

- If the University were to be downgraded, credit spreads on future issuance will likely increase.
- The impact on pricing for future issuance will depend on market conditions.
- Debt service on existing fixed rate debt would not be impacted.
- Below is our estimate of UMN's borrowing rate assuming a 30-year taxable bond with a 10-year par call.

Rating	30Yr UST	Credit Spread	All-in Rate	Annual Interest per $100M Issued
Aaa/AA+	1.87%	0.90%	2.77%	$2.77 million
Aa1/AA	1.87%	1.00%	2.87%	$2.87 million
Aa2/AA-	1.87%	1.10%	2.97%	$2.97 million
Aa3/A+	1.87%	1.20%	3.07%	$3.07 million

Interest rates as of 12/09/21

Characteristics of Aaa Public Institution

- There are numerous reasons why a public institution would be rated Aaa versus Aa1. Below we highlight three characteristics that are drivers of the Aaa rating for public institutions.
  - Exceptional Market Position: Institutions most well-positioned to compete for students, faculty and research dollars
  - Substantial Scale and Wealth: Institutions with the largest scale of operations and highest amounts of wealth
  - Aaa-Rated State: Rating of associated state is Aaa
- If UMN were upgraded to Aaa, this would limit operating flexibility, including debt capacity.
- The primary financial benefit of an upgrade would be an estimated 0.10% reduction in future credit spreads or $100,000 reduction in annual interest per $100 million issued.

	FY20			Aaa Characteristic		
Aaa Institution	Cash & Inv.	Debt	C&I to Debt	Except. Demand	Scale/Wealth	Aaa-Rated State
University of Michigan	16,015	3,264	4.91			
UT System	52,472	10,711	4.90			
University of Virginia	11,211	2,660	4.21			
Indiana University	4,467	1,130	3.95			
Purdue University	4,602	1,171	3.93			
Texas A&M System	17,498	5,044	3.47			
UNC-Chapel Hill	4,430	1,335	3.32			
University of Washington	6,912	2,419	2.86			

Source: Moody's Investors Service

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Appendix: Aa2 Quantitative Analysis

Total Cash & Investments to Debt (FY18-20 Average)

(Balance Sheet Capacity) – Aa2 Public Institutions

Observations on Balance Sheet Capacity

- UMN's three-year average total cash and investments ($5.4 billion) is higher than the Aa2 median ($2.0 billion).
- UMN's three-year average total debt ($1.5 billion) is higher than the Aa2 median ($1.2 billion).
- This puts UMN's three-year average ratio of total cash and investments to debt at the stronger end of the Aa2 range.
  - Note that for this metric, a lower score is weaker
- When comparing UMN's FY20 metric (3.86) with the assumed guideline of 25% below the three year average median ratio, Janney estimates additional capacity of approximately $2.5 billion[1] in the Aa2 category based on this metric in isolation in the Aa2 category.

Total Cash & Investments to Total Debt [2]	
University of Florida	15.41
Florida State University	3.90
Iowa State University	3.89
University of Minnesota	3.68
University of Kansas	3.10
State University System of Florida	2.97
University of Alabama at Birm.	2.95
Michigan State University	2.45
MS Instit. of Higher Learning	2.30
Auburn University	2.19
University of Kentucky	2.13
University of Arkansas	2.10
Nevada System of Higher Ed.	2.08
University of South Carolina	1.99
University of Oregon	1.93
Clemson University	1.90
University of Alabama	1.65
University of California	1.63
University of Arizona	1.35
California State University	1.13
University of Houston System	1.10
Arizona State University	1.05
University of North Texas System	0.97
Texas State University System	0.94
Midwestern State University	0.73
University of Massachusetts	0.65
State University of New York	0.54
City University of New York	0.41
Aa2 Public Median:	1.93
Guideline (25% Below Median):	1.45
UMN FY20 Metric:	3.86
Additional Capacity @ Guideline Level:	$2,400M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% below the Aa2 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.

(2) Metrics shown are based on three year average for FY18-FY20.

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Debt to Operating Revenue (FY18-20 Average)
(Income Statement Capacity) – Aa2 Public Institutions

Observations on Income Statement Capacity

- UMN's three-year average total debt ($1.5 billion) is higher than the Aa2 median ($1.2 billion).
- UMN's three-year average operating revenue ($3.6 billion) is higher than the Aa2 median ($1.9 billion).
- This puts UMN's three-year average ratio of debt to operating revenue at the stronger end of the Aa2 range.
  - Note that for this metric, a higher score is weaker
- When comparing UMN's FY20 metric (0.40) with the assumed guideline of 25% above the three year average median ratio, Janney estimates additional capacity of approximately $1.5 billion[1] in the Aa2 category based on this metric in isolation.

Total Debt to Operating Revenue [2]	
University of Florida	0.08
University of Alabama at Birm.	0.25
State University System of Florida	0.29
University of Kentucky	0.33
Florida State University	0.35
MS Instit. of Higher Learning	0.37
University of Minnesota	0.41
Iowa State University	0.42
Nevada System of Higher Ed.	0.45
University of Arkansas	0.47
University of South Carolina	0.55
Clemson University	0.57
University of Kansas	0.58
University of California	0.64
California State University	0.65
Michigan State University	0.65
University of Arizona	0.69
Auburn University	0.73
Arizona State University	0.80
University of North Texas System	0.84
Texas State University System	0.84
University of Massachusetts	0.90
University of Oregon	0.92
University of Alabama	1.01
University of Houston System	1.03
State University of New York	1.03
City University of New York	1.14
Midwestern State University	1.40
Aa2 Public Median:	0.65
Guideline (25% Above Median):	0.81
UMN FY20 Metric:	0.40
Additional Capacity @ Guideline Level:	$1,500M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% above the Aa2 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.
(2) Metrics shown are based on three year average for FY18-FY20.

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Debt Service to Operating Expenses (FY18-20 Average)
(Debt Affordability) – Aa2 Public Institutions

Observations on Debt Affordability

- UMN's three-year average debt service ($126 million) is higher than the Aa2 median ($81 million).
- UMN's three-year average operating expense ($3.6 billion) is higher than the Aa2 median ($1.9 billion).
- This puts UMN's three-year average ratio of debt service to operating expenses at the stronger end of the Aa2 range.
  - Note that for this metric, a higher score is weaker
- When comparing UMN's FY20 metric (3.03%) with the assumed guideline of 25% above the three year average median ratio, Janney estimates additional capacity of approximately $1.6 billion[1] in the Aa2 category based on this metric in isolation.

Debt Service to Operating Expenses[2]	
University of Florida	0.64%
University of Alabama at Birm.	1.83%
State University System of Florida	2.02%
Florida State University	2.07%
University of Kentucky	2.65%
MS Instit. of Higher Learning	2.67%
University of South Carolina	3.21%
Nevada System of Higher Ed.	3.46%
University of Minnesota	3.50%
University of California	3.51%
Michigan State University	3.53%
Iowa State University	4.02%
Clemson University	4.31%
University of Arkansas	4.37%
California State University	4.43%
University of Kansas	5.06%
Arizona State University	5.14%
Auburn University	5.20%
University of Oregon	5.76%
University of Arizona	5.96%
University of Massachusetts	6.50%
University of Alabama	6.91%
University of North Texas System	7.37%
Texas State University System	8.61%
State University of New York	8.64%
City University of New York	8.83%
University of Houston System	9.17%
Midwestern State University	11.32%
Aa2 Public Median:	4.43%
Guideline (25% Above Median):	5.53%
UMN FY20 Metric:	3.03%
Additional Capacity @ Guideline Level:	$1,400M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% above the Aa2 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.
(2) Metrics shown are based on three year average for FY18-FY20.

Janney

Debt Service Coverage (FY18-20 Average)
(Cash Flow Coverage) – Aa2 Public Institutions

Observations on Cash Flow Coverage

- UMN's three-year average operating cash flow ($282 million) is higher than the Aa2 median ($237 million).
- UMN's three-year average debt service ($126 million) is higher than the Aa2 median ($81 million).
- This puts UMN's three-year average ratio of debt service coverage slightly weaker than the median of the Aa2 category.
  - Note that for this metric, a lower score is weaker
- When comparing UMN's FY20 metric (2.73) with the assumed guideline of 25% below the three year average median ratio, Janney estimates additional capacity of approximately $800 million[1] in the Aa2 category based on this metric in isolation.

Debt Service Coverage[2]	
University of Florida	14.67
State University System of Florida	7.22
University of Alabama at Birm.	6.86
Florida State University	6.46
University of Kentucky	4.97
University of South Carolina	4.35
MS Instit. of Higher Learning	3.64
Auburn University	3.61
Clemson University	3.58
Iowa State University	3.55
University of Alabama	3.48
University of California	3.40
California State University	3.16
University of Arkansas	2.48
Michigan State University	2.41
University of Minnesota	2.27
Arizona State University	2.27
University of Houston System	2.20
University of Massachusetts	2.13
Texas State University System	1.99
Nevada System of Higher Ed.	1.94
University of Kansas	1.94
University of North Texas System	1.74
University of Arizona	1.46
State University of New York	1.36
Midwestern State University	1.32
University of Oregon	1.29
City University of New York	1.12
Aa2 Public Median:	2.48
Guideline (25% Below Median):	1.86
UMN FY20 Metric:	2.73
Additional Capacity @ Guideline Level:	$800M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% below the Aa2 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.
(2) Metrics shown are based on three year average for FY18-FY20.

Janney

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MOODY'S
INVESTORS SERVICE

SECTOR COMMENT
18 September 2019

Rate this Research

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Higher education – US

Century bonds provide credit-positive financing tool for select US universities

The University of Virginia (Aaa stable) and Rutgers, The State University of New Jersey (Aa3 stable) earlier this month sold taxable bonds with 100-year maturities, known as century bonds. Both received an attractive long-term cost of capital with flexible use of proceeds, credit positive in part because the funds will help with capital planning and investment over long horizons. Still, century bonds carry risks, including locking the universities into very long-dated contractual arrangements with costly restructuring and refunding provisions due to expensive make-whole call provisions. Even with this recent issuance activity, century bonds will likely remain relatively rare in the higher education sector, with exceptions generally limited to universities with very strong credit quality.

While offering the ability to lock in rates and increase flexibility in use of proceeds (see Exhibit 1), century bonds also reduce expenses in terms of tax-exempt bond compliance. However, such long-term borrowing also reduces debt-structure flexibility because the bonds can be essentially non-callable. Furthermore, for those universities that expect to invest bond proceeds for a portion of the time that the debt is outstanding, there is an element of investment risk. Governance is also a risk because the bonds require several generations of boards and management teams practicing prudent fiscal stewardship to ensure debt service over a 100-year span. Because sophisticated and steady asset-liability management is important to mitigate the risks associated with century bonds, issuance of century bonds has the potential to be credit negative for universities without those characteristics.

Exhibit 1
Century bonds present opportunities and risks

Opportunities	Risks
Ability to secure long-term capital funding at attractive interest rates	Make-whole call provisions of taxable debt are more costly than call provisions of tax-exempt debt
Flexibility in use of taxable bond proceeds; not subject to tax-exempt regulations and record-keeping	Repayment funding risk due to potentially low average returns on invested proceeds
Increases operating flexibility with long-dated principal payments	Leverage position is locked, may result in credit weakening if additional debt is taken on
Life of debt aligns with long-term planning and investment strategy of universities	Financial management execution must survive multiple generations of governance and management teams

Source: Moody's Investors Service

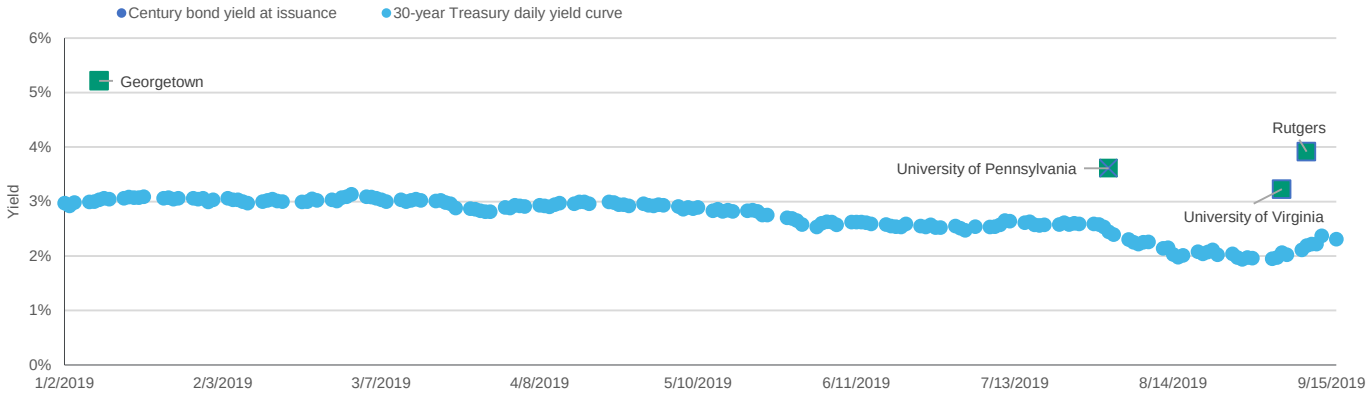
In 2019, four universities have issued a total of $1.3 billion of century bonds (see Exhibit 2). A combination of historically low interest rates, a compression between the borrowing costs for taxable bonds and tax-exempt bonds, and the flexibility of use of proceeds have driven

the increased issuance. The four universities, all with high credit quality, have the financial wherewithal and flexibility to manage most risks (see Exhibit 3).

Rutgers will be using century bond proceeds to establish an "internal bank." With an internal bank, also known as a central bank, a university allocates funds to projects, internally collects debt service related to those projects, and then re-lends those funds to other projects, providing a revolving source of financing for capital needs over the life of the bonds. If the "bank" is well managed, this provides another potential credit benefit: the ability to better manage access and timing to the capital markets due to a revolving pool of capital. Other large university systems with strong treasury management, including the University of Virginia, have also established internal banks.

Exhibit 2

Universities issuing century bonds in 2019 have capitalized on favorable rates compared to 30-year Treasury rates



Sources: Treasury.gov, offering documents

Exhibit 3

Universities selling century bonds in 2019 have high credit quality

University	Type	Rating	Outlook	Century bond size ($ millions)	Yield at issuance (%)	Sale date
Georgetown University	Private	A2	Stable	$304	5.2%	1/9/2019
University of Pennsylvania	Private	Aa1	Stable	$300	3.6%	8/1/2019
University of Virginia	Public	Aaa	Stable	$350	3.2%	9/5/2019
Rutgers, The State University of New Jersey	Public	Aa3	Stable	$330	3.9%	9/10/2019

Sources: Moody's Investors Service, offering documents

Moody's related publications

Special Comment

» US Universities Capitalize on Credit Strengths and Low Yields with Century Bonds, August 16, 2013

REPORT NUMBER 1194892

MOODY'S
INVESTORS SERVICE

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 10, 2022**

AGENDA ITEM: Collective Bargaining Agreements

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

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

PRESENTER: Kenneth Horstman, 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, Health Care and Non-Professional Unit Local 3260
B. AFSCME Council 5, Clerical and Office Unit Locals 3800 and 3801
C. AFSCME Council 5, Technical Unit Locals 3937 and 3801

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

Covered Employees

The employees covered by this CBA are non-professional health care employees and included in University of Minnesota Unit 4 as defined by the Minnesota Public Employee Labor Relations Act. The total number of employees is 191.

Summary Economic Highlights

During the contract year June 21, 2021 (the first day of the first payroll period in FY22) through June 30, 2022, employees in all classifications will receive a 1.5 percent salary range adjustment effective on June 21, 2021.

Employees in two (2) job classifications with documented attraction and/or retention concerns will receive targeted market rate adjustments. Those jobs are Dental Assistants and Dental Assistant Specialists.

The University broadened eligibility for a $300 annual license, certification and/or registration fee reimbursement to include the initial fee, as well as renewal fees. Additionally, employees in the job classifications Licensed Practical Nurse and Certified Medical Assistant will receive a lump sum payment of $500, subject to applicable taxes and withholdings, in two (2) installments during the life of this agreement. A non-recurring, one-time $85 additional clothing allowance amount will be paid to employees eligible for the $165 annual clothing allowance.

The University also agreed to a new stand-alone bereavement leave benefit, which provides up to three (3) workdays of paid time off with for deaths in the employee's immediate family. Subject to supervisor discretion, employees may receive two (2) additional paid bereavement days for the death of an immediate family member involving long distance travel, cultural obligations, etc. With supervisor approval, employees may use accrued sick leave to serve as pallbearers or attend funerals for persons not defined as immediate family members. Finally, with supervisor approval, reasonable paid bereavement leave may be granted to attend the funeral/service of a University colleague.

Financial Impact

This is a one-year agreement, June 21, 2021 through June 30, 2022.

Year 1 Recurring Costs:

Base Annual Payroll	$ 9,595,625.79
Base Salary Adjustments	+ $ 143,934.39
Total Recurring Cost	$ 9,739,560.18

Negotiation Timeline

Negotiations began on June 1, 2021. The parties reached a tentative agreement on December 16, 2021. The Union's contract ratification process was completed on January 7, 2022.

B. AFSCME Council 5, Clerical and Office Unit Locals 3800 and 3801

Covered Employees

The employees covered by this CBA are clerical and office support employees and included in University of Minnesota Unit 6 as defined by the Minnesota Public Employee Labor Relations Act. The total number of employees is 1266.

Summary Economic Highlights

During the contract year June 21, 2021 (the first day of the first payroll period in FY22) through June 30, 2022, employees in all classifications will receive a 1.5 percent salary range adjustment effective on June 21, 2021.

Eligible clerical employees working at the Veterinary Medical Center will be paid an evening shift pay differential of $1.50 per hour and a weekend/overnight shift differential of $3.00 per hour.

The University also agreed to a new stand-alone bereavement leave benefit, which provides up to three (3) workdays of paid time off with for deaths in the employee's immediate family. Subject to supervisor discretion, employees may receive two (2) additional paid bereavement days for the death of an immediate family member involving long distance travel, cultural obligations, etc. With supervisor approval, employees may use accrued sick leave to serve as pallbearers or attend funerals for persons not defined as immediate family members. Finally, with supervisor approval, reasonable paid bereavement leave may be granted to attend the funeral/service of a University colleague.

Financial Impact

This is a one-year agreement, June 21, 2021 through June 30, 2022.

Year 1 Recurring Costs:

Base annual Payroll	$ 61,978,425.45
Base Salary Adjustments	$ 929,676.38
Total Recurring Cost	$ 62,908,101.78

Negotiation Timeline

Negotiations began on June 1, 2021. The parties reached a tentative agreement on December 16, 2021. The Union's contract ratification process was completed on January 7, 2022.

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

Covered Employees

The employees covered by this CBA are technical employees and included in University of Minnesota Unit 7 as defined by the Minnesota Public Employee Labor Relations Act. The total number of employees is 637.

Summary Economic Highlights

During the contract year June 21, 2021 (the first day of the first payroll period in FY22) through June 30, 2022, employees in all classifications will receive a 1.5 percent salary range adjustment effective on June 21, 2021.

Employees in two (2) job classifications with documented attraction and/or retention concerns will receive targeted market rate adjustments. Those jobs are Campus Security Advisor and Dispatcher.

Eligible employees working in specific job classifications at the Veterinary Medical Center and in Research Animal Resources will be paid an evening shift pay differential of $1.50 per hour. Eligible employees working in specific job classifications at the Veterinary Medical Center will be paid a weekend/overnight shift differential of $3.00 per hour.

The University also agreed to a new stand-alone bereavement leave benefit, which provides up to three (3) workdays of paid time off with for deaths in the employee's immediate family as defined in the contract. Subject to supervisor discretion, employees may receive two (2) additional paid bereavement days for the death of an immediate family member involving long distance travel, cultural obligations, etc. With supervisor approval, employees may use accrued sick leave to serve as pallbearers or attend funerals for persons not defined as immediate family members. Finally, with supervisor approval, reasonable paid bereavement leave may be granted to attend the funeral/service of a University colleague.

Financial Impact

This is a one-year agreement, June 21, 2021 through June 30, 2022.

Year 1 Recurring Costs:

Base Annual Payroll	$ 28,581,854.63
Base Salary Adjustments	+ $ 428,727.82
Total Recurring Cost	$ 29,010,582.45

Negotiation Timeline

Negotiations began on June 1, 2021. The parties reached a tentative agreement on December 16, 2021. The Union's contract ratification process was completed on January 7, 2022.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the following collective bargaining agreements:

A. AFSCME Council 5, Health Care and Non-Professional Unit Local 3260
B. AFSCME Council 5, Clerical and Office Unit Locals 3800 and 3801
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,
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 this bargaining unit; and

WHEREAS, AFSCME Council 5, HealthCare and Non-Professional Unit Local 3260 have ratified acceptance of this agreement; and

WHEREAS, according to the 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 materials for February 10, 2022.

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 Delgation 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 materials for February 10, 2022.

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 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 materials for February 10, 2022.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 10, 2022**

AGENDA ITEM: Consent Report

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

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

PRESENTERS: Myron Frans, Senior Vice President

PURPOSE & KEY POINTS

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 ES Broadcast Hire, LLC for $2,117,300 for Video Board Control Room Equipment and Installation Services for Huntington Bank Stadium for the Department of Intercollegiate Athletics (Twin Cities) for the period of February 15, 2022 through August 31, 2022. The vendor was selected through a competitive process. Two suppliers responded to the RFP; neither were targeted businesses.

- To Ravenwood Studios UK Limited for an estimated $1,100,000 for production of "Secrets Of The Forest" Fulldome Planetarium Show for Bell Museum (Twin Cities) for the period of March 15, 2022 through October 31, 2023. The supplier will be commissioned to create a feature length planetarium show using technology previously piloted under this agreement to represent artist Jim Brandenburg's work in the Bell Museum planetarium for public display and appreciation. Funding for this purchase to be provided by Bell Museum and Planetarium Foundation funds. See enclosed documentation for basis of supplier selection.

- To Stryker Corp (Medical Division) for $17,180,000 for the CR2 WIFI connected Automated External Defibrillator (AED) package for the Center for Resuscitation Medicine, Cardiology Division in the Medical School (Twin Cities) for the period of February 15, 2022, through February 15, 2025. The funds for this purchase have been provided by the Helmsley Charitable Trust through a sponsored project. See enclosed documentation for basis of supplier selection.

Employment Agreements

The purpose of this item is to seek approval for the following new or amended employment agreements for the Twin Cities campus:

- Robert Stine, Dean, College of Continuing and Professional Studies (CCAPS)
- Mark Coyle, Director of Intercollegiate Athletics

Off-Cycle Tuition Rate Changes

The purpose of this item is to seek approval of off-cycle tuition rate changes. The President recommends approval of tuition rates for the following programs for Summer 2022, Fall 2022, and Spring 2023:

	2021-2022		2022-2023		2022-2023	
	(Effective Summer 2020*)		(Effective Summer 2022)			
	Semester Rates		Semester Rates		Semester Rates	
	Resident	Nonresident	Resident	Nonresident	Resident % Change	Nonresident % Change
Twin Cities						
Carlson School of Management						
Master of Science in Finance						
Per Credit	$1,020.00	$1,450.00	$1,055.00	$1,500.00	3.40%	3.40%
Master of Science in Business Analytics						
Per Credit	$1,020.00	$1,450.00	$1,055.00	$1,500.00	3.40%	3.40%

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

The proposed increases for the Carlson School programs result in rates that remain competitive with peer programs and reflect strong demand for enrollment. The two full-time programs, Master of Science in Business Analytics (MSBA) and Master of Science in Finance (MSFIN), are one-year programs so there is no impact to current students. Student demand for these programs continues to be strong and we expect MSBA enrollment to remain at full capacity and MSFIN enrollment to increase for 2022-2023.

BACKGROUND INFORMATION

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

- Purchase of Goods and Services $1,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6.
- Employment Agreements: *Reservation and Delegation of Authority,* Article I, Section IV, Subd. 1. and Article I.

- Off-Cycle Tuition Rate Changes: *Reservation and Delegation of Authority*, Article I, Section V, Subd. 3.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Consent Report.

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

To ES Broadcast Hire, LLC for $2,117,300 for Video Board Control Room Equipment and Installation Services for Huntington Bank Stadium for the Department of Intercollegiate Athletics (ICA) (Twin Cities) for the period of February 15, 2022 through August 31, 2022.

In a typical academic year, ICA originates 125-175 different "shows" from its broadcast control rooms at seven different athletics venues. Hundreds of thousands of spectators annually enjoy Gopher Athletics in person with hundreds of thousands more enjoying content online or on television. The backbone of the control room equipment was purchased 9-12 years ago and has reached its useful life. Replacement is necessary to prevent video board failure, update functionality for current production requirements, and meet the required IT security standards. Failure of the existing equipment would have a negative impact on sponsorship revenue, ticket revenue, and create negative publicity for the University.

This is "phase one" of a larger project to upgrade and replace video production equipment throughout ICA facilities.

Through a competitive RFP process, ES Broadcast Hire, LLC *was selected for the contract based on the best overall value to the University as evaluated primarily on experience, project plan and schedule, and total cost to the University. To assist with the project, ICA contracted with a consultant, WJHW, which specializes in consulting and design for many contemporary sports venues in the United States. Specifically, WJHW conducted a thorough analysis to determine the items in critical need of replacement, assisted with the development of the RFP, and with the evaluation of RFP responses.*

The purchase will be funded with a combination of philanthropy, sponsorships, and University Debt.

Submitted by: Tim McCleary
Associate Athletics Director/CFO
516 15th Ave SE
Minneapolis, MN 55455
612-625-2524

Approval for this item requested by:

Mark Coyle January 20, 2022
Athletics Director
(Signature of file in Purchasing Services)

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

To Ravenwood Studios UK Limited for an estimated $1,100,000 for production of "Secrets Of The Forest" Fulldome Planetarium Show for Bell Museum (Twin Cities Campus) for the period of March 15, 2022 through October 31, 2023.

The supplier will be commissioned to create a feature length planetarium show using technology previously piloted under this agreement to represent artist Jim Brandenburg's work in the Bell Museum planetarium for public display and appreciation.

This supplier collaborates with artist Jim Brandenburg, an accomplished nature photographer and moviemaker, to produce 360 and animated video. The principals of the company are trusted colleagues to the artist – among the only people he trusts with his artistic works. Ravenwood Studios' collaboration is critical in order to bring Jim Brandenburg's artistry to the planetarium theater.

Funding for this purchase to be provided by Bell Museum and Planetarium Foundation funds.

Submitted by: Denise Young, Executive Director of Bell Museum
2088 Larpenteur Ave W
St. Paul, MN 55113
612-624-2013

Approval for this item requested by:

Rachel Croson January 14, 2022
Executive Vice President & Provost
(Signature on file in Purchasing Services)

Rationale for Exception to Competitive Process

This purchase was not competitively bid because this is an extension of the proof of concept for the full-length planetarium show that was well received. The Ravenwood Studios UK Limited team is composed of highly accomplished film professionals who will provide the best chance to achieve the artist's vision of bringing Jim Brandenburg's natural history artistic work to the Bell Museum planetarium dome.

The cost for this project is consistent with other projects the Bell Museum has undertaken on two separate occasions in the last four years. The Bell Museum Executive Director has approximately 19 years in the planetarium show development industry. Her experience with film and planetarium work suggests this is a reasonable cost for the live action Fulldome production of this quality.

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

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

To Stryker Corp (Medical Division) for $17,180,000 for the CR2 WIFI connected Automated External Defibrillator (AED) package for the Center for Resuscitation Medicine, Cardiology Division in the Medical School (Twin Cities) for the period of February 15, 2022, through February 15, 2025.

When someone suffers a cardiac arrest, immediate response with lifesaving care is critical. AEDs should be applied within the first 3-5 minutes for the best possible outcome. With time critical events such as cardiac arrest, rapid treatment can make the difference between life and death.

Minnesota EMS systems are designed to provide a response time that allows for trained personnel to arrive at the scene of the emergency at an average of 8-10 minutes. Local and statewide law enforcement agencies offer response capabilities that provide faster response, especially in rural areas, and a faster delivery of care. This system does not work if they do not have accessible and ready tools. AEDs are a necessary tool for first responders when responding to cardiac arrest calls, however, they are frequently placed with outside fundraising or special grants, and with little to no sustainability plan. This means that when AEDs are aged out or a department adds more vehicles or officers, there are gaps. Minnesota CARES data shows that 70% of out-of-hospital cardiac arrests happen in the home where public placed AEDs can have little impact; typically, the first person to arrive from a 911 call is a law enforcement officer.

This project will provide a comprehensive solution to AED issues with MN Law Enforcement. It will provide accessible tools for training and feedback on cardiac arrest calls. The Center for Resuscitation Medicine (CRM) will ensure that agencies can fully use the AEDs, troubleshoot any concerns, and help them celebrate lives saved in their communities.

The funds for this purchase have been provided by the Helmsley Charitable Trust through a sponsored project.

Submitted by: Demetri Yannopoulos, MD; Kim Harkins, Project Manager
Variety Club Research Building
401 E River Parkway, Room 102,
Minneapolis, MN 55
612-626-1382

Approval for this item requested by:

Jakub Tolar January 14, 2022
Vice President for Clinical Affairs and Dean, Medical School
(Signature on file in Purchasing Services)

Rationale for Exception to Competitive Process

Stryker has been identified as the supplier for this project through the funder, Helmsley Charitable Trust. They have a sole source agreement with Stryker and have negotiated a package price for the units, supplies, and 8-year comprehensive service plan at over 30% below market rates. Due to the relationship between the funder and Stryker, orders for these units for Minnesota will be prioritized for production and delivery.

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

Board of Regents
Finance & Operations Committee
Consent Report
February 10, 2022

Personnel Appointment

Pending approval by the Board of Regents, Robert A. Stine will be appointed dean of the College of Continuing and Professional Studies, effective February 14, 2022.

Position Overview

As dean of the College of Continuing and Professional Studies (CCAPS), Robert Stine will report to the executive vice president and provost and will serve as the executive, administrative, and strategic leader for the College. CCAPS serves an important role by serving an expanded population of learners who are following a non-traditional path through higher education. Collaborations have led to the creation of a wide array of programs—degree-granting, professional development, and personal enrichment—meeting varied learner, workforce, and community needs and integrating innovative technologies in program design and delivery. Founded in 1913, the College presently offers 14 academic degree programs including 6 bachelor's programs (3 individualized majors, including a degree completion option, and 3 applied majors); and 8 master's programs; as well as 11 undergraduate and graduate certificates. Over 1,100 students pursue bachelor's and master's degrees and certificates each year. The College also helps learners determine their career aspirations and path to success by providing consultations, online resources, topical workshops, and information sessions.

Building on the existing strengths of the College, its strategic plan, and the strategic priorities of the University, the dean is responsible for providing strategic and intellectual leadership and administrative oversight of, and accountability for, the educational, service, outreach, and engagement activities of the College. The dean provides strategic leadership for programmatic, budgetary, and enrollment planning that strengthens educational excellence and advances systemwide strategic priorities; builds collaborations across the University leveraging resources and advancing teaching and learning innovation and reciprocal engagement with diverse communities; leads and manages a creative and collaborative staff team; and builds relationships with external stakeholders, including with business and industry leaders, to assess workforce needs, enhance programs, and expand learning and career opportunities for students. The dean also collaborates with other campus deans and academic leaders on activities to advance the University's collective mission and vision, including strengths and opportunities reflected in the University's Systemwide Strategic Plan, MPact 2025.

Appointee's Background and Qualifications

Robert Stine has served as interim dean of the College of Continuing and Professional Studies since 2018, and from 2007-2018 served as the Senior Associate Dean for Academic Programs. He began his University of Minnesota career as a research associate in the Forest Resources Department and coordinator of the Cloquet Forestry Center, and from 2003-2007 served as Associate Dean in the College of Food, Agricultural and Natural Resource Sciences, with oversight responsibility of Extension's Natural Resources and Environment programming. He is a member of numerous public and professional service organizations, including the MN Department of Employment and Economic

Development's Job Skills Partnership Board, the Real Time Talent Advisory Board, and the national University Professional and Continuing Education Association, where he served on the Board of Directors, its Executive Committee, and as chair of the Central Region. In 2017 he received the Outstanding Leadership Award, UPCEA Central Region.

Dr. Stine holds a Ph.D. in Forestry from the University of Minnesota, Forest Policy and Administration; M.S. in Forest Science, Oregon State University, Forest Genetics; and B.A. from Indiana University, Plant Sciences.

Recommended Salary and Appointment Type

Robert Stine's annual salary will be $215,000. His appointment as dean of the College of Continuing and Professional Studies is a 100%-time, A-term (12-month) L-type (limited) appointment in the academic professional and administrative personnel classification, an at-will employee position reporting to and serving at the pleasure of the Executive Vice President and Provost. The full employment agreement between the University of Minnesota and Robert A. Stine is attached as an exhibit.

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

Comparable Market Data

Benchmarking with the University's Annual Review of Senior Leader Compensation, which was presented to the Board of Regents in February 2021, shows comparative base salary data among University of Minnesota peers for the position of dean of continuing education. The report provides market data from the CUPA-HR Administrators in Higher Education Salary Survey and the CUPA-HR Executive Compensation and Benefits in Higher Education survey, encompassing a broad range of participant institutions that includes both public and private institutions. The Office of Human Resources has comparable market data for base compensation for this position, aged to July 2022 for FY23, benchmarked among Twin Cities peer group institutions as follows:

10th percentile - $254,775
25th percentile - $260,914
50th percentile - $274,622
75th percentile - $282,960
90th percentile - $295,536

Recommendation

The President recommends the appointment of Robert A. Stine to the position of dean of the College of Continuing and Professional Studies at the University of Minnesota.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this 31st day of January, 2022, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Robert A. Stine ("Robert Stine," "you").

WHEREAS, the University wishes to employ Robert Stine as Dean of the College of Continuing and Professional Studies and Robert Stine wishes to accept employment as Dean of the College of Continuing and Professional Studies;

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 Robert Stine 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 Robert Stine as Dean of the College of Continuing and Professional Studies, and he agrees to be so employed by the University for a term commencing on February 14, 2022. The Dean of the College of Continuing and Professional Studies is a 100-percent time, 12-month L appointment in the professional and academic personnel classification who serves as an at-will employee at the pleasure of the Executive Vice President and Provost. As such, you report to and serve at the pleasure of the Executive Vice President and Provost and your appointment may be terminated at any time without advance notification.

II. DUTIES

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

A. Serving as the chief academic and executive officer for the College of Continuing and Professional Studies; providing strategic and intellectual leadership and administrative oversight of, and accountability for, the educational, service, outreach and engagement activities of the College;

B. Overseeing the responsible planning, stewardship, and management of fiscal, capital, and human resources of the College of Continuing and Professional Studies;

C. Collaborating with staff, affiliated faculty, and stakeholders to create and sustain a unified vision for the College and to maintain and enhance the College's quality, reputation, stature, and goals;

D. Providing leadership in, and aligning resources with, the recruitment and retention of excellent instructors, staff, and students;

E. Promoting and fostering diversity, equity, and inclusion; promoting and strengthening access and success for underrepresented staff and students; and enhancing an open and inclusive environment within the College and across College constituencies;

F. Garnering support for the College of Continuing and Professional Studies from both internal and external stakeholders;

G. Leading efforts to secure philanthropic support and generate revenue for the College's mission;

H. Enhancing community and industry partnerships and impact and promoting outreach efforts that engage the University and its partners appropriately in meeting varied learner, workforce, and community needs;

I. Representing the College of Continuing and Professional Studies in University-level discussions and strategic initiatives and working with other collegiate deans as a member of the Twin Cities Deans Council to advance the educational mission of the University and to develop joint educational and outreach activities;

J. Performing such other duties as related to your employment position and assigned to you by your appointing authority.

III. PERFORMANCE

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

IV. COMPENSATION

A. Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall pay you an annual salary of Two Hundred and Fifteen Thousand and No/100 Dollars ($215,000).

B. All base salary shall be paid in accordance with the University's regular payroll procedures for Professional and Administrative employees and shall be subject to withholding for applicable federal and state income taxes, federal social security taxes, and other applicable taxes and deductions.

C. In accordance with University policies and procedures, you shall be eligible for salary increases on an annual basis based upon the evaluation of the appointing authority or his/her designee.

D. The base salary is subject to furloughs, pay freezes, salary reductions or other adjustments to the same extent they are required of other employees of the University.

V. BENEFITS

The University shall provide you with a benefits program as provided generally for its Professional and Administrative employees as described in its policies and Procedures

(http://www.umn.edu/ohr/benefits/summary/). These programs shall be subject to amendments and modifications by the University.

VI. SEPARATION

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

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

VII. UNIVERSITY POLICIES AND GENERAL CONDITIONS

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

B. **Amendment.** Any amendment to this Agreement shall be in 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 gender neutral expressions shall be interchangeable.

VIII. BOARD OF REGENTS APPROVAL

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

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

By: _____
Robert A. Stine

REGENTS OF THE UNIVERSITY OF MINNESOTA

By:_____
Rachel T. A. Croson
Executive Vice President and Provost

Approved as to Form and Execution

By:_____
Douglas R. Peterson
General Counsel

Board of Regents
Finance & Operations Committee
Consent Report
February 10, 2022

Employment Agreement

Subject to Board of Regents approval, the University of Minnesota has reached an agreement with Mark Coyle to extend his contract as Director of Intercollegiate Athletics for the University of Minnesota Twin Cities.

Summary of Agreement

- **Term**: The amendment extends the term of employment by two years, from July 1, 2020, through June 30, 2028, with each contract year running from July 1 through June 30.

- **Salary**. The amendment increases the annual salary escalator from 2.5% to 3% for the last three years of the contract (the salary escalator for the first five years remains at 2.5%).

- **Longevity Bonus**. The current contract calls for an annual longevity bonus of $150k vesting at the end of each contract year starting on June 30, 2024. The amendment provides longevity bonuses as follows.

    - $100k for contract year two, vesting on June 30, 2024
    - $150k for contract year three, vesting on June 30, 2024
    - $150k for contract year four, vesting on June 30, 2024
    - $200k for contract year five, vesting on June 30, 2025
    - $200k for contract year six, vesting on June 30, 2026
    - $250k for contract year seven, vesting on June 30, 2027
    - $250k for contract year eight, vesting on June 30, 2028

- **Supplemental Retirement**. Under his current agreement, Athletics Director Coyle is entitled an annual supplemental retirement contribution of $150k. Under the amendment, the contribution would increase by $5k each year, from $150k for contract year one, to $185k for contract year eight.

- **Automobile**. Under his current agreement, Athletics Director Coyle is entitled to the use of an automobile. Under the amendment, the University, in its discretion, could provide a comparable monthly car allowance in lieu of providing an automobile.

- **Termination Fee/Buyout**. Under the amendment, if either party terminates the agreement without cause during the term of employment, they would be required to pay a termination fee/buyout as follows:

- If termination occurs at any time on or before June 30, 2024, 100% of the amount of base salary that would have been paid 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, 50% of the base salary amount that would have been paid if the Agreement had continued through the full term of employment.
- If termination occurs on or after July 1, 2025, 25% of the base salary amount that would have been paid if the Agreement had continued through the full term of employment.

- **Contract Review**. By no later than the end of the second month of contract year seven, the parties will use their best efforts to negotiate a new contract. If no agreement is reached, then Athletics Director Coyle's termination fee/buyout is reduced to $0 for the remainder of the term of employment.

Comparable Market Data

The highest paid Big Ten Athletic Director is Gene Smith at Ohio State at a reported total annual compensation around $2M, whereas half of the Big Ten Athletic Directors are earning $1M or more in total compensation. With this contract amendment, Athletics Director Mark Coyle will remain in the top half of the rankings, grouped relatively closely with Iowa, Michigan, Rutgers, Penn State, and possibly Northwestern.

Given the exceptional performance he consistently demonstrates in the role, and the growing demand for Athletic Directors who possess his personal character and professional experience, the total compensation of this amended contract for Athletics Director Mark Coyle is appropriately in line with the market.

Recommendation

The president recommends approval of this employment agreement for Mark Coyle, Athletics Director, 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 Mark Coyle ("Director"), entered into effective February 11, 2020 ("Employment Agreement"). The University and Director do now mutually desire to amend certain terms of the Employment Agreement by entering into this amendment to the Employment Agreement ("Amendment"), effective February 11, 2022.

NOW, THEREFORE, in consideration of the mutual promised 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. **Paragraph 1.1 is deleted and replaced with the following:**

   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 by the University for a term commencing on July 1, 2020, and ending on June 30, 2028 (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.

2. **Paragraph 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 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 contract years two through five, and by three percent (3%) effective July 1 of each subsequent contract year through the Term of Employment. If the University merit pool increase provided to employees in the Professional & Administrative (P&A) job classification for any fiscal year during the Term of Employment exceeds the percentage increase provided here, then the merit pool increase shall be awarded for that contract year.

3. **Paragraph 2.5 is deleted and replaced with the following:**

2.5 Longevity Bonus. Director shall receive longevity bonuses as follows provided that he has remained continuously employed as Director under this Agreement through the vesting date:

a. $100,000 for contract year two, vesting on June 30, 2024,
b. $150,000 for contract year three, vesting on June 30, 2024,
c. $150,000 for contract year four, vesting on June 30, 2024,
d. $200,000 for contract year five, vesting on June 30, 2025,
e. $200,000 for contract year six, vesting on June 30, 2026,
f. $250,000 for contract year seven, vesting on June 30, 2027,
g. $250,000 for contract year eight, vesting on June 30, 2028,

The payment will be made on the next business day following the vesting date.

4. **Paragraph**

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 following amounts, provided Director has remained continuously employed by the University as its Athletic Director through June 30 of each contract year:

a. $150,000 for contract year one,
b. $155,000 for contract year two,
c. $160,000 for contract year three,
d. $165,000 for contract year four,
e. $170,000 for contract year five,
f. $175,000 for contract year six,
g. $180,000 for contract year seven,
h. $185,000 for contract year eight.

The payment will be made on June 30 of each contract year, or on the next business day following June 30.

5. **Paragraph 2.8 is deleted and replaced with the following:**

2.8. Automobile. Director will either receive the use of an automobile through the Department's Wheel Club or a comparable monthly car stipend throughout the Term of Employment. Determination of the use of an automobile or stipend will be made by the University.

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

3.2.1. The University may terminate this Agreement without cause upon thirty (30) days written notice to Director. If termination occurs at any time on or before 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 on or after July 1, 2025, 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.

7. **Paragraph 3.3 is deleted and replaced with the following:**

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 on or before 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 on or after July 1, 2025, 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 on or before August 31, 2026, 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.

8. **Section 5.1 is deleted and replaced with the following:**

5.1. Agreement Renewal/Extension. During or before the first two (2) months of contract year seven (i.e., July and August 2026) 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).

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

10. 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 Amendment to be effective as of the date first shown above.

Date:_____

_____
Mark Coyle
Athletic Director

REGENTS OF THE UNIVERSITY OF MINNESOTA

Date: February 1, 2022

By:_____
Joan T.A. Gabel
President

Reviewed and Approved by:

Date: February 1, 2022

By:_____
Douglas Peterson
General Counsel

the amount of the Termination Fee payment established in Section 3.3 is reduced to zero dollars ($0.00).

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

10. 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 Amendment to be effective as of the date first shown above.

Date: 2/1/2022

Mark Coyle

Mark Coyle
Athletic Director

REGENTS OF THE UNIVERSITY OF MINNESOTA

Date:_____

By:_____
Joan T.A. Gabel
President

Reviewed and Approved by:

Date:_____

By:_____
Douglas Peterson
General Counsel

University of Minnesota Off-Cycle Tuition Rates

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

The President recommends approval of tuition rates for the following programs for Summer 2022, Fall 2022, and Spring 2023:

	2021-2022		2022-2023		2022-2023	
	(Effective Summer 2020*)		(Effective Summer 2022)			
	Semester Rates		Semester Rates		Semester Rates	
	Resident	Nonresident	Resident	Nonresident	Resident % Change	Nonresident % Change
Twin Cities						
Carlson School of Management						
Master of Science in Finance						
Per Credit	$1,020.00	$1,450.00	$1,055.00	$1,500.00	3.40%	3.40%
Master of Science in Business Analytics						
Per Credit	$1,020.00	$1,450.00	$1,055.00	$1,500.00	3.40%	3.40%

The proposed increases for the Carlson School programs result in rates that remain competitive with peer programs and reflect strong demand for enrollment. The two full-time programs, Master of Science in Business Analytics (MSBA) and Master of Science in Finance (MSFIN), are one-year programs so there is no impact to current students. Student demand for these programs continues to be strong and we expect MSBA enrollment to remain at full capacity and MSFIN enrollment to increase for 2022-2023.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations **February 10, 2022**

AGENDA ITEM: Information Items

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

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

PRESENTERS: Myron Frans, Senior Vice President

PURPOSE & KEY POINTS

A. Central Reserves General Contingency Allocations
B. Annual Capital Finance and Debt Management Report
C. Annual Insurance and Risk Management Report
D. Central Reserves Fund Report
E. State Capital Appropriation Expenditure Report
F. Quarterly Purchasing Report
G. Biomedical Science Research Facilities Funding Program
H. Contamination Remediation of University Land in Rosemount, MN

A. Central Reserves General Contingency Allocations

Allocations from the Central Reserves General Contingency greater than $250,000 require Board approval. There are no items requiring approval this period. A summary of General Contingency allocations from last fiscal year and an update for the current fiscal year are included in the docket.

B. Annual Capital Finance and Debt Management Report

The purpose of this item is to provide the Annual Capital Financing and Debt Management Report for FY2021. The University is rated Aa1 by Moody's Investors Service and AA by S&P Global Ratings. As of June 30, 2021, the overall debt portfolio totals approximately $1.5 billion in outstanding debt, with about 87 percent of that being fixed rate and about 13 percent representing variable rate instruments. The weighted average cost of capital at fiscal yearend was approximately 2.7 percent.

This report is prepared and provided to the Finance & Operations Committee annually as required by Board of Regents Policy: *Board Operations and Agenda Guidelines*. Board of Regents Policy: *Debt Transactions,* last updated in October 2020, outlines the University's goals when issuing debt.

C. Annual Insurance and Risk Management Report

The purpose of this report is to provide an overview of the University's property, liability, and workers' compensation insurance programs for FY 2021, along with key metrics. The University's total cost of risk for FY 2021 (the sum of captive insurance costs, self-insurance costs, and the cost of commercially purchased insurance) was $16.5 million, a 1.2 percent increase over FY 2020. During FY 2021 the Risk Management Office remarketed the property insurance program and transferred management of property insurance deductible claims to RUMINCO, the University's captive insurance program. Goals for FY 2022 include supporting the establishment of an enterprise risk management program as called for in MPact 2025 Systemwide Strategic Plan (MPact 2025) and initiating a process for identifying and reporting potential claims as required by external insurance carriers.

D. Central Reserves Fund Report

The purpose of this item is to report on the status of the University's Central Reserves fund. Details are available in the docket materials.

E. State Capital Appropriation Expenditure Report

The purpose of this item is to provide the committee with the Capital Appropriations Expenditure Report submitted to the Minnesota Legislature as required by Minnesota State Statute.

F. 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*

G. Biomedical Science Research Facilities Funding Program

The purpose of this item is to provide the committee with the Biomedical Science Research Facilities Funding Program Report submitted to the Minnesota Legislature as required by Minnesota State Statute.

H. Contamination Remediation of University Land in Rosemount, MN

The purpose of this item is to provide the committee with the Contamination Remediation of University Land in Rosemount, MN report submitted to the Minnesota Legislature as required by Minnesota State Statute. The report outlines the efforts to remedy contamination of the University land caused by activities occurring prior to the University acquiring it.

Central Reserves General Contingency Allocations
Finance & Operations Committee
February 2022

Fiscal Year 2022 (7/1/2021-6/30/2022)

	Recipient	Amount	Running Balance	Purpose
1	**Carryforward from FY21 to FY22**		**$1,325,897**	
2	FY21 General Contingency Allocation	$1,000,000	$2,325,897	
3	**New items this reporting period:**			
4	no new items this reporting period		$2,325,897	
5	**Ending Balance**		**$2,325,897**	
6	**Board Approved Commitments*:**			
7	University Services - FY22	(500,000)	1,825,897.05	Support for the Twin Cities Campus Master Plan. Commitment of $1,000,000. $500,000 tranferred FY21 (above); $500,000 will be transferred in FY22.
8	**Projected Balance**		**$1,825,897**	

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

Annual Capital Financing and Debt Management Report
Fiscal Year 2021

Executive Summary and Highlights

The University of Minnesota enjoys a very favorable debt profile which results in low borrowing costs to finance capital projects. 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.

Key debt-related metrics **at June 30, 2021,** include the approximate figures below:

- The University's *total long-term debt outstanding* was **$1.5 billion**.
- The *weighted average cost of capital* was **2.7%**.
- The *ratio of tax-exempt to taxable deb*t was **83% tax-exempt to 17% taxable**.
- The *mix of fixed-rate and variable rate debt* was **87% fixed** and **13% variable**.
- The University's *debt is rated* **Aa1** by Moody's and **AA** by S&P.
- *Debt service paid* (principal and interest) has been $150.0 million in each of the last two years, of which **$95.0 million** was applied to paying down principal each year.
- The University has realized *net present value savings* of **$84.0 million** since 2015 *by refinancing* previously-issued debt on or before optional redemption dates.
- *External revenue sources* fund **25%** of the University's debt service.

Fiscal 2021 Debt Activity

State Capital Bonding Bill

On October 12, 2020, during the fifth special session of the 2020 Legislative year, the Minnesota Legislature passed a capital infrastructure bill that included an amendment to Minnesota Statutes 137.61 through 137.65 that:

1) allowed the University to refinance the Special Purpose Revenue Bonds, (State Supported Biomedical Science Research Facilities Funding Program), and

2) allowed the University to keep the annual appropriation savings and use the savings to support additional new debt to be issued to finance the design of a Clinical Research Facility (now referred to as the Health Discovery Hub).

The Board of Regents (the "Board") had already approved the refunding of the state supported bonds in December 2019 assuming the State legislation would be amended during the 2020 session. The refunding of the three series of bonds occurred in September 2021.

Issuance of GO Bonds Series 2020A and Series 2020B (Taxable)

The University closed on the issuance of GO Bonds, Series 2020A and GO Taxable Bonds, Series 2020B on November 3, 2020. Pricing occurred October 14, 2020 through competitive sales.

The Series 2020A was issued in the par amount of $31.3 million with a premium of $9.1 million for total proceeds of $40.4 million and true interest cost (TIC) of 2.65%. The proceeds were used to finance the costs of issuance and are being used to fund a portion of the costs of the following capital projects:

- Rehabilitation of Pillsbury Hall (Twin Cities);
- Renovation and space addition to the Center for Magnetic Resonance Research Building (Twin Cities);
- Expansion of the Child Development Center Lab School (Twin Cities);
- Reconfiguration of existing space in Owen Hall and Dowell Hall on the Crookston campus;
- Classroom improvements in Blakely Hall on the Morris campus;
- Purchase of a spare turbine for the Main Energy Plant (Twin Cities)

The Series 2020B was issued in the par amount of $84.7 million with a TIC of 2.31% to finance a portion of the costs of land and buildings near the Minneapolis campus to be used for University operations, including the refunding of the CP Notes Series I outstanding in the amount of $53.0 million that was originally issued for the same purposes, plus finance the costs of issuance.

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. Per Board policy: *Debt Transactions*, updated in October 2020, debt shall be used to finance the purchase of land and buildings, construction of and remodeling projects to University facilities, and acquisition of and installation of equipment. Debt may not be used to fund University operating purposes without Board approval. 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, guided by the following principles:

- Minimize borrowing costs at acceptable levels of risk over the life of the debt;

- Maintain key financial metrics to assure continued access to capital markets and manage credit-related risks;

- Exhibit a maturity profile that meets liquidity requirements and manages the balance sheet of the institution; and

- Provide financial and budgetary stability.

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

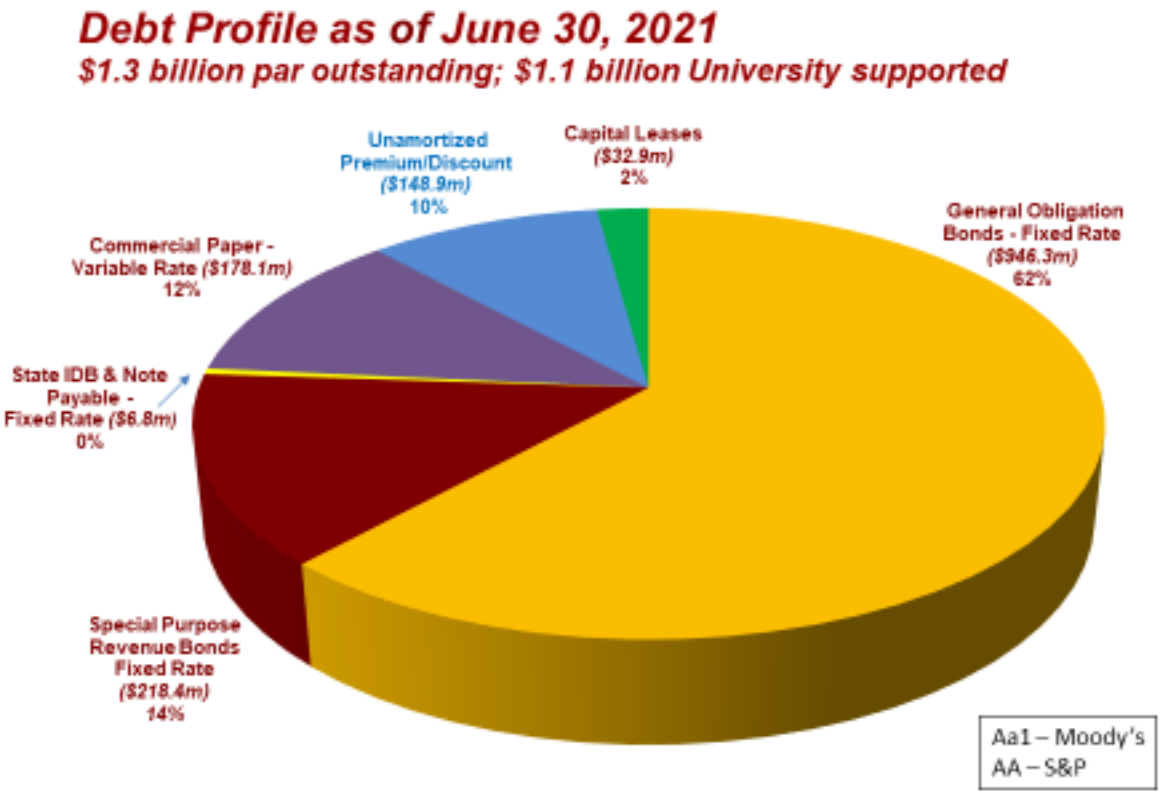
- General Obligation (GO) Bonds – long-term fixed rate bonds secured by the full faith and credit of the University. Bonds have been issued as either tax-exempt or taxable with 20, 25, or 30 year maturities. Each series has been structured with approximately equal annual debt service payments over its life. The tax-exempt bonds 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 Huntington 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 and supported by the University's self-liquidity. With maturities of 1 to 270 days, the CP is classified as current liabilities in the financial statements. However, the University currently treats certain series of the outstanding CP as a long-term financing vehicle by 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), a note payable, capital leases, and the unamortized premiums and discounts on the bonds.

The mix of the components of outstanding long-term debt is shown in the pie chart below.



The table below reflects the beginning and ending fiscal year balances and fiscal 2021 activity of the various debt series summarized in major categories:

(000s omitted)	Final payment due in FY	Beginning Balance June 30, 2020	Additions	Reductions	Ending Balance June 30, 2021
General Obligation Bonds - Series 2020A, 2019A, 2019B, 2017A, 2017B, 2016A, 2014B, 2013A, 2011D, 2011A, and 2010C (tax-exempt)	2046	$ 768,605	$ 31,310	$ 37,515	$ 762,400
General Obligation Taxable Bonds - Series 2020B, 2019C, 2017C, 2015B, and 2013B	2046	48,550	84,690	2,595	130,645
General Obligation Taxable Bonds – Series 2013D, 2011C, and 2010B (University Supported Biomedical Science Research Facilities Funding Program)	2039	55,795		2,485	53,310
Special Purpose Revenue Refunding Bonds – Series 2015A (State Supported Stadium Debt)	2032	70,505		5,515	64,990
Special Purpose Revenue Bonds – Series 2013C, 2011B, 2010A (State Supported Biomedical Science Research Facilities Funding Program)	2039	159,770		6,380	153,390
Commercial Paper Notes Series A, B, C, D, F, G and H (tax-exempt) and E and I (taxable)	2022 thru 2044	263,095		85,025	178,070
Note Payable	2025	4,500		0	4,500
Obligations to the State of Minnesota pursuant to Infrastructure Development Bonds (IDB)	2025	4,047		1,722	2,325
Balance – at par		**1,374,867**	**116,000**	**141,237**	**1,349,630**
Unamortized premiums and discounts	2046	148,585	9,129	8,793	148,921
Capital leases and other	2028	38,888	1,430	7,470	32,848
TOTAL PER FINANCIALS		**$ 1,562,340**	**$ 126,559**	**$ 157,500**	**$ 1,531,399**

No hedging transactions exist in the debt portfolio at June 30, 2021.

The University's **weighted average cost of capital** at June 30, 2021 approximates **2.7%.**

Commercial Paper Facility

On October 12, 2017, the Board authorized a revolving commercial paper facility (the "Facility") through which the University may issue tax-exempt and taxable variable rate debt from time to time as general obligation indebtedness for the short or long-term financing of capital projects. The aggregate principal amount outstanding of the notes issued in 2005 through 2018 (Series A, B, C, D, E, F and G) and the additional notes to be issued (Series H and I) shall not exceed $400.0 million. Since the Facility is considered revolving in nature, CP can be issued for approved projects, paid off, and then re-issued for new approved projects, so long as the total amount of CP issued and outstanding does not exceed the Board's maximum authorization of $400.0 million. The capacity to issue increases as paydowns occur.

Counter-party risk is an inherent risk in a program of this type. This is the risk that the dealer with whom the University contracts to remarket the CP will default on its obligations under that contract. This risk has been mitigated by utilizing a second dealer for the sale and remarketing of new notes, thereby spreading counter-party risk among dealers.

CP is an effective and efficient method to maintain an acceptable percentage of variable rate debt within an overall debt portfolio, with the goal of lowering overall cost of capital. It can be restructured to long-term debt quickly and efficiently since it is short-term in duration. The weighted average rate of the CP outstanding at June 30, 2021 was approximately **0.10**%.

External rating agencies rate the entire CP program based on the maximum amount authorized by the Board, as opposed to previous CP financing issued under a single debt offering and rated as an individual series of CP. The current rating of the $400 million facility is P-1 by Moody's and A-1+ by S&P, both the highest short-term rating possible from each rating agency.

During FY2021, CP outstanding was reduced by a total of $85.0 million, which included scheduled payments on Series A - F of $28.8 million and payments on Series D & G of $3.2 million due to receipt of pledged gifts for the debt-financed facilities. In addition, $53.0 million of previously-issued Series I that was issued to finance the acquisition of various properties were refinanced with the issuance of long-term bonds, Series 2020B.

Subsequent to June 30, 2021, CP outstanding has increased by a net $16.9 million, reflecting a decrease of $35.1 million due to scheduled payments and an increase of $52.0 million in combined Series H and Series I CP Notes issued. Of the total issued to date, $30.5 million is being used to finance capital costs and $21.5 million is to be used to fund a certain FY21 operating deficit due to COVID. Additional CP is expected to be issued throughout the remainder of FY2022 to fund capital costs as spending occurs for the following capital projects in various stages of construction:

- Child Care Center – Vendor-Leased Daycare - construction
- Institute of Child Development – construction and renovation
- Lind Hall - renovation
- Main Energy Plant Chilled Water Plant - expansion
- Masonic Institute for the Developing Brain - renovation
- Microbial Cell Production Facility - construction
- Murphy Hall Media Lab - renovation
- Offsite Collections Facility - design

Long-Term Bond Credit Ratings

The University's debt is highly rated by two rating agencies – **Aa1** by Moody's and **AA** by S&P – which provides strong demand and competitive pricing in the marketplace for University bonds. Each rating agency has its 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 the most recent rating report for the University of Minnesota:

> "The ***Aa1 rating*** assigned by Moody's reflects strong student and research market positions and ample financial resources, all incorporated in the University's excellent brand and strategic position.
>
> The ***stable outlook*** reflects Moody's expectations of "continued favorable student demand, tuition revenue and sponsored research trends and that the University will continue to manage through challenging conditions related to the coronavirus, mitigating fiscal impacts through appropriate budgetary responses." The outlook also incorporates longer term stable to improving operating cash flow and debt service coverage.

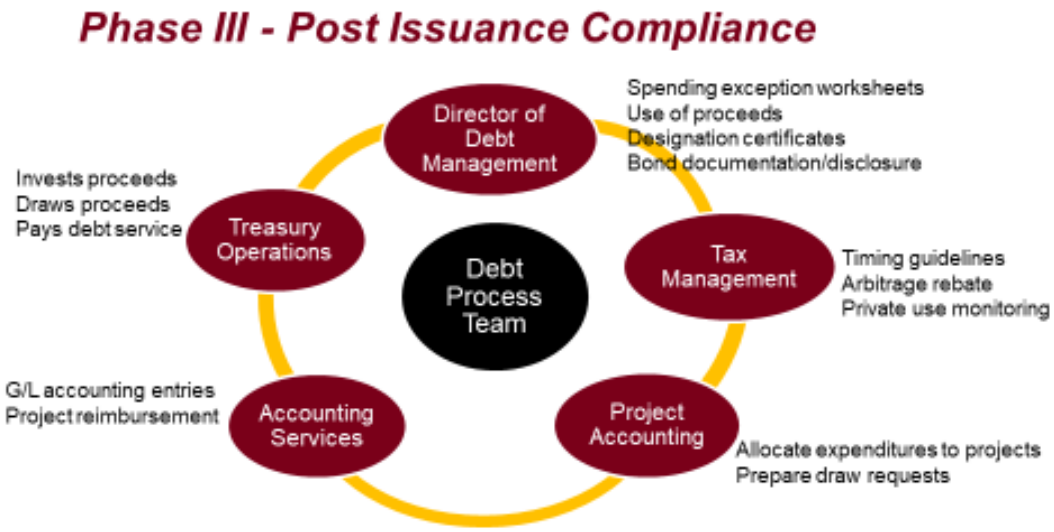
S&P's methodology results in a convergence of a detailed analysis of a university's *"Enterprise Profile"* and "*Financial Profile"* with qualitative adjustments for compelling factors or qualifiers. The "enterprise profile" includes market position and demand, management and governance, industry risk,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

> "The ***AA rating*** reflects S&P's view of the University's, 1) position as Minnesota's flagship research university and land-grant institution, 2) relatively stable enrollment over a longer time horizon, with some decline in freshman applicants for the past three years, 3) manageable pro forma maximum annual debt service burden, and 4) robust philanthropic support."
>
> The ***stable outlook*** reflects S&P's view that "over the next two years, UM's enrollment will stabilize while other demand metrics remain firm, its adjusted full-accrual financial operating performance will improve in fiscal 2021 and fiscal 2022, and there are no diminution in available resources relative to operations and debt."

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. This team of individuals – referred to as the Debt Process Team (DPT) – acts as a Trustee to approve the draws on unspent bond proceeds, verifying the appropriateness of expenditures and projects to which the bond proceeds are allocated. In addition, the group established and ensures that appropriate accounting and compliance procedures are in place and working properly. DPT members and their respective responsibilities are summarized below:

Debt Process Team (DPT)



The University also retains an independent registered municipal advisor (IRMA). The University is represented by and relies on its 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

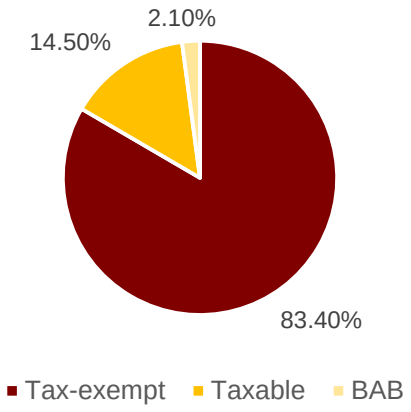
Financings generally are on a tax-exempt interest rate basis, unless there are risks that private business use ("PBU") of the financed asset may exceed the University's allowable threshold, or when other financial considerations indicate the use of taxable debt is in the best interest of the University.

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

- 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 CP, variable rate debt or fixed rate debt.

The ratio of tax-exempt to taxable debt outstanding as of June 30, 2021 is approximately **83% tax-exempt to 17% taxable.**



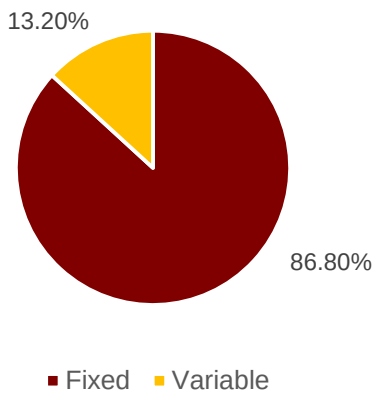
Included in the taxable debt is one outstanding series that was issued as Build America Bonds-Direct Payment to Issuer, whereby the University expects to receive a 35 percent annual interest subsidy from the federal government for the life of the bonds. Due to the implementation of federal sequestration effective with the subsidy payment received beginning June 2, 2013, the subsidy payments received have been reduced by 5.7% - 5.9% for fiscal 2021.

Fixed Rate vs. Variable Rate

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

Variable rate financings can lower overall cost of capital. Financings of all maturities can carry a variable rate. Bonds are callable at any interest payment date (daily, weekly, monthly, etc.) with no premium. Risks include interest rate risk, credit risk, tax law risk and remarketing risk. All of the University's variable rate debt is currently in the form of commercial paper.

The mix of fixed rate to variable rate as of June 30, 2021 is approximately **87% fixed** to **13% variable.**



Refinancing Savings

The University has taken advantage of the optional par call feature that is generally part of the structure when tax-exempt debt is issued. This allows us to refund 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 more than 90 days prior to the optional redemption date ("call date"). Prior to December 31, 2017, bonds could be advance refunded as tax-exempt debt but it could only be done once**.** The tax law changes enacted in December 2017 eliminated the tax-exempt advance refunding option entirely, but still allows *taxable* advance refundings.

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.

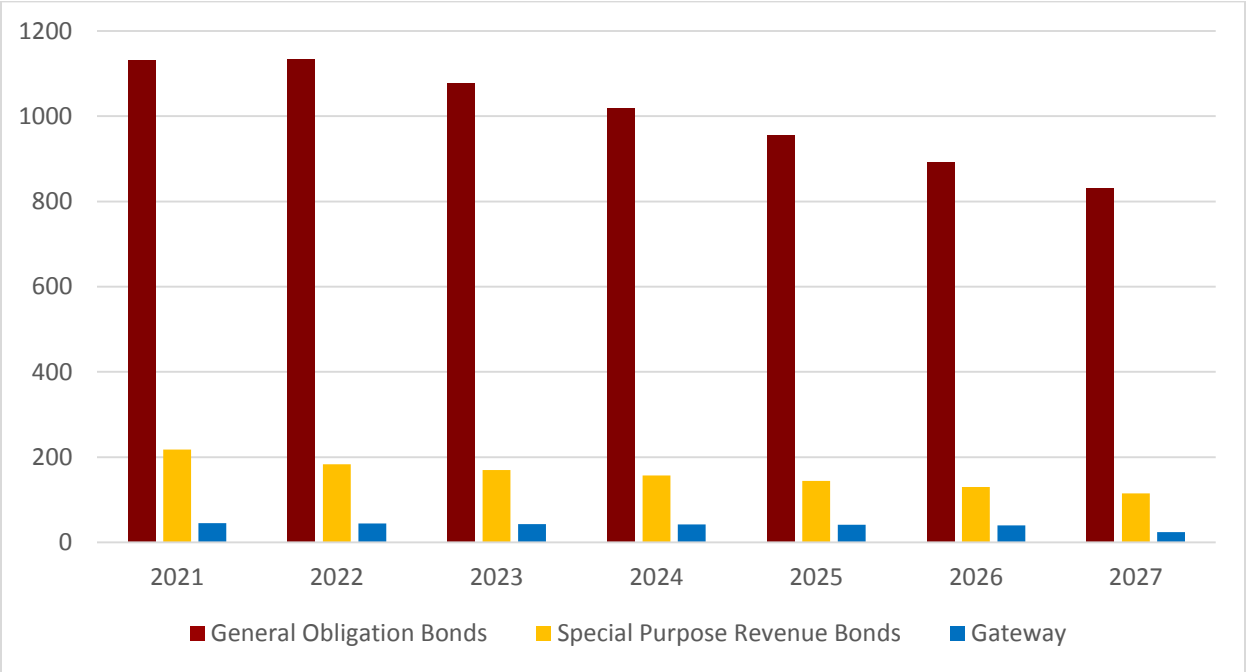
The University has realized savings of approximately **$84 million** on debt that has been refunded and defeased since 2015. The savings realized on the September 2021 refunding of the state supported revenue bonds related to the Biomedical Science Research Facilities allowed the University to issue approximately $36.9 million in general obligation bonds to fund the design of the Health Discovery Hub.

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 for each bond issue are somewhat equal. The following graph reflects the scheduled amortization of the bonds and commercial paper outstanding as of June 30, 2021 plus incorporates the fall 2021 financing activity.

The maroon bar reflects the University supported debt, the gold bar reflects the state supported bonds, and the blue bar represents the debt of Gateway Corporation. 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 below.

Scheduled Debt Amortization, Balances at June 30, 2021-2027 (at par, in millions)



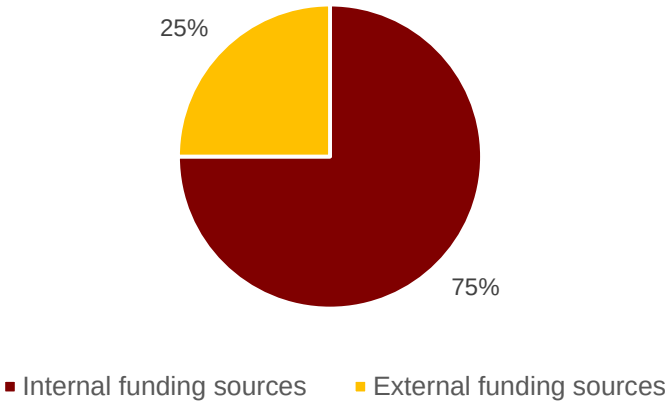
The graph above includes the following FY22 activity that occurred in September and November 2021:

- Issuance of Series 2021A and 2021B that refunded the special purpose revenue bonds related to the Biomedical Science Research Facilities, and the issuance of GO bonds Series 2021C for the Health Discovery Hub

- Issuance of $52 million in CP for capital projects and operations

Funding of External Debt

The University has both internal and external sources that fund the external debt service paid to bondholders. Principal, interest and associated bond fees, including an amount for certain administrative costs, are charged to University academic and administrative units and auxiliaries based on use and occupancy of buildings that required debt for construction and/or renovation. Certain series of debt are supported by external sources through receipt of state appropriations, naming agreements or lease payments. The approximate mix of the funding sources is 75% internal compared to 25% external.



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 Moodys 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

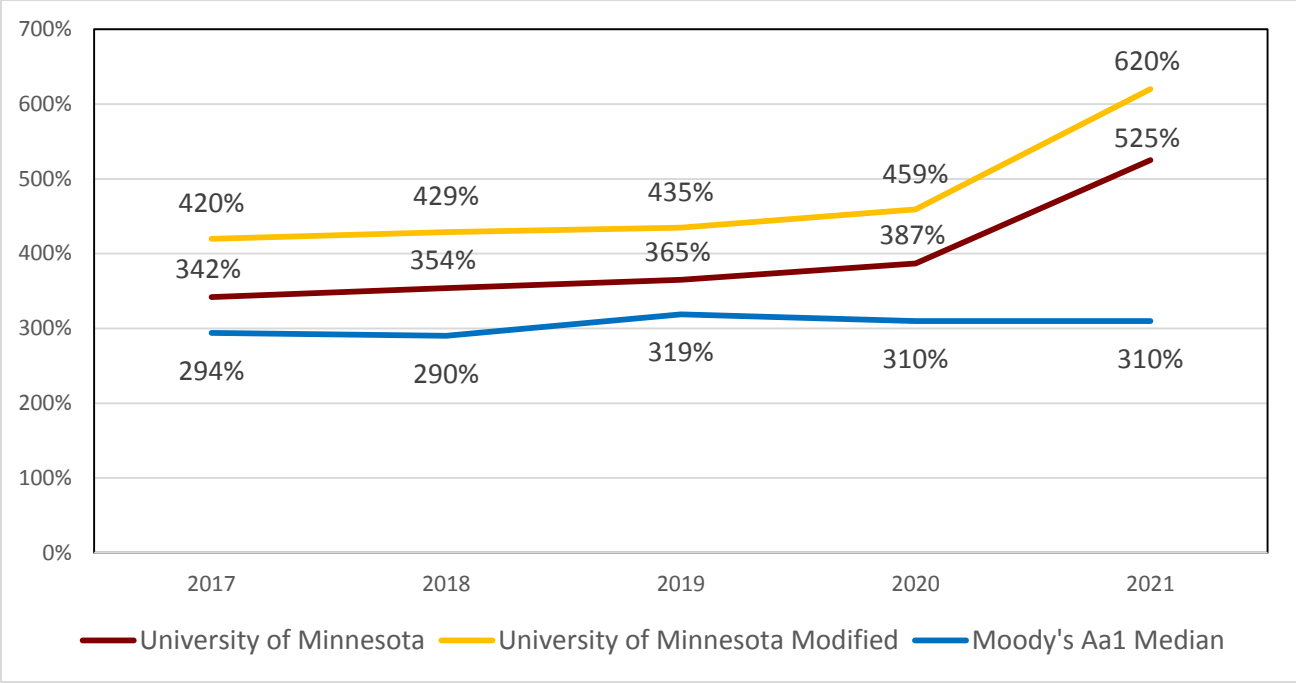
Operations – University operating expenses less scholarships & fellowships, plus interest on capital asset-related debt

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 graphs on the following three pages 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 for each of the years 2017 - 2020. The 14 Aa1-rated public Universities are:

- North Carolina State University at Raleigh
- Pennsylvania State University
- Texas Tech University System
- University of Delaware
- University of Missouri System
- University of Pittsburgh
- University System of Maryland
- Ohio State University
- State University of Iowa
- University of Colorado
- University of Minnesota
- University of Nebraska
- University of Utah
- Virginia Polytechnic Institute & State University

Total Cash and Investments to Total Debt



DESIRED TREND

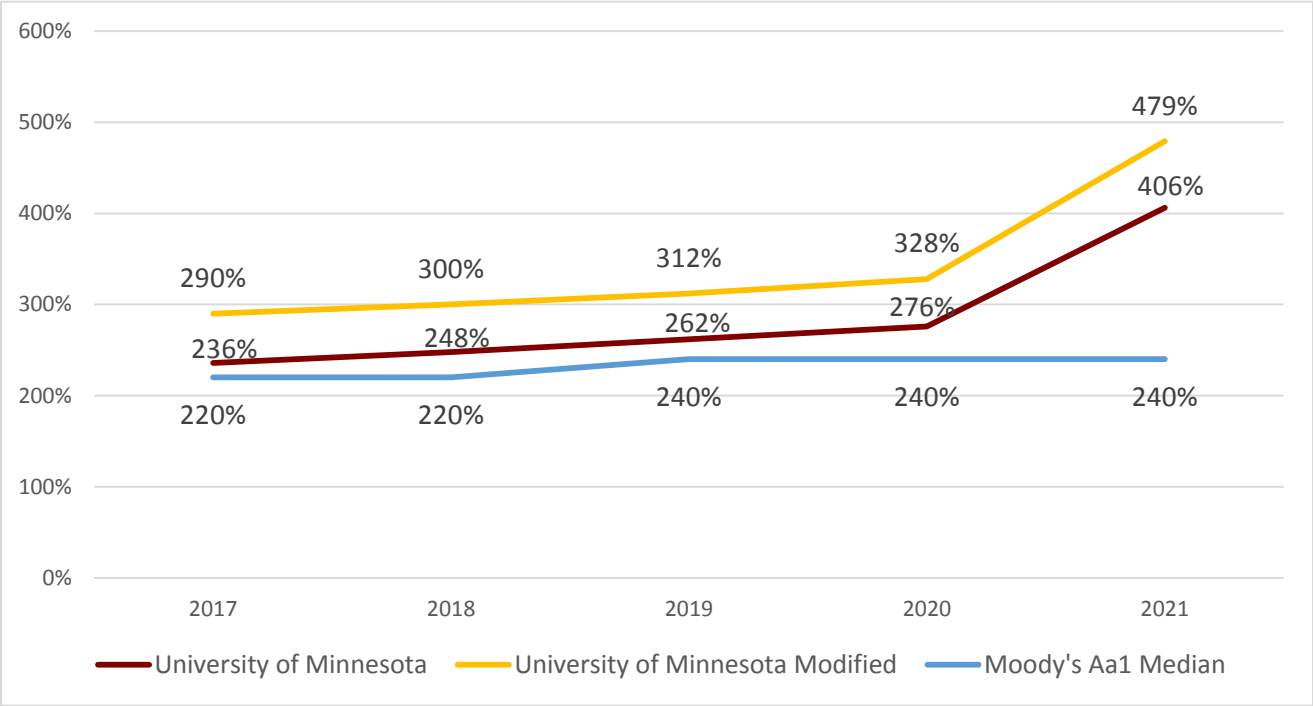
Total Cash and Cash Equivalents, (excluding restricted), and Investments,

+ UMF's & UMP's Cash and Cash Equivalents, and Investments

Divided by Total Debt

As shown above, the University is above the median in its peer group of Aa1-rated institutions. In addition, when the state-supported debt is taken out of the calculations, the calculated ratio is even better.

Spendable Cash and Investments to Total Debt



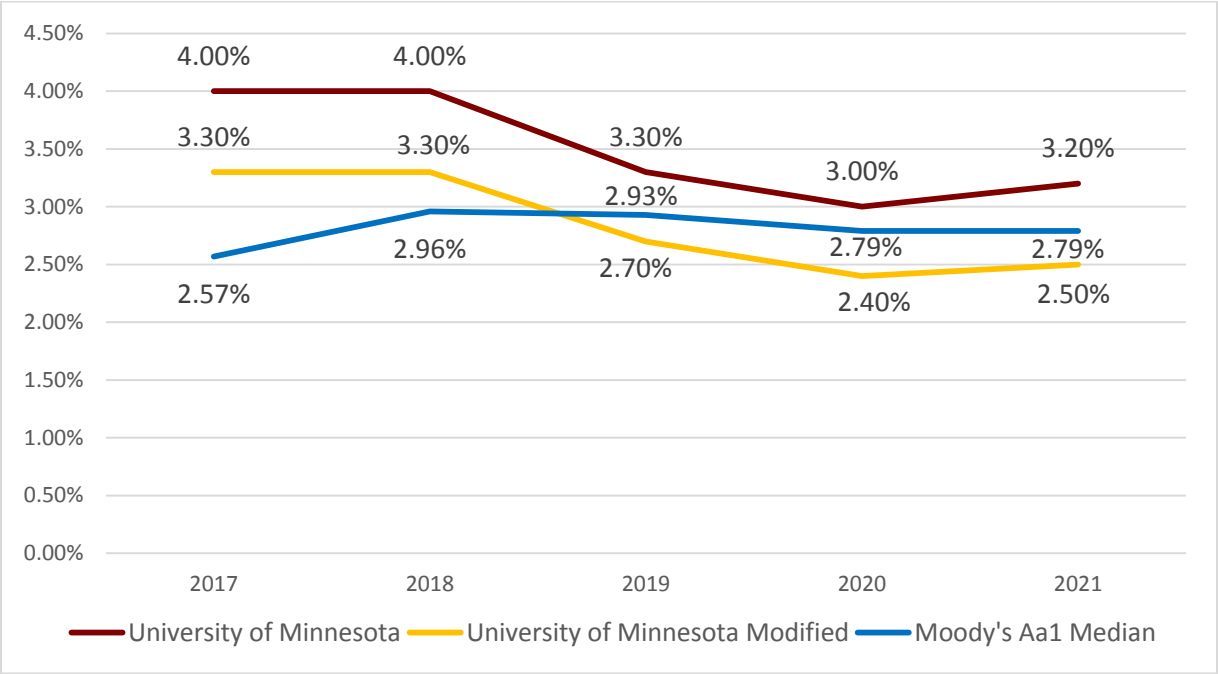
DESIRED TREND

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

Divided by Total Debt

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

Debt Service to Operations



DESIRED TREND

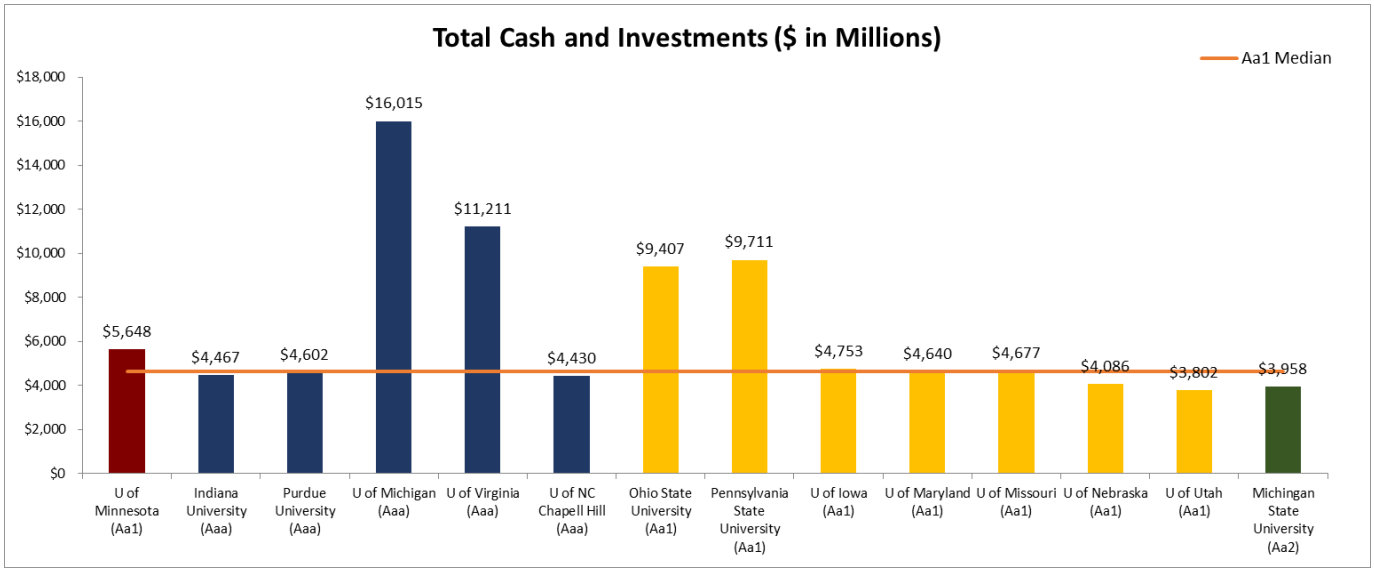
Annual Debt Service

Divided by Total Operations

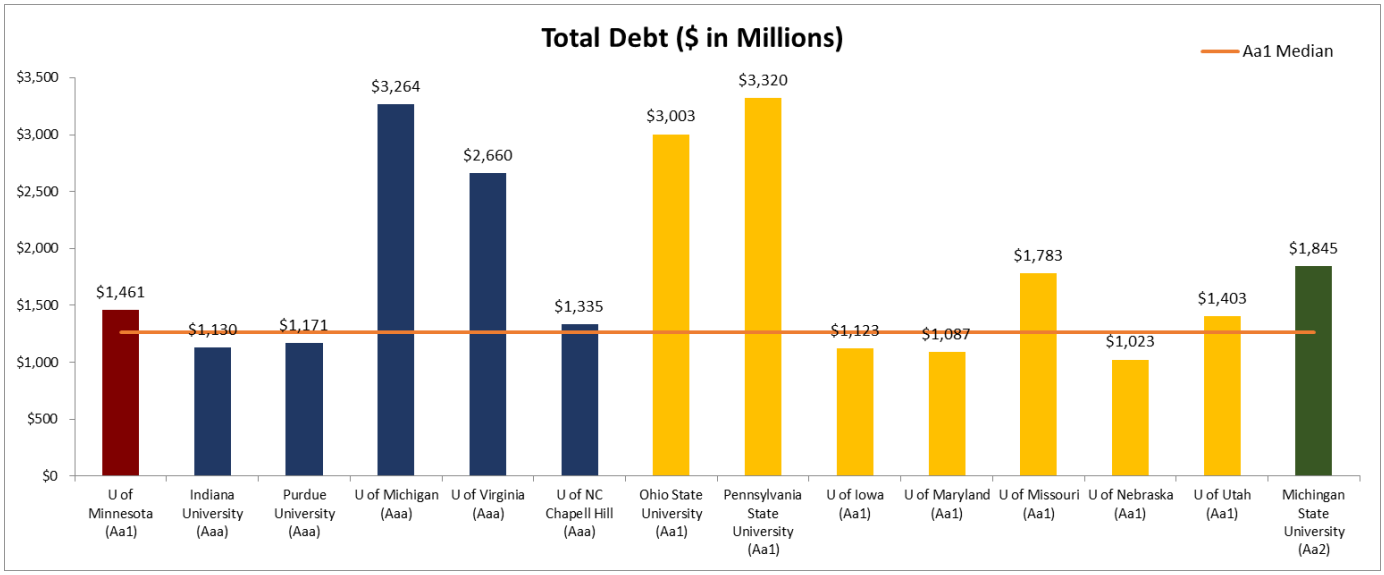
The University is above the median for this ratio, but is fairly consistent from year-to-year. In addition, as also shown in the previous two ratios, when the state-supported debt is removed from the calculation, the ratio improves – in this case, by decreasing – which is the desired direction for this ratio.

Peer Analysis

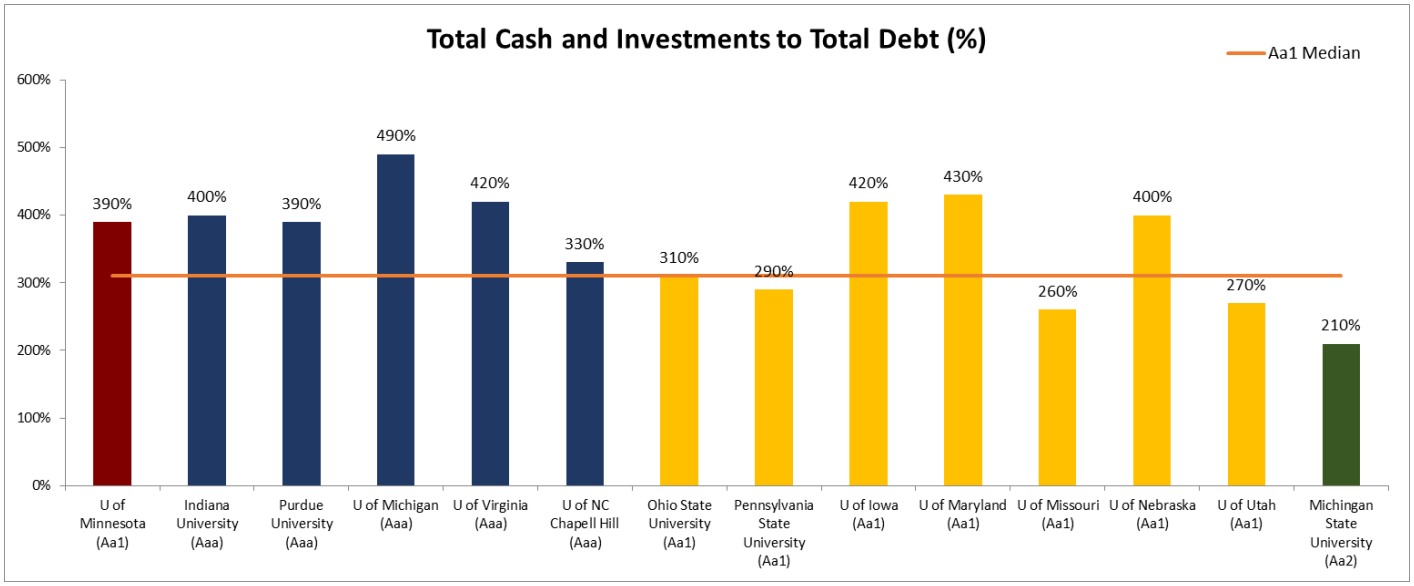
The University annually compares selected financial ratios, consistent with major credit rating agency criteria, to other Big 10 institutions and to other public institutions with the same or higher rating. This peer group consists of highly rated preeminent public research universities. The following charts provide the comparisons **as of June 30, 2020**, 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 (navy), Aa1-rated institutions (gold), and one Aa2-rated institution (green).



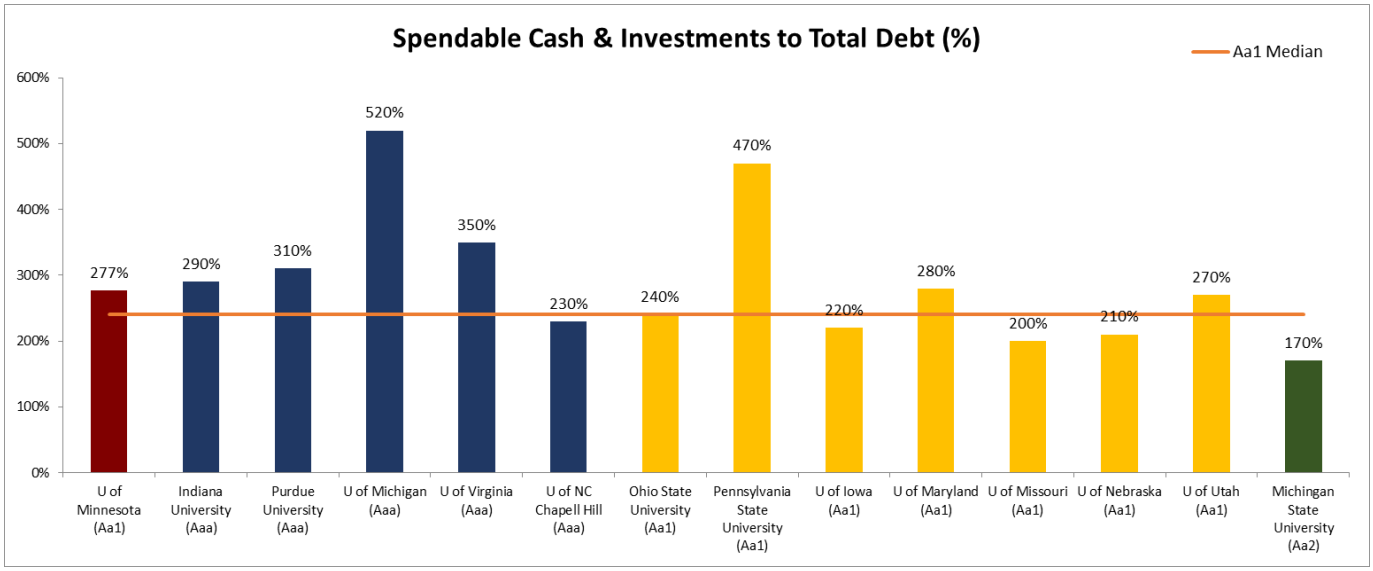
Measures the wealth of a university and its affiliated foundation(s)



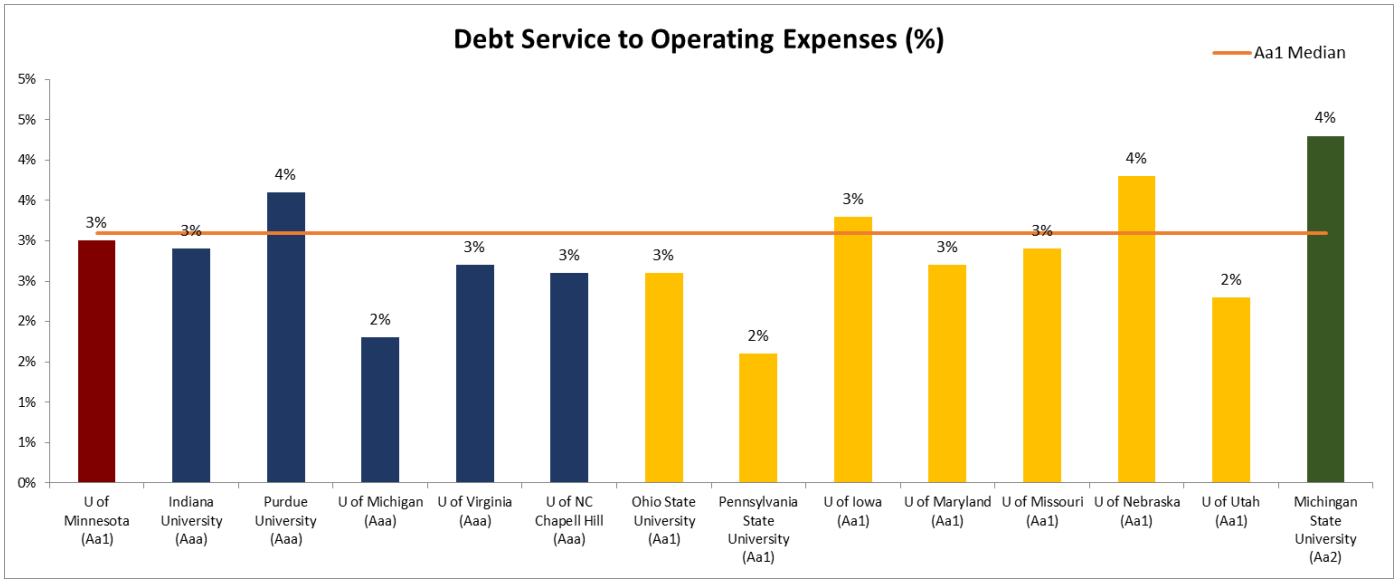
Measures direct obligations of a university and its affiliated foundation(s)



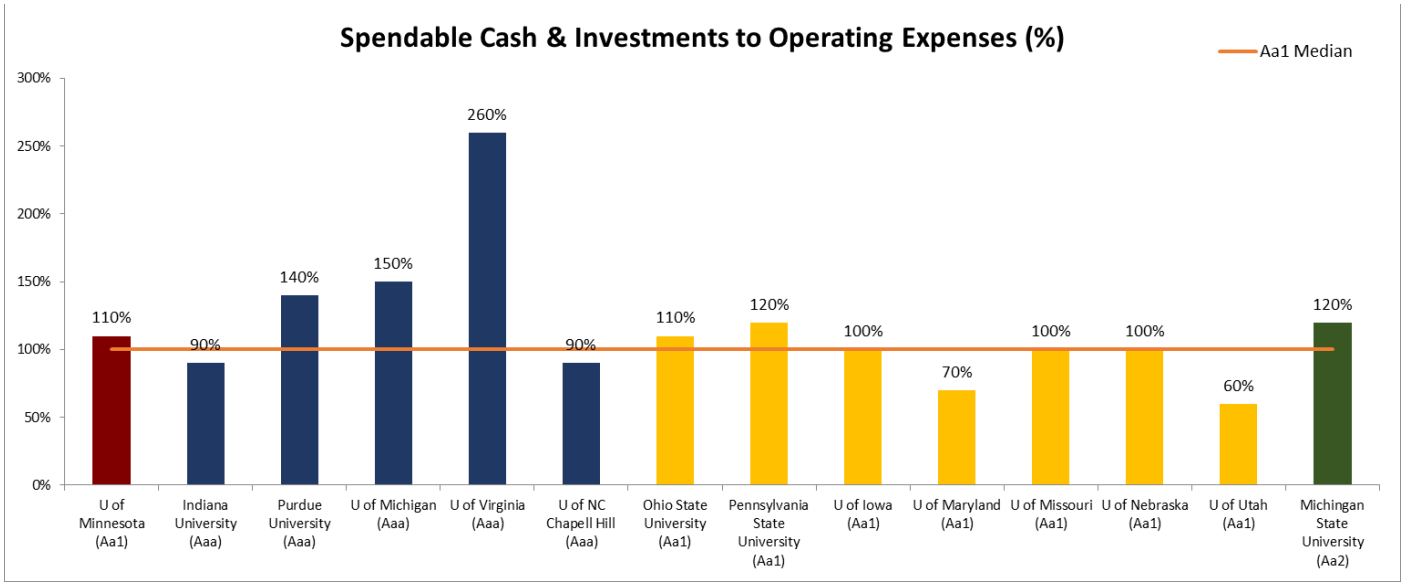
Measures coverage of total debt by assets that generate investment return. Higher percentages are more desirable.



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

Annual Report
of the
Office of Risk Management and Insurance
as of Fiscal Year Ended
30 June 2021

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.

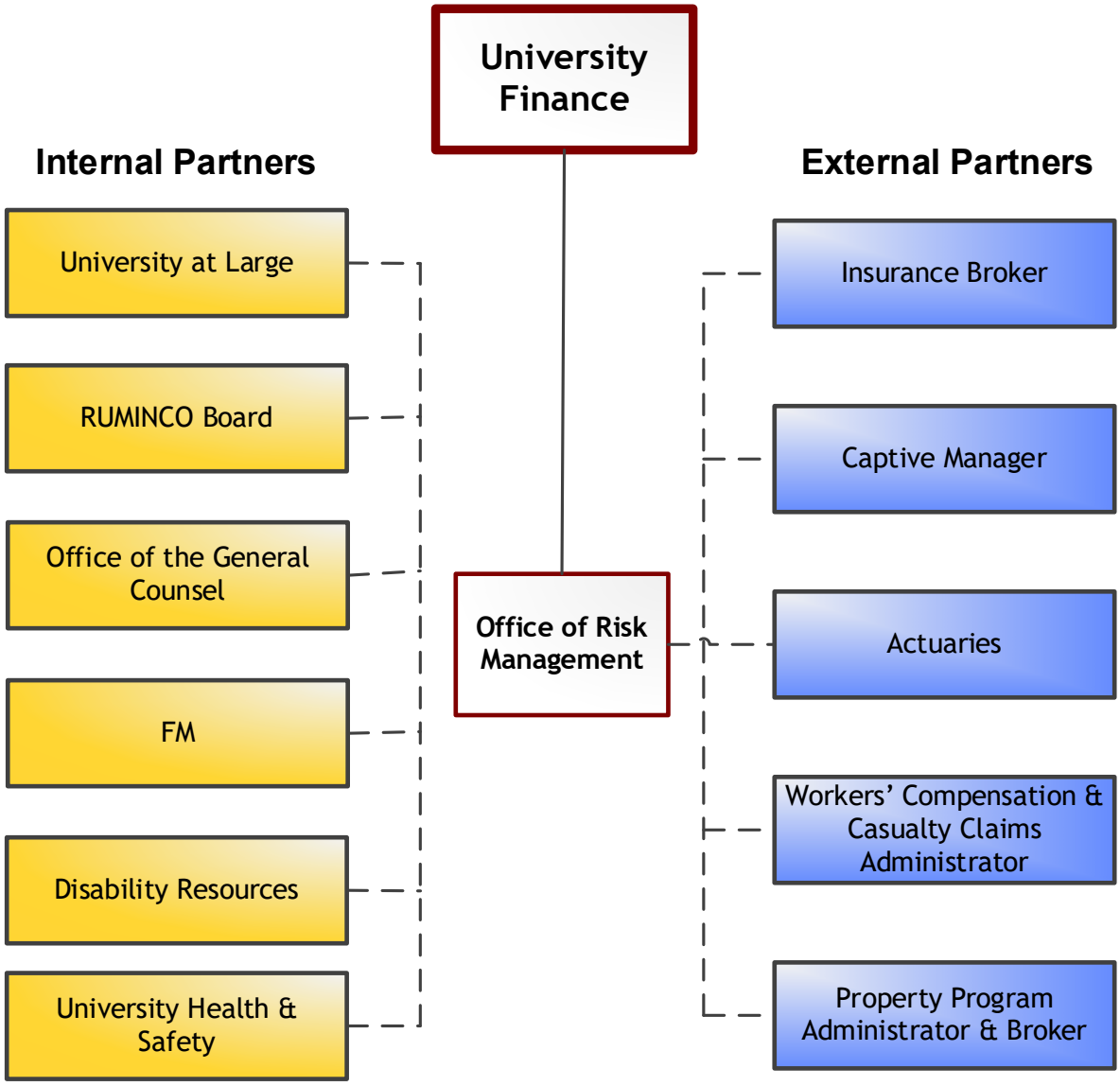
Risk Management uses commercial insurance, captive insurance, and self-insurance to transfer, or budget for, monetary loss arising from risk. It is responsible for the design, procurement, implementation, and maintenance of these programs. Risk Management routinely consults with the Office of General 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, 2021.

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.



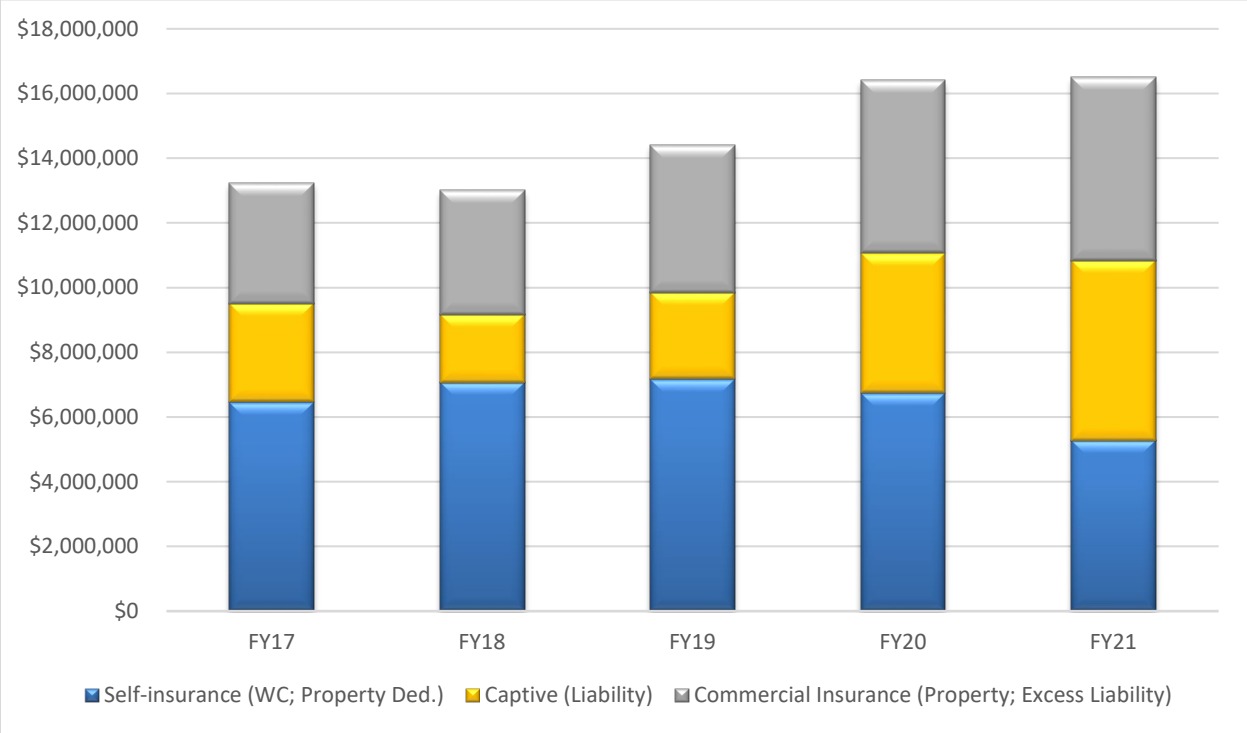
Total Cost of Risk Summary

University of Minnesota

Total Cost of Risk: Fiscal Years 17 – 21

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

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



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Over the past five years, Total Cost of Risk ('TCOR') averaged $14.7 million
The cost to transfer risk to outside entities (Insurers)
Is 1/3 of TCOR; remaining costs are contained in
cost-effective internal structures.

Total Cost of Risk Summary

COST ITEM	FY17	FY18	FY19	FY20	FY21
Captive					
Liability Ultimate Loss (EST.)	$ 1,820,535	$ 608,581	$ 1,110,542	$ 2,759,742	$ 4,004,940
Liability Claims Administrator	$ 44,428	$ 37,875	$ 55,023	$ 20,522	$ 18,669
Captive Administrative Expenses [1]	$ 109,793	$ 242,716	$ 186,354	$ 179,156	$ 177,686
OGC Expenses	$ 1,070,267	$ 1,216,563	$ 1,314,998	$ 1,365,762	$ 1,368,657
Total Captive	**$3,045,023**	**$2,105,735**	**$2,666,917**	**$4,325,182**	**$5,569,952**
Self-Insurance					
Workers' Compensation Ultimate Loss (EST.)	$ 3,853,978	$ 4,238,423	$ 4,462,101	$ 3,727,375	$ 3,421,647
WC Reinsurance Association	$ 200,430	$ 162,744	$ 124,598	$ 164,751	$ 170,144
Special Compensation Fund	$ 272,944	$ 231,580	$ 194,858	$ 203,434	$ 152,654
WC Claims Administrator	$ 333,468	$ 386,366	$ 398,305	$ 339,272	$ 391,678
Litigation Cost	$ 341,339	$ 248,438	$ 262,958	$ 384,185	$ 288,084
Bill Review Service	$ 31,652	$ 46,552	$ 32,059	$ 36,897	$ 22,600
WC Actuarial	$ 8,243	$ 7,899	$ 5,050	$ 4,511	$ 6,356
WC Total	$ 5,042,054	$ 5,322,002	$ 5,479,929	$ 4,860,424	$ 4,453,163
Retained Property Losses [2]	$ 1,422,571	$ 1,734,126	$ 1,672,301	$ 1,870,846	$ 812,172
Electronic Data Processing [3]	$ 5,311	$ 12,631	$ 30,262	$ 9,627	$ 7,401
Total Self-insurance	**$6,469,936**	**$7,068,759**	**$7,182,492**	**$6,740,898**	**$5,272,736**
Commercial Insurance					
All Risk Property	$3,139,232	$3,020,524	$3,177,378	$3,463,724	$3,668,287
1st Excess General/Auto Liability - Extra MN	261,296	269,441	269,441	295,846	377,648
High Excess General/Auto Liability-Extra MN	-	-	267,831	530,386	630,549
Educators Legal Liability	-	-	314,393	303,358	260,590
Cyber Security Liability	18,193	218,314	221,871	214,000	299,757
Excess Clinical Trials Liability - Extra MN	119,286	119,286	118,000	132,000	125,837
Intercollegiate Athletics	33,500	33,500	44,788	57,788	32,416
Hull, Liability, Pollution (Blue Heron Ship)	27,494	27,494	28,299	29,813	36,196
Other States Workers Compensation	14,864	26,129	8,987	23,457	18,990
Fidelity & Crime	22,015	23,059	23,061	20,500	25,900
Fine Arts	20,934	20,934	20,934	19,869	21,924
Nonowned Aircraft Liability	20,900	20,900	20,900	21,945	25,240
Intellectual Property Infringement	-	-	-	-	10,174
Broadcaster's Liability	5,412	5,412	5,412	5,575	5,575
Child Care Center AD&D	1,687	1,687	1,687	1,687	1,434
Upward Bound AD&D	406	406	424	406	406
Brokerage	37,869	40,685	41,905	125,000	125,000
Total Commercial Insurance	**$3,723,088**	**$3,827,771**	**$4,565,311**	**$5,245,354**	**$5,665,923**
GRAND TOTAL COST OF RISK	**$13,238,047**	**$13,002,266**	**$14,414,720**	**$16,311,434**	**$16,508,611**

[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.

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

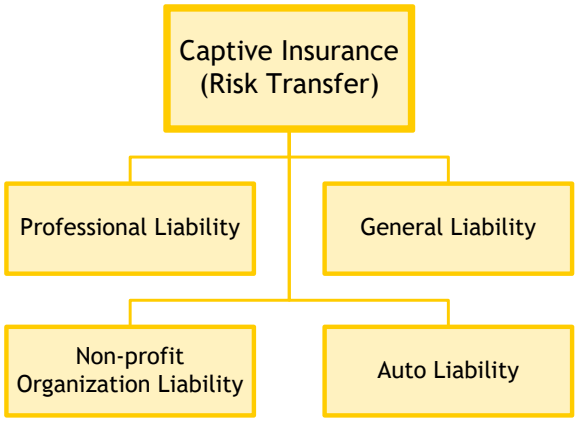
There are specific rationales behind the decision to transfer or retain a specific risk. Because retaining one's own risk (within limits) tends to be more economical in the long run than paying a third party to assume it, the guiding principle has been for the University to retain risk, to the extent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

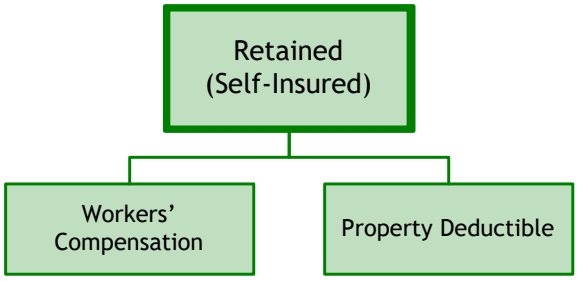
Generally, this principle is not useful when the University is exposed to truly catastrophic loss potential. A good example of this is the property associated with the University's campuses. The University owns over $16 billion in property, and carries a $2 billion property insurance limit. We cannot fund losses at that level internally, so we purchase an insurance contract to transfer the exposure to a third party.

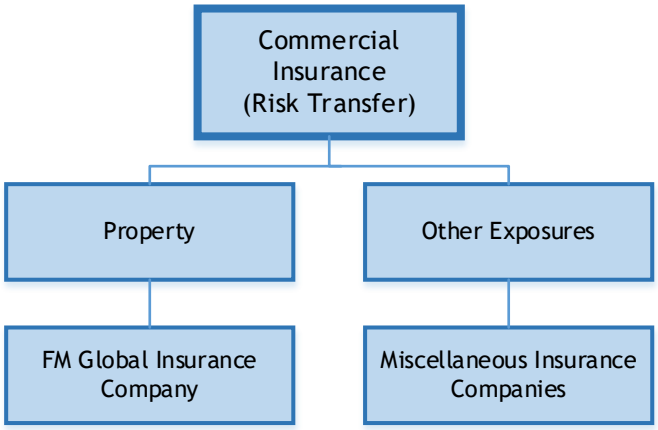
University Structures

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:



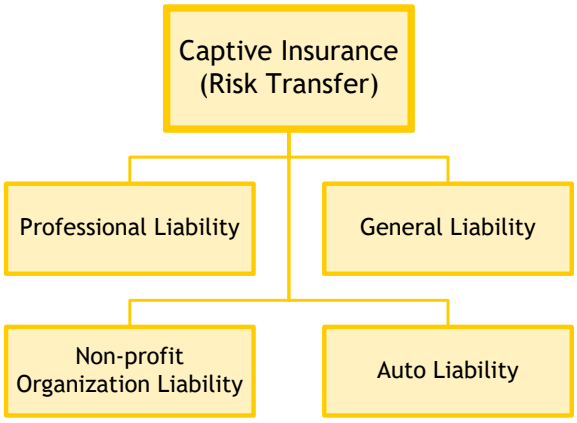




The Office of Risk Management monitors the University's loss trends and the insurance marketplace to determine the optimal risk financing strategy. This process includes ongoing reviews of the University's loss exposures, claim frequency and severity, and trends in each.

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:

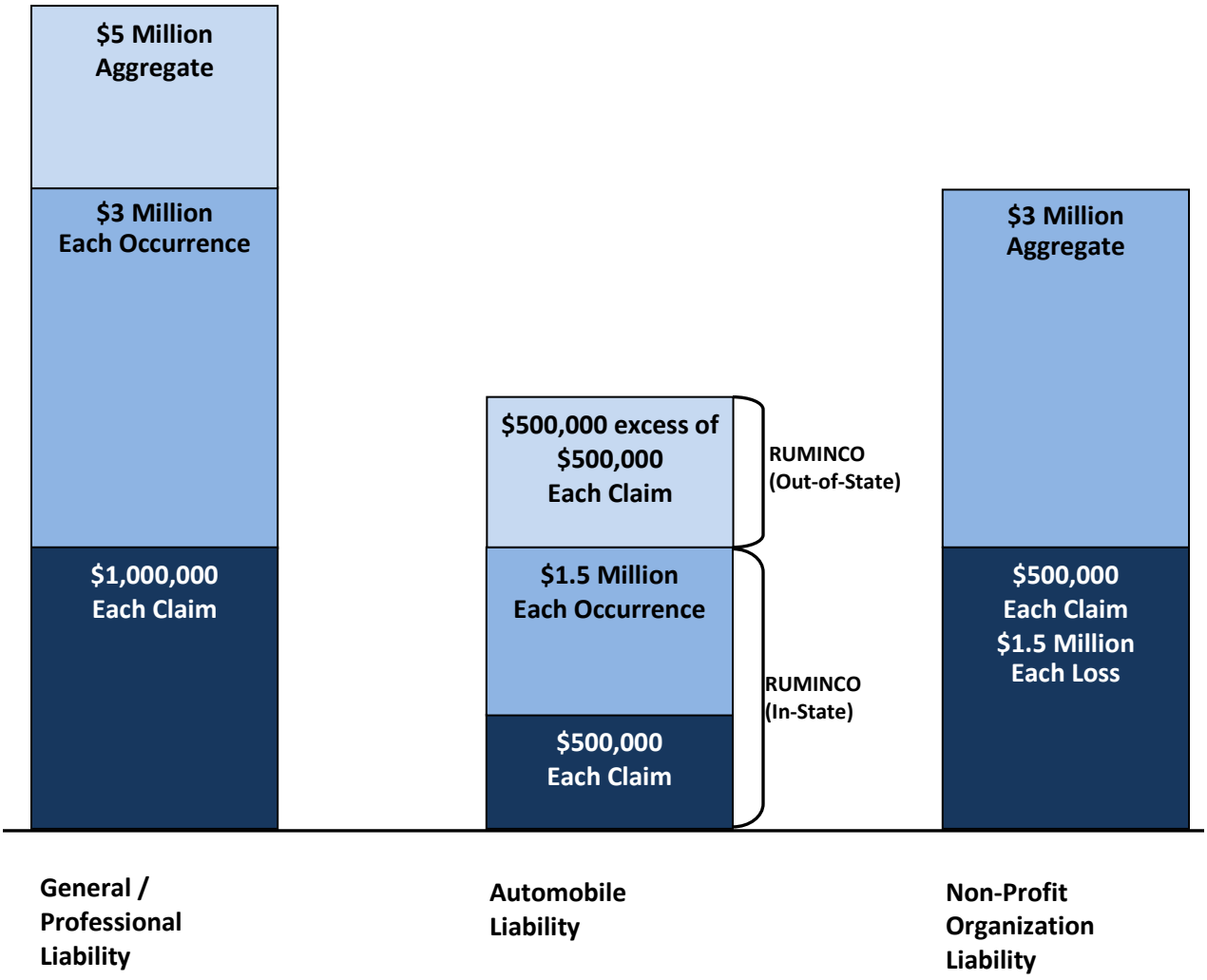
- Directors' and Officers' Liability
- Employment Practices Liability
- Personal Injury e.g., libel, slander, defamation, emotional distress

Principal Exposure:

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

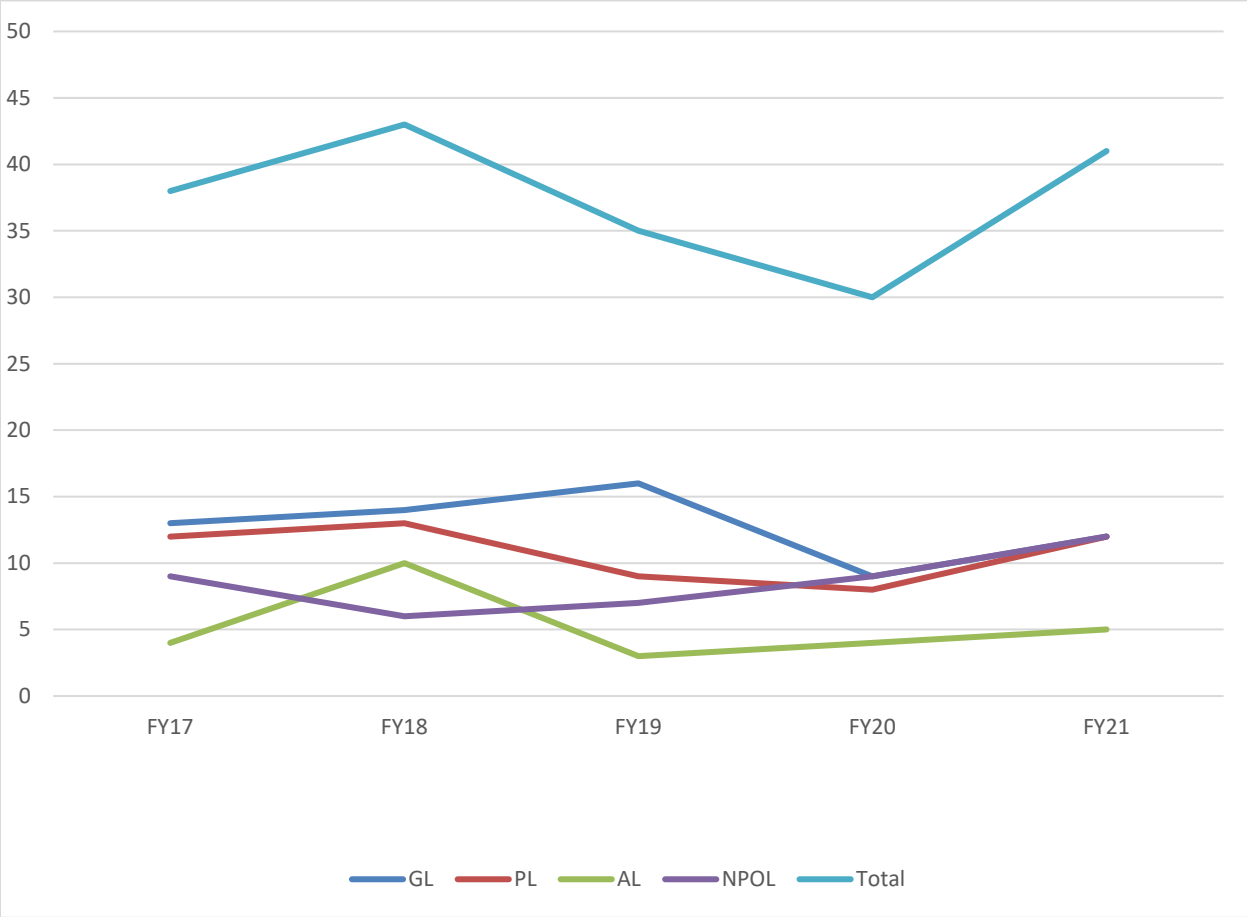
Summary of RUMINCO Ltd. Limits

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.



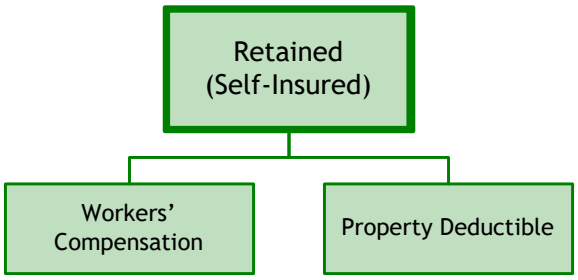
RUMINCO Ltd. Claims Experience

Claim Count by Fiscal Year



Claim frequency for the four RUMINCO lines of liability coverage over the past five years.
Total RUMINCO Claim Count remains within historical norms.

RETAINED (SELF-INSURED)



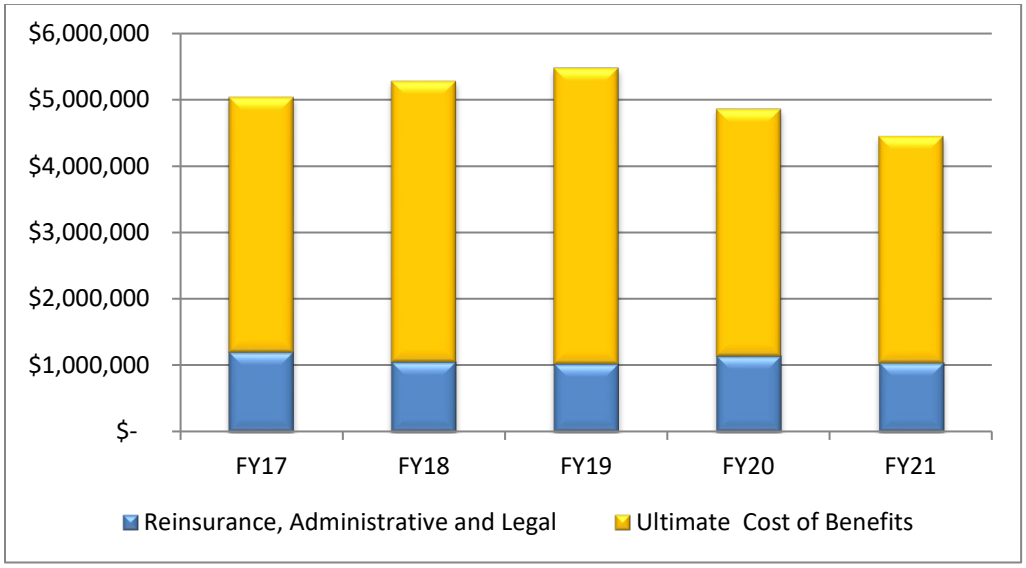
Workers' Compensation Overview

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.

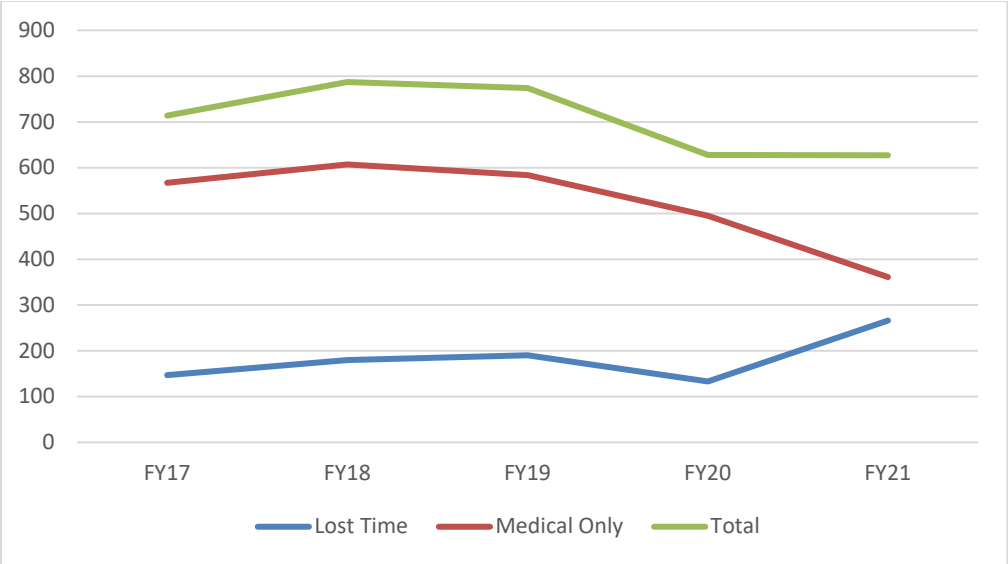
Workers' Compensation Program Costs



Administrative costs have been flat; most of the cost volatility arises from the Ultimate Cost of Benefits.

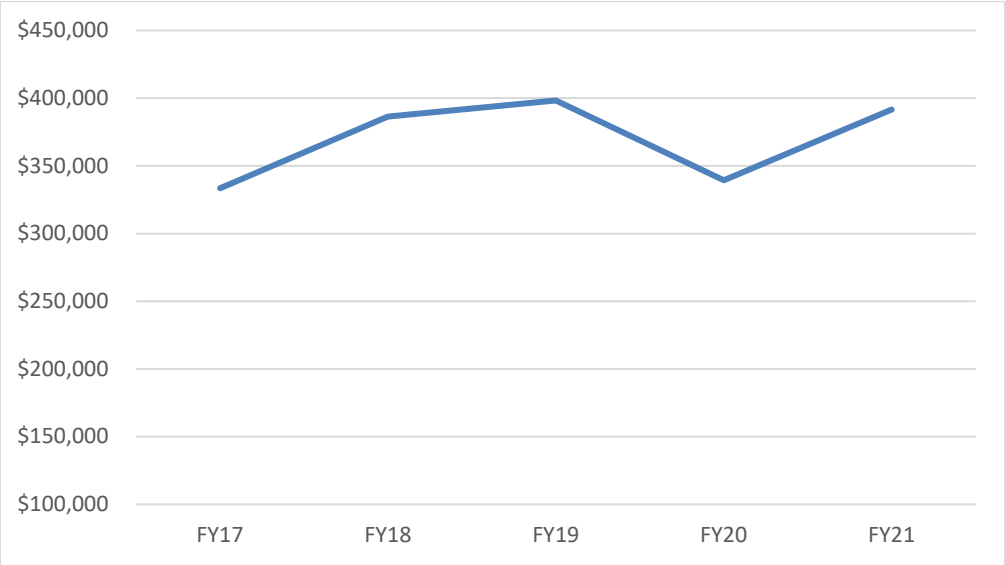
Workers' Compensation

Workers' Compensation Claim Count



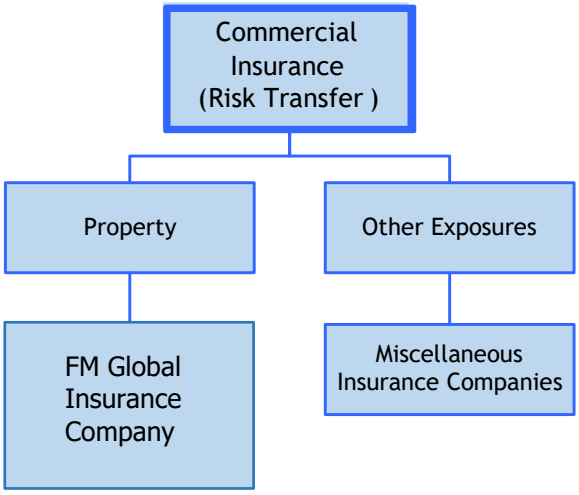
Overall claim count may show some evidence of a COVID shutdown decline in FY20, and a 'new normal' in FY21

Workers' Compensation Legal Expense



Although claim count is down, legal expenses are up.
Legal work often arises from old claims; the expense tail is multi-year.

COMMERCIAL INSURANCE



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

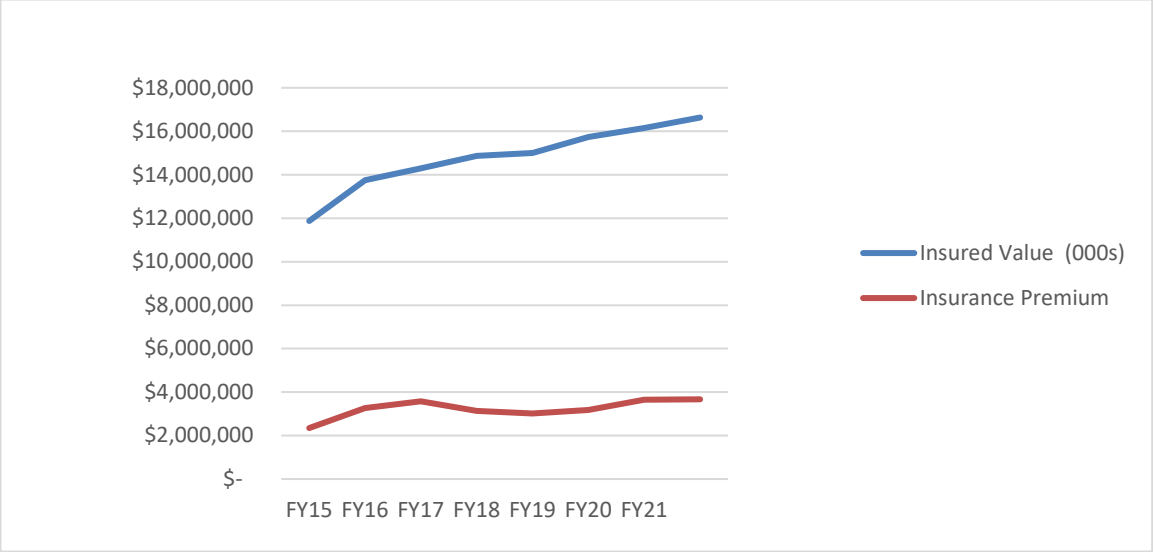
Reasons to commercially transfer risk include:

- 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

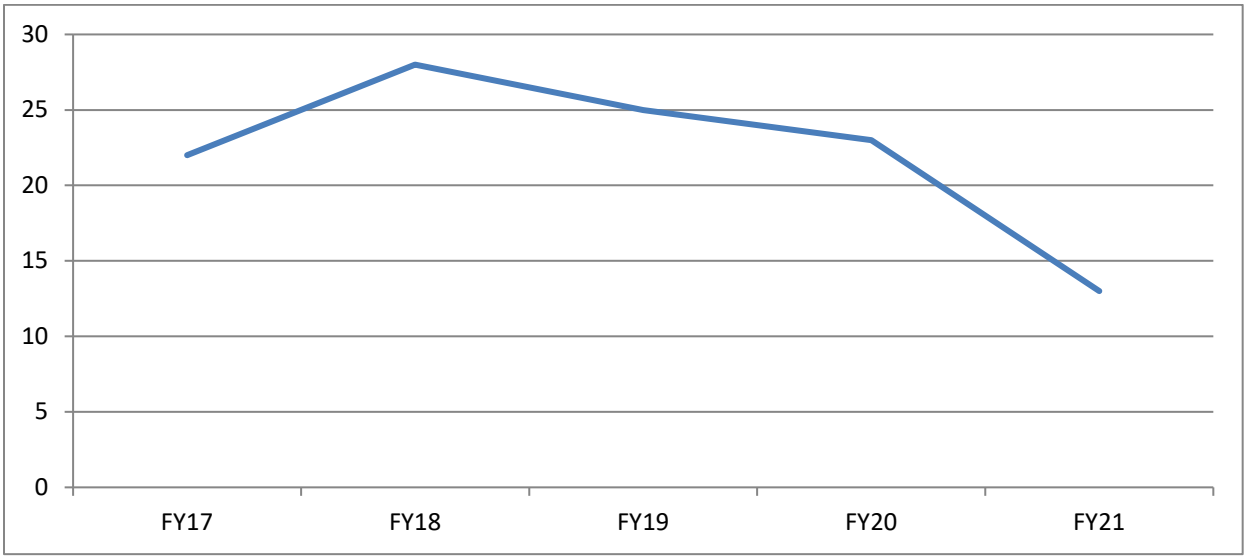
Property Insurance covers risks of direct physical loss or damage to the "covered property" as defined in the policy, subject to sublimits and specifically excluded perils. Property Insurance represents 65 percent of the University's commercial insurance premium outlay.

Premium and Insured Value History



A fixed rate and policy holder dividends have stabilized insurance premiums since FY16. The agreement with the insurer has ended, and the property market is challenging. Next year, for the first time is half a decade, we expect a rate increase.

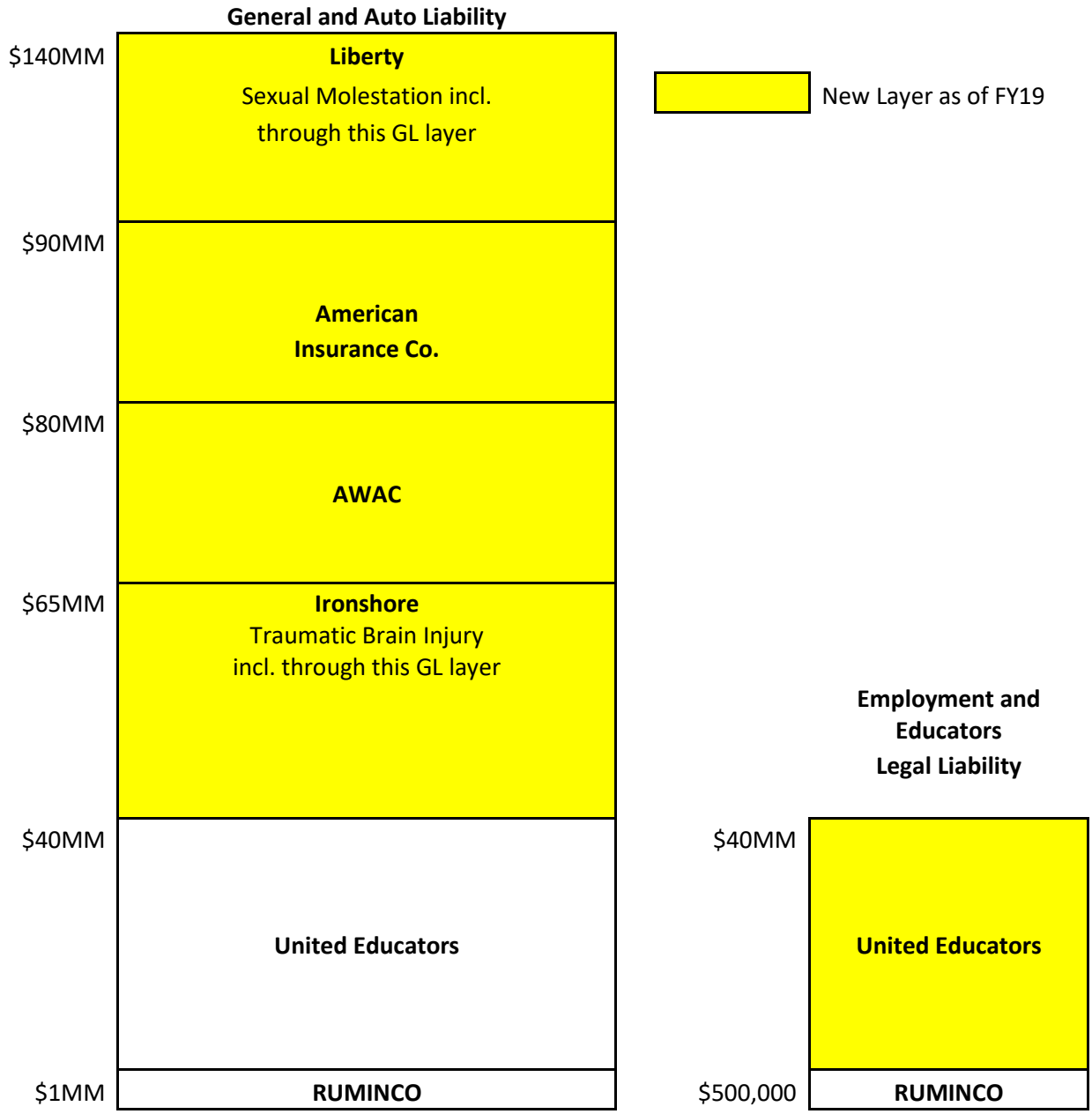
Property Claim Count by Fiscal Year



Property claim count is 13 for FY21, well under the 10 year average of 23 claims per year.

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 in FY19 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.

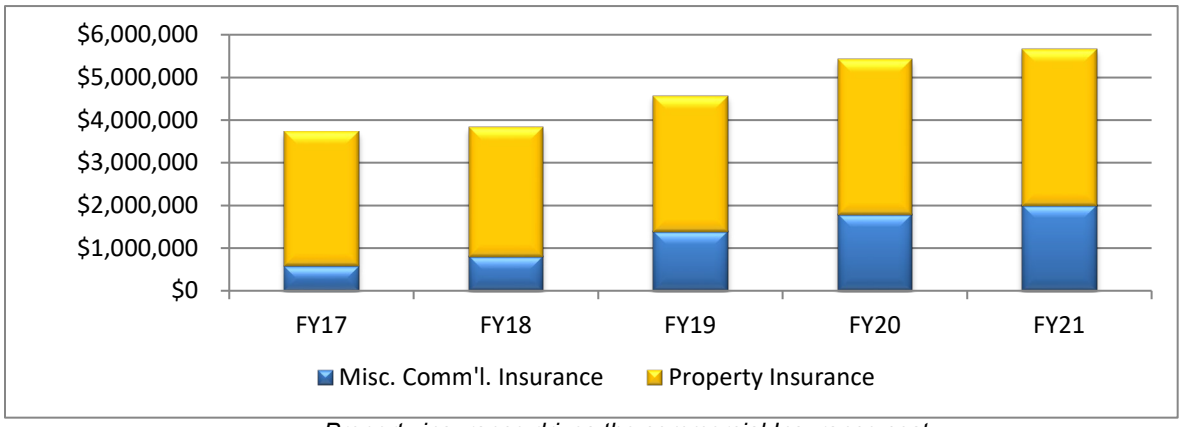
EXCESS CLINICAL TRIALS LIABILITY – EXTRA MN: $10 million in coverage excess a $1 million Self-insured Retention (Deductible) for Clinical Trials liabilities the University may incur outside the jurisdiction, and Tort Cap protection, of Minnesota law.

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. Miscellaneous Commercial Insurance



Property insurance drives the commercial Insurance cost.
Adding high excess Liability insurance layers in FY19 drove up the Miscellaneous Commercial Insurance cost.

Fiscal Year 21 Workplan Status

FY20 and COVID 19

COVID related uncertainty in the first quarter of calendar 2020 prompted many questions from units and departments that required immediate resolution. At the same time, Risk Management experienced a staff vacancy that has gone unfilled due to the COVID-related hiring freeze. These factors impacted progress on our FY20 Workplan. We expect to resume full staffing and full function by June 2021.

Property Insurance Effective 07/01/21

Our incumbent broker (Willis Towers Watson) took our property insurance program out to market. The program they assembled was intended as competition to five-year incumbent FM Global Insurance Company. At the conclusion of this process, we remained with FM Global.

Enterprise Risk Management

This was put into abeyance due to COVID disruptions.

Claim Reporting

The new Risk Management Claims Specialist came on board in April 2021. This initiative was handed over to the new position.

Fiscal Year 22 Work Plan

Enterprise Risk Management

We will work with SVP Myron Frans to support the development an Enterprise Risk Management program, as called for in Commitment 5 of the MPact 2025 strategic plan.

Claim Reporting

A system of focused, regular follow-up inquiries with key personnel for their knowledge of potential claim events will be needed to maximize our likelihood of compliance with the claim notification requirements of outside insurers. This dovetails with a program of Enterprise Risk Management, so we will combine it into that framework.

Board of Regents

Finance & Operations Committee

Central Reserves Fund Report

February 10, 2022

PURPOSE & KEY POINTS

The central reserves fund refers to a defined set of institution-level resources that are recorded in a central account in the University's general ledger, and then generally used in three ways:

1. as targeted, set amounts allocated out to specific units as part of the annual budget (identified on the annual Fund Forecast);
2. as a transfer-in to the general O&M fund, co-mingled with the O&M state appropriation to support allocations in the annual budget (identified on the annual Fund Forecast);
3. 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 of Regents policy holds that the central reserves fund should not fall below 4% of state appropriations, or $25,000,000, whichever is greater. For FY22 the desired balance in the fund based on actual appropriations would be $28,452,520.

The approved FY22 budget for Central Reserves and the updated estimates for FY22, with variances, are as follows:

	A Approved FY22 Budget	B Updated FY22 Estimates	C Updated Estimates vs. Approved Budget
Carryforward	$15,962,616	$13,618,553	($2,344,063)
Net Investment Earnings	$20,770,000	$23,901,380	$3,131,380
Legal Settlements/Misc. Income	$0	$0	$0
Transfers to O&M	($6,932,000)	($6,932,000)	$0
Total Net Revenues & Carryforward	$29,800,616	$30,587,933	$787,317
Operating Allocations	$21,802,080	$21,802,080	$0
Legal Settlement Transfers	$0	$68,498	$68,498
Total Allocations/Transfers	$21,802,080	$21,870,578	$68,498
Ending Balance	$7,998,536	$8,717,355	$718,819

The combined impact of updated estimates (explained below) increases the projected balance in the central reserves fund for June 30, 2022, by $718,819 to $8,717,355 (see bottom row of the table).

Column A of the Table (Budget):

The approved budget plan for FY22, included a planned beginning balance of $15,962,616; net revenues and transfers in totaling $20,770,000; a transfer to O&M of $6,932,000, and transfers/payments out of $21,802,080 ($8.6m specifically to offset pandemic related losses), resulting in an ending balance of $7,998,536.

Columns B and C of the Table (Updated Estimates and Variance):

At this point in the year, the estimates for activity in FY22 have been updated as follows:

- The beginning balance has decreased to reflect the actual amount carried forward from FY21: it is now $13,618,553 or $2,344,063 less than the approved budget. The carry-forward from FY21 is less than anticipated due to:
    - final FY20 investment income, net of changes in fees, was $2,914,453 more than estimated largely due to higher than anticipated balances in the temporary investment pool combined with lower banking fees than expected;
    - miscellaneous income was $461,484 more than estimated due to a very small legal settlement and recording of "unclaimed property" income (small-dollar revenues collected over a period of time with no unit or program designation); and
    - transfers/allocations were $5,720,000 more than assumed in the FY22 budget due to a $120,000 legal settlement paid out to a unit from revenue received in a prior

year, and the decision to maintain the pool for COVID-19 related financial impacts at the level included in the original approved budget for FY21:

- FY21 COVID-19 Support to Units in FY21 approved budget $10.0m
- FY21 COVID-19 Support to Units assumed in FY22 budget $4.4m

Last spring, when the FY22 budget was approved, estimates assumed the support for units could be less than originally planned. Before the end of the fiscal year, however, projections indicated the full authorization would be needed, so the allocation returned to the original $10.0 million level. Any unused FY21 and FY22 allocations for COVID-19 Support to Units through the end of FY22 will be reverted back to the primary central reserves account to help restore the central reserves balance.

- Net revenues for FY22 are currently projected to be $23,901,380, which is $3,131,380 more than the approved budget due to the following changes:
  - Net revenue into the fund from investment earnings and changes in capital gains is projected to be $2,891,380 more than anticipated primarily due to increased average balances in the Temporary Investment Pool (continued slower spending in units combined with growth in some revenues) and a projected increase in interest rates. Indications are the Federal Reserve will initiate interest rate increases as soon as their March meeting, with the potential for further increases before the end of the fiscal year.
  - 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 $240,000 less than anticipated largely due to reduced banking fees associated with higher balances.

- Total allocations and transfers out in FY22 increased $68,498 (from $21,802,080 to $21,870,578) due to three legal settlements paid to date in this fiscal year.

BACKGROUND INFORMATION

The annual report on Central Reserves is submitted as an information item to the Finance & Operations Committee of the Board of Regents 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 of Regents for review and approval in May and/or June of each year.

UNIVERSITY OF MINNESOTA

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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 Janie Mayeron, Chair – Finance and Operations Committee
Regent David McMillan, Vice Chair – Finance and Operations Committee

FROM: Myron Frans, Senior Vice President

DATE: January 11, 2022

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 2021, 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 11.) 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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Office of the Senior Vice President for Finance and Operations

301 Morrill Hall
100 Church Street S.E.
Minneapolis, MN 55455

TO: Representative Fue Lee, Chair, Capital Investment Committee
Representative Connie Bernardy, Chair, Higher Education Finance and Policy Committee
Representative Rena Moran, Chair, Ways and Means Committee
Senator Thomas Bakk, Chair, Capital Investment Committee
Senator Julie Rosen, Chair, Finance Committee
Senator David Tomassoni, Chair, Higher Education Finance and Policy Committee Commissioner Jim Schowalter, Minnesota Management and Budget

FROM: Myron Frans, Senior Vice President

DATE: January 11, 2022

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 2022

UNIVERSITY OF MINNESOTA

Driven to Discover®

Major Projects - Spending Status

Year	Major Projects Allocation	% Spent or Encumbered Under Contract	% Spent, Encumbered or Otherwise Obligated to Complete a Project	Comments
2017	$ 95,070,002	100%	100%	$4,263,998 converted to 2017 HEAPR
2018	$ 34,400,000	89%	93%	
2019	$ -	na	na	No appropriation
2020	$ 36,886,000	89%	100%	

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
2017	$ 24,863,998	100%	100%	$4,263,998 converted to 2017 HEAPR
2018	$ 45,000,000	98%	99%	
2019	$ -	na	na	No appropriation
2020	$ 38,495,000	85%	97%	

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.

Applicable Statutes

135A.046 ASSET PRESERVATION AND REPLACEMENT.

Subdivision 1.**Purpose.**

The legislature recognizes that postsecondary governing boards operate campus physical plants that in number, size, and programmatic use differ significantly from the physical plants operated by state departments and agencies. However, the legislature recognizes the need for standards to aid in categorizing and funding capital projects. The purpose of this section is to provide standards for those higher education projects that are intended to preserve and replace existing campus facilities.

Subd. 2.**Standards.**

Capital budget expenditures for Higher Education Asset Preservation and Replacement (HEAPR) projects must be for one or more of the following: code compliance including health and safety, Americans with Disabilities Act requirements, hazardous material abatement, access improvement, or air quality improvement; building energy efficiency improvements using current best practices; or building or infrastructure repairs necessary to preserve the interior and exterior of existing buildings; or renewal to support the existing programmatic mission of the campuses. Up to ten percent of an appropriation awarded under this section may be used for design costs for projects eligible to be funded from this account in anticipation of future funding from the account.

Subd. 3.**Reporting priorities.**

Each postsecondary governing board shall establish priorities within its Higher Education Asset Preservation and Replacement projects. By January 15 of each year, it shall submit to the commissioner of management and budget and to the chairs of the higher education finance divisions, the senate Finance Committee, and the house of representatives Capital Investment Committee a list of the projects that have been paid for with money from a higher education asset preservation and replacement appropriation during the preceding calendar year as well as a list of those priority projects for which Higher Education Asset Preservation and Replacement appropriations will be sought in that year's legislative session.

3.197 REQUIRED REPORTS.

A report to the legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government.

Per the requirements set forth in Minnesota Statue 3.197, the cost to prepare this report was $300.

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Status Report: Total Capital Appropriations 2017 to 2020
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(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
2020 State Capital Appropriations: Major Projects							
Institute of Child Development Bldg Replacement	29,200,000	25,656,943	3,543,057	0	Construction	8/1/2022	
Fraser Hall Chemistry Undergraduate Teaching Facility	3,286,000	2,664,183	621,818	0	Procurement	7/3/2023	Construction to start June 2022 if funded
A.B. Anderson Hall Renovation	4,400,000	4,400,000	0	0	Construction	6/1/2022	
Subtotal - '20 Appropriations: Major Projects	**36,886,000**	**32,721,125**	**4,164,875**	**0**			
2020 State Capital Appropriations: HEAPR Projects							
Completed Projects	932,485	932,485	0	(0)			
Elliott Hall Accessible Restroom	100,000	13,143	86,857	0	Procurement	6/30/2022	
Lind Hall Renovation	664,805	664,805	0	0	Construction	10/31/2022	
VCRC Roof Repairs	550,329	522,269	0	28,060	Pacloseout	Occupied	
Children's Rehab Roof Replacement	894,656	807,655	0	87,001	Pacloseout	Occupied	
PWB Generator & Fire Pump Replacement	16,624	13,590	3,035	0	Construction Documents	6/30/2022	
Weisman Automatic Fire Suppression System	1,705,181	1,615,313	89,868	0	Construction	4/1/2022	
Ferguson Hall Roof Replacement	1,768,524	1,768,524	0	0	Construction	9/2/2022	
Mech Eng Phase III Renewal	12,329,611	10,544,315	1,785,296	0	Construction	12/22/2021	
Ted Mann Roof Replacement	3,517,769	3,071,001	0	446,768	Substantial Completion	Occupied	
Campuswide Elevator Renewal	1,000,000	745,685	254,315	0	Design Development	Unknown	
Biosystems & Ag Eng Roof Replacement	2,520,380	2,520,380	0	0	Construction	9/2/2022	
Haecker Hall Roof Replacement	1,858,835	1,640,417	218,418	0	Construction	2/1/2022	
Food Science & Nutrition Bldg Infrastructure	100,000	74,694	25,306	0	Design Development	3/31/2022	
Animal Sci/Vet Med Accessible Restroom	150,000	20,555	129,445	0	Design Development	6/30/2022	
UMD Chemistry Hazardous Materials Abatement	535,890	292,617	0	243,273	Pacloseout	Occupied	
UMD Sports & Health Ctr HVAC Phase II	1,801,118	1,523,445	277,673	0	Construction	6/30/2022	
UMD Sports & Health Ctr Fire Alarm	500,000	500,000	0	0	Construction	4/1/2022	
UMD Humanities Lower Level HVAC Renewal	106,945	30,000	76,945	0	Design Development	6/30/2022	
UMD AB Anderson Hall Asbestos Abatement	500,000	500,000	0	0	Construction	6/30/2022	
UMD Med School Generator Replacement	50,000	0	50,000	0	Design Development	4/1/2022	
UMD NRRI Elevator Modernization	800,000	510,307	289,693	0	Construction	8/1/2022	
UMD NRRI Roof Replacement	1,479,168	1,367,576	(0)	111,593	Substantial Completion	Occupied	
UMM Campuswide Controls Renewal Phase II	115,000	53,907	61,093	0	Construction	6/30/2022	
UMM HVAC and Chiller Renewal	50,000	49,000	1,000	0	Construction	4/30/2022	
UMM Electronic Door Access/Security	138,968	96,103	42,865	0	Construction	4/30/2022	
UMM Sewer Replacement & Water Service Repairs	123,719	117,062	6,657	0	Construction	5/31/2022	
UMM Multi-Ethnic Res Ctr Elev Installation-Design	75,000	53,625	21,375	0	Design Development	5/31/2022	
UMM Behmler Hall Water Infiltration Corrections	90,000	69,561	20,439	0	Construction	3/31/2022	
UMM Student Ctr Sprinkler/Fire Panel/Pump Repairs	333,000	202,014	130,986	0	Construction	4/30/2022	
UMM Science Building HVAC Repairs	87,017	86,967	50	0	Construction	6/30/2022	
UMM Briggs Library HVAC Controls	232,000	214,970	17,030	0	Construction	4/30/2022	
UMM Cougar Sport Ctr Accessibility Improvements	160,000	130,000	30,000	0	Construction	5/31/2022	
UMM Cougar Sport Ctr Safety Improvements	10,000	9,500	500	0	Construction	4/30/2022	
UMM Heating Plant Chiller Control Panel	206,448	204,380	2,068	0	Construction	6/30/2022	
UMM Humanities Fine Arts Membrane Roof Replc	172,000	15,000	157,000	0	Procurement	8/31/2022	
UMC Campus Wide Electrical Distribution Phase 3	700,000	672,090	27,910	0	Construction	7/30/2022	
UMC Central Mall/North Quadrant Watermain Imprvmnts	255,337	18,975	236,362	0	Design Development	8/19/2022	
UMC Owen Hall Exterior Façade, Window/Door Replc	185,000	27,329	157,671	0	Design Development	8/20/2022	

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(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
UMC Owen Hall Fire Suppression & Code Imprvmnts	125,000	35,170	89,830	0	Design Development	8/20/2022	
UMC Bergland Lab Building Controls Replacement	85,000	77,018	7,982	0	Construction	2/1/2022	
Cedar Creek Project Balances	41,242	0	0	41,242	Programming	Unknown	
Cedar Creek Dormitory Kitchen Furnace Replacement	6,000	4,891	0	1,109	Pacloseout	Occupied	
Cedar Creek Burr Oak House Window Replacement	20,000	19,172	0	828	Pacloseout	Occupied	
Cedar Creek Burr Oak House Roof Replacement	14,000	12,199	(0)	1,801	Pacloseout	Occupied	
Cedar Creek Crane House Window Replacement	26,500	26,413	0	87	Pacloseout	Occupied	
Cedar Creek Chickadee Cabin Electrical Upgrade	9,750	8,566	0	1,184	Pacloseout	Occupied	
Itasca Lodging Thermal Pane Windows	44,400	0	44,400	0	Procurement	6/30/2022	
Itasca Lodging Foundation Rebuild for Reuse	624	(0)	624	0	Procurement	6/30/2022	
Arboretum Oswald Visitor Ctr Roof Replacement	116,000	109,250	6,750	0	Construction	3/31/2022	
Cloquet Critical Infrastructure Renewal	30,000	29,900	100	0	Design Development	6/30/2022	
Arboretum/Horticulture Res Ctr Well Utility Rebuild	120,000	103,813	0	16,187	Substantial Completion	Occupied	
Hubachek Well Corrections for Reliability	361,693	19,125	342,568	0	Construction	9/30/2022	
Hubachek Critical Infrastructure Renewal	35,000	0	35,000	0	Design Development	6/30/2022	
NCROC Hog Barn Boiler & Plumbing Replcmnt	153,021	153,021	0	0	Construction	8/1/2022	
NWROC Ag Res Ctr Window Replacement	75,000	55,930	19,070	0	Construction	4/30/2022	
NWROC Ag Res Ctr HVAC Controls Replcmnt	42,000	33,225	8,775	0	Construction	4/30/2022	
NWROC Farm Shop HVAC Controls Replcmnt	50,000	24,061	25,939	0	Construction	5/31/2022	
SROC Replace Underground Fuel Tanks	180,000	111,332	68,668	0	Construction	8/31/2022	
SWROC Project Balances	3,458	0	0	3,458	Programming	Unknown	
SWROC Critical Infrastructure Renewal	17,500	0	0	17,500	Programming	6/30/2021	
SWROC Cont Ed Bldg Window/Door Replcmnt	31,542	24,944	6,598	0	Construction	4/30/2022	
SWROC Res Office Bldg Window Replacement	40,000	35,902	4,098	0	Construction	4/30/2022	
WCROC Admin Bldg HVAC Controls Replcmnt	2,500	0	2,500	0	Procurement	4/30/2022	
WCROC Maintenance Shop Infrastructure Imprv	48,959	14,648	34,311	0	Design Development	6/30/2022	
Subtotal - '20 Appropriations: HEAPR Projects	**38,495,000**	**32,597,838**	**4,897,071**	**1,000,091**			
Total - 2020 State Capital Appropriations	**75,381,000**	**65,318,963**	**9,061,946**	**1,000,091**			
2018 State Capital Appropriations: Major Projects							
Pillsbury Hall Rehabilitation	24,000,000	22,573,547	(0)	1,426,453	Pacloseout	Occupied	
UMD Glensheen Renewal	4,000,000	2,494,615	1,505,385	0	Design/Construction	9/30/2022	
Morris Teaching and Learning Spaces	3,200,000	2,425,610	36,667	737,723	Programming/Pacloseout	Occupied	
Crookston Teaching and Learning Spaces	3,200,000	3,124,803	0	75,197	Pacloseout	2/15/2021	
Subtotal - '18 Appropriations: Major Projects	**34,400,000**	**30,618,575**	**1,542,052**	**2,239,374**			
2018 State Capital Appropriations: HEAPR Projects							
Completed Projects	31,567,565	31,567,565	0	0			
Health Sciences Elevator Modernization	814,028	814,028	0	0	Construction	4/30/2022	
Cooke Heat Recovery Unit Replacement	750,000	287,377	462,623	0	Construction Documents	12/1/2022	
Anderson Create Single Use Accessible Restroom	104,737	13,293	91,444	0	Procurement	6/30/2022	
Ferguson Hall Roof Replacement	400,855	400,855	0	0	Construction	9/2/2022	
Andrew Boss Lab HVAC, Life Safety, & Accessibility	10,049,722	9,918,067	(0)	131,655	Pacloseout	Occupied	

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Status Report: Total Capital Appropriations 2017 to 2020
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(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
UMC Campus Wide Electrical Distribution	597,631	597,631	0	0	Construction	7/30/2022	
Cedar Creek Project Funds	3,305	0	0	3,305	Programming	Unknown	
NCROC Hog Barn Boiler & Plumbing Replacement	31,614	31,614	0	0	Construction	8/1/2022	
WCROC Replace Underground Fuel Tanks	5,047	5,047	0	(0)	Construction	6/30/2022	
Itasca Classroom Lab HVAC Replacement	14,000	6,500	7,500	0	Construction	3/31/2022	
Cloquet Septic System Renewal	661,495	646,743	0	14,752	Pacloseout	Occupied	
Subtotal - '18 Appropriations: HEAPR Projects	**45,000,000**	**44,288,720**	**561,567**	**149,712**			
Total - 2018 State Capital Appropriations	**79,400,000**	**74,907,295**	**2,103,619**	**2,389,086**			
2017 State Capital Appropriations: Major Projects							
UMD Chemical Science & Advanced Materials Building	24,073,677	24,073,677	0	0	Closed	Occupied	4,193,322.72 converted to 2017 HEAPR
Health Sciences Education Center	66,667,000	66,667,000	0	(0)	Pacloseout	Occupied	
Plant Growth Facility Biological Sciences Conservatory	4,329,325	4,329,325	0	(0)		3/1/2021	70,674.93 converted to 2017 HEAPR
Subtotal - '17 Appropriations: Major Projects	**95,070,002**	**95,070,002**	**0**	**(0)**			
2017 State Capital Appropriations: HEAPR Projects							
Completed Projects	21,805,599	21,805,599	0	0			
UMD SPHC Pool Mechanical Replacement	1,623,480	1,623,480	0	0	Construction	4/30/2022	Converted HEAPR - October 2020
UMD Kirby Roof Replacement	1,007,369	1,007,369	0	0	Construction	3/31/2022	Converted HEAPR - October 2020
UMD NRRI Elevator Renewal	43,377	43,377	0	0	Construction	7/31/2022	
UMD NRRI Coleraine HVAC	384,172	384,172	0	0	Construction	3/31/2022	Converted HEAPR - October 2020
Subtotal - '17 Appropriations: HEAPR Projects	**24,863,998**	**24,863,998**	**0**	**0**			
Total - 2017 State Capital Appropriations	**119,934,000**	**119,934,000**	**0**	**(0)**			
Grand Totals - 2017 to 2020	**274,715,000**	**260,160,258**	**11,165,565**	**3,389,177**			

University of Minnesota

Status Report: Total Capital Appropriations 2017 to 2020
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(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.

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(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							
2020 Appropriations							
Major Projects	36,886,000	32,721,125	4,164,875	0			
HEAPR Projects	38,495,000	32,597,838	4,897,071	1,000,091			
Subtotal	75,381,000	65,318,963	9,061,946	1,000,091			
2018 Appropriations							
Major Projects	34,400,000	30,618,575	1,542,052	2,239,374			
HEAPR Projects	45,000,000	44,288,720	561,567	149,712			
Subtotal	79,400,000	74,907,295	2,103,619	2,389,086			
2017 Appropriations							
Major Projects	95,070,002	95,070,002	0	(0)			
HEAPR Projects	24,863,998	24,863,998	0	0			
Subtotal	119,934,000	119,934,000	0	(0)			
Major Projects	204,851,002	191,007,540	10,603,998	3,239,464			
HEAPR Projects Only	108,358,998	101,750,556	5,458,639	1,149,803			
Grand Total: 2017-2020 Appropriations	274,715,000	260,160,258	11,165,565	3,389,177			
Total Percent by Status							
2020 Appropriations							
Major Projects	36,886,000	89%	11%	0%			
HEAPR Projects	38,495,000	85%	13%	3%			
Subtotal	75,381,000	87%	12%	1%			
2018 Appropriations							
Major Projects	34,400,000	89%	4%	7%			
HEAPR Projects	45,000,000	98%	1%	0%			
Subtotal	79,400,000	94%	3%	3%			
2017 Appropriations							
Major Projects	95,070,002	100%	0%	0%			
HEAPR Projects	24,863,998	100%	0%	0%			
Subtotal	119,934,000	100%	0%	0%			
Major Projects	204,851,002	93%	5%	2%			
HEAPR Projects Only	108,358,998	94%	5%	1%			
Grand Total: 2017-2020 Appropriations	274,715,000	95%	4%	1%			

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 10, 2022

The Honorable Janie Mayeron, Chair, Finance & Operations Committee
The Honorable David McMillan, Vice Chair
The Honorable Mary Davenport
The Honorable James Farnsworth
The Honorable Douglas Huebsch
The Honorable Ruth Johnson
The Honorable Mike Kenyanya
The Honorable Kendall Powell
The Honorable Darrin Rosha
The Honorable Steven Sviggum
The Honorable Bo Thao-Urabe
The Honorable Kodi Verhalen

Committee Members:

Enclosed are Purchasing Services' reports on purchasing activity for the second quarter, fiscal year '22. 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:

- Purchasing Activity for Q2 is again within 10% of FY20 Q2 (pre-pandemic) but 10% higher than same time last year.
- Q2 Exception Dollars are in line with pre-pandemic level (FY20)
- YTD Exception Dollars are still ahead of previous years due to several high dollar technology purchases in the previous quarter
- There are no BOR violations to report

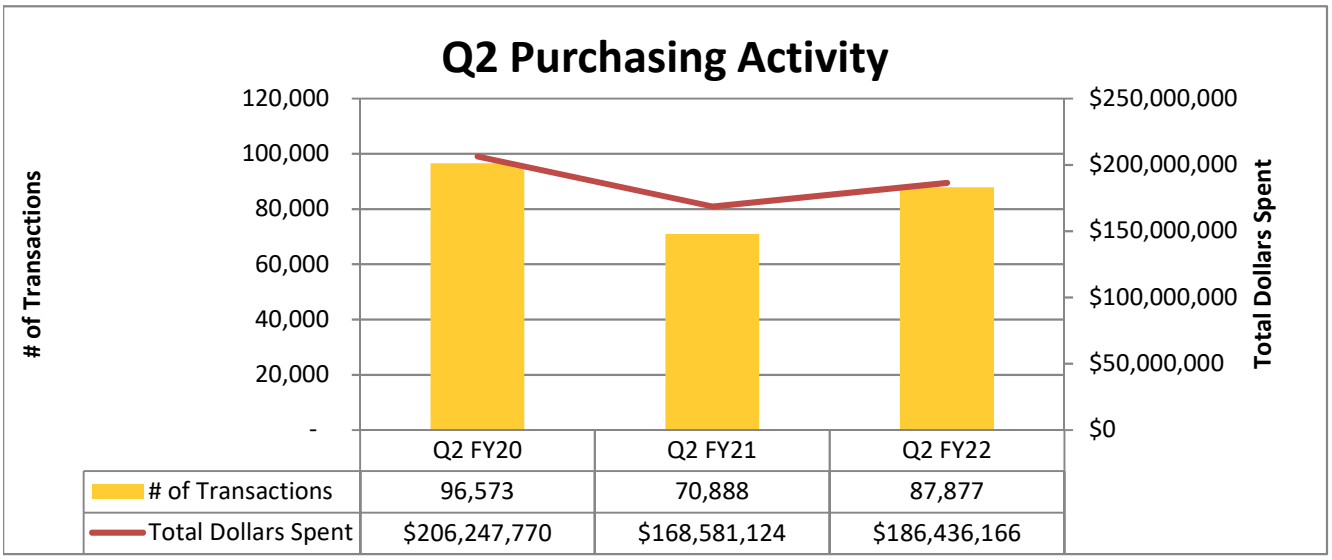
If you have any questions on the report, please do not hesitate to contact Beth Tapp, Director of Purchasing, or me.

Sincerely,

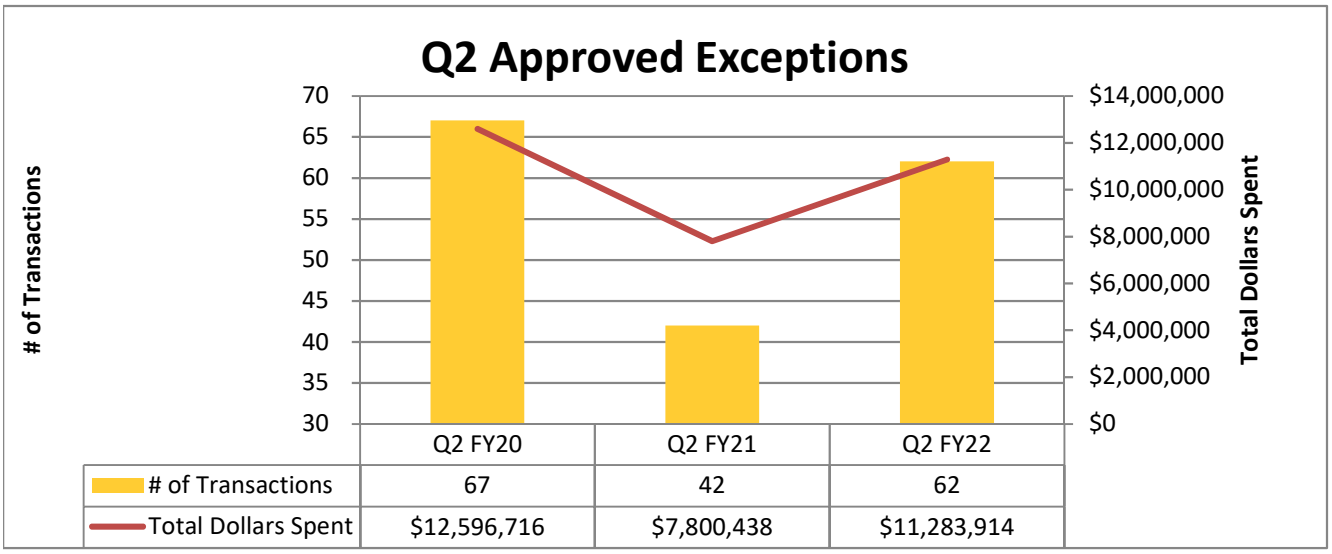
Suzanne Paulson
Controller

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

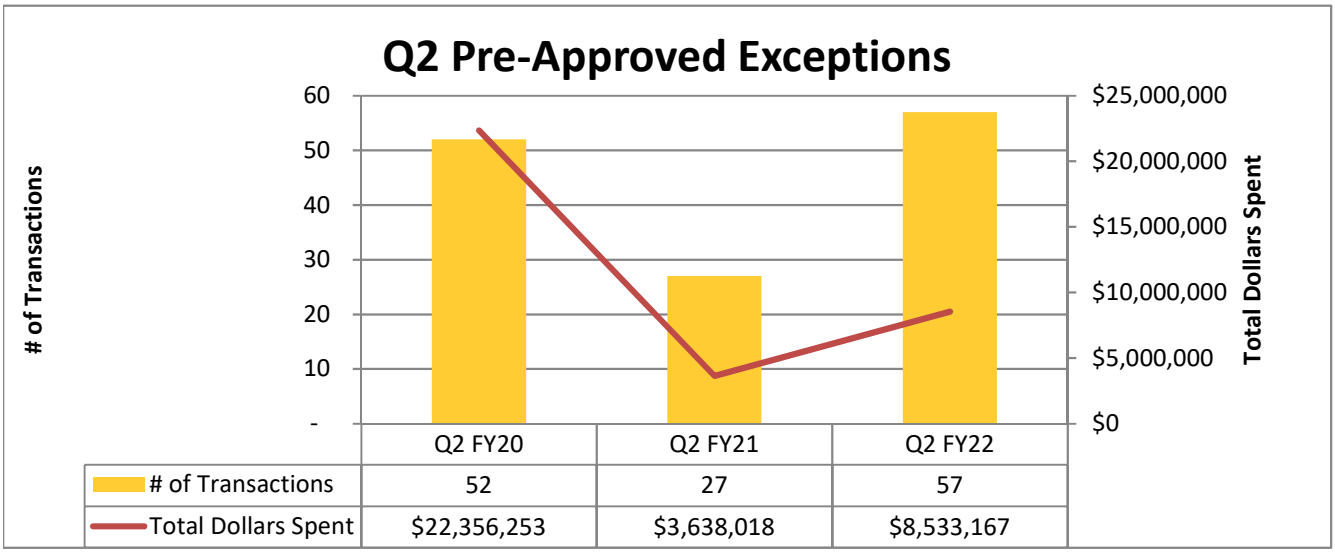
I. Summary of Purchasing Activity for Q2 FY22



	Q2 FY20	Q2 FY21	Q2 FY22
# of Transactions	96,573	70,888	87,877
Total Dollars Spent	$206,247,770	$168,581,124	$186,436,166



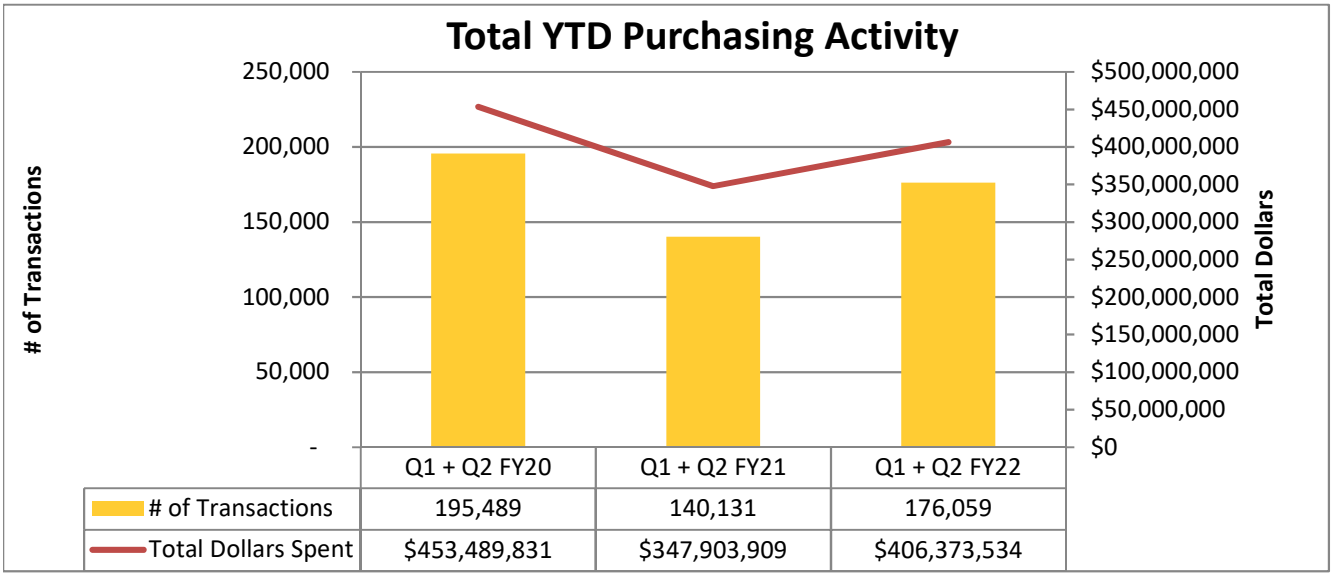
	Q2 FY20	Q2 FY21	Q2 FY22
# of Transactions	67	42	62
Total Dollars Spent	$12,596,716	$7,800,438	$11,283,914



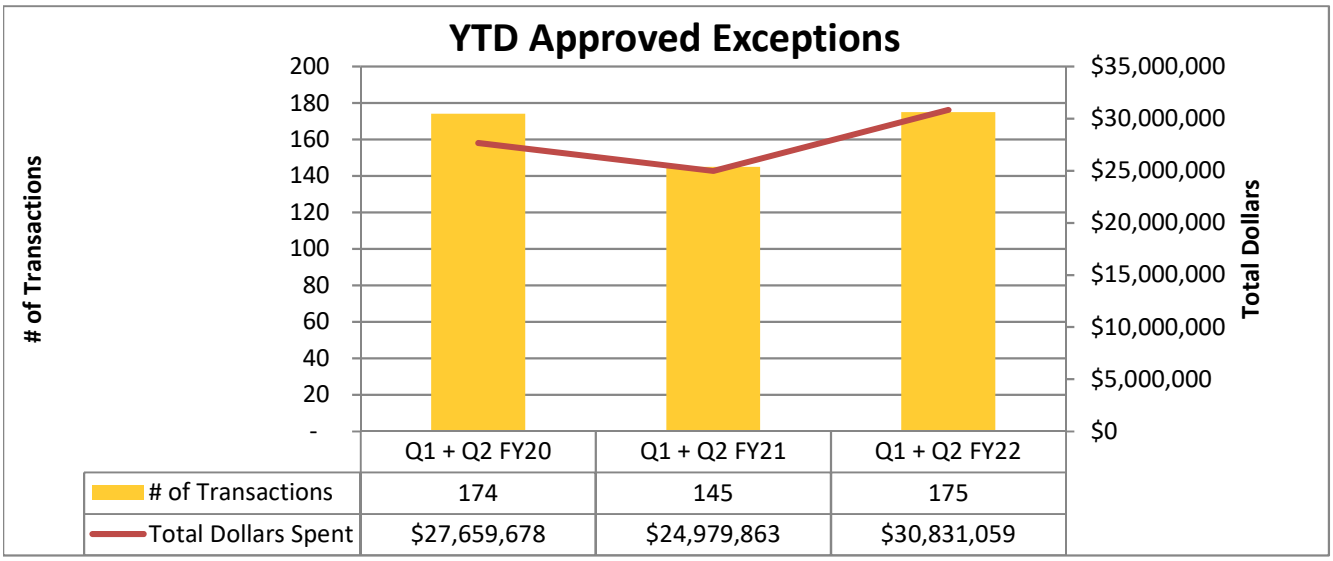
	Q2 FY20	Q2 FY21	Q2 FY22
# of Transactions	52	27	57
Total Dollars Spent	$22,356,253	$3,638,018	$8,533,167

Q2 Exceptions	119	69	119
Q2 Exception Dollars	$34,952,969	$11,438,456	$19,817,081

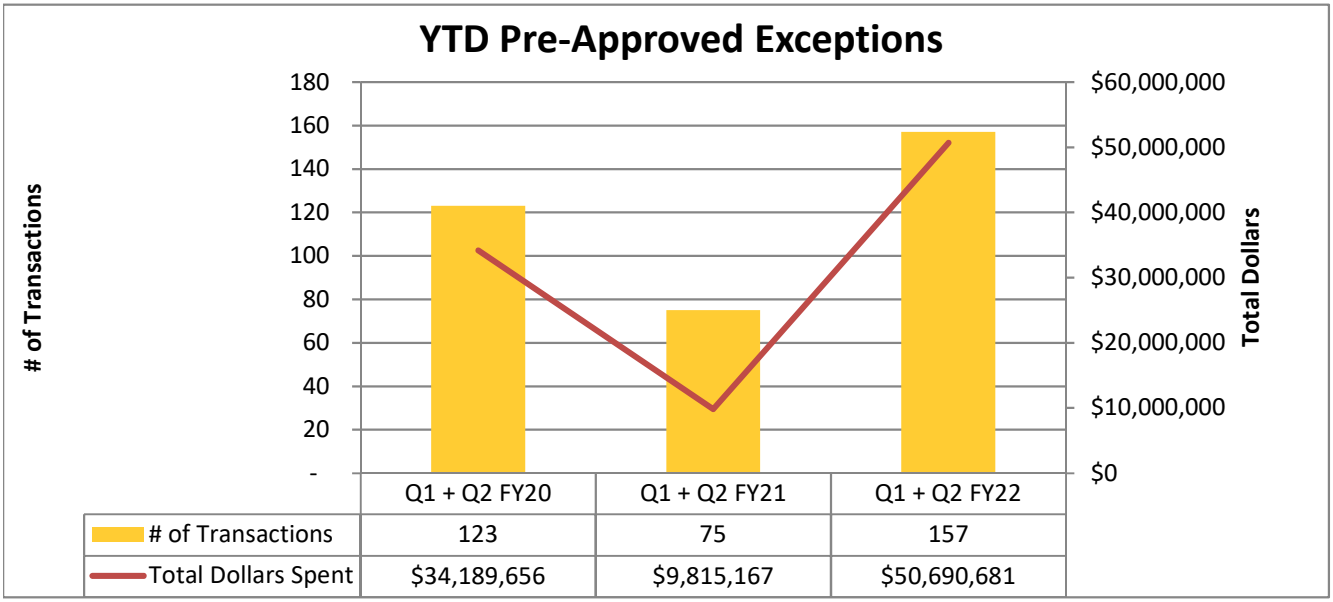
Summary of Purchasing Activity YTD FY22



	Q1 + Q2 FY20	Q1 + Q2 FY21	Q1 + Q2 FY22
# of Transactions	195,489	140,131	176,059
Total Dollars Spent	$453,489,831	$347,903,909	$406,373,534



	Q1 + Q2 FY20	Q1 + Q2 FY21	Q1 + Q2 FY22
# of Transactions	174	145	175
Total Dollars Spent	$27,659,678	$24,979,863	$30,831,059



	Q1 + Q2 FY20	Q1 + Q2 FY21	Q1 + Q2 FY22
# of Transactions	123	75	157
Total Dollars Spent	$34,189,656	$9,815,167	$50,690,681

YTD Exceptions	297	220	332
YTD Exception Dollars	$61,849,334	$34,795,030	$81,521,740

II. Purchases made as Approved Exceptions to Competitive Purchasing Process — Q2FY22

Approved Exception Description	Total # of Exceptions	Total Dollars
Exception #16:		
Clinical Trials: Purchasing of product or services for clinical trials.	6	$1,102,531
Exception #17:		
Supplies from a Previous Supplier: Purchasing from a previous supplier to ensure consistency of research results.	3	$287,000
Exception #18:		
Brand Compatibility: Equipment or supplies that requires brand compatibility with existing equipment. *NOTE:* must be available only from the manufacturer or their sole authorized distributor.	20	$5,689,310
Exception #19:		
External Funding: The external funding source or federal granting agency has specified this supplier in the awarded grant. The awarded grant application or award notice must be included as required supporting documentation. Internal University Funding sources are ineligible for the reason for an exception.	13	$1,873,260
Exception #21:		
Other (describe):	20	$2,331,814
TOTAL Approved Exceptions	**62**	**$11,283,914**

I. Pre-Approved Exceptions to Competitive Purchasing — Q2FY22

Exception #1:		
Software lincese renewals and software upgrades available only from developer/supplier. This includes adding licenses to an existing agreement.	10	$1,765,458
Exception #2:		
Service/maintenance agreements with the original manufacture/developer/supplier for equipment and software.	12	$2,076,320
Exception #3:		
Agricultural commodities such as grain.	3	$251,672
Exception #4:		
Closeout or used equipment qhere the requester of Purchasing Services has verified to be at least 30% below comparable new equipment.	4	$349,995

I. Pre-Approved Exceptions to Competitive Purchasing (cont.) Q2FY22

Exception #5:		
Purchase of or access to a uniquely compiled database of information.	3	$260,415

Exception #6:		
Unique specification research animals purchased under guidelines of the Institutional Animal Care and Use Committee (IACUC).	2	$165,694

Exception #7:		
Goods and services from governmental agencies, universities, or public entities.	11	$1,802,371

Exception #8:		
Development, design, creating of original media such as art, music, and film.	4	$609,436

Exception #9:		
Fairview purchases related to research project.	5	$944,306

Exception #11:		
Entertainiers, lecturers, and speakers.	3	$307,500

TOTAL Pre-Approved Exceptions	**57**	**$8,533,167**

III. Regents Policy Violations Q2FY22

There are no Regents Policy Violations to report.

Biomedical Sciences Research Facilities Funding Program

2022 Report to the Minnesota State Legislature
January 10, 2022

UNIVERSITY OF MINNESOTA

OVERVIEW

The University of Minnesota has set its sights on becoming one of the top public research institutions in the world. Achieving this goal requires state-of-the-art biomedical research facilities that can support leading edge research and attract and retain top-tier research faculty.

To catalyze this effort, the University asked the State of Minnesota to create the Biomedical Facilities Authority as the mechanism to provide a predictable funding source for planning and building research facilities that, in turn, would allow the University to attract and retain the nation's top biomedical research talent.

The State established the $292 million Minnesota Biomedical Research Facilities Funding Program in 2008. This dedicated funding program provided appropriations by the State to the University for up to 75% of the costs to design and construct four new and expanded research buildings on the University's Twin Cities Campus, in the area known as the Biomedical Discovery District (BDD). The State's portion of this funding program is $219 million; while the University's portion is $73 million.

Per the requirements set forth in Minnesota Statue 3.197, the cost to prepare this report was ~$1,500."

PROGRESS TO DATE

Project #1 – Expansion of the Center for Magnetic Resonance Research – Completed July 2010
Project #2 & #3 – Cancer Cardiovascular Research Facility - Completed July 2013
Project #4 – Microbiology Research Facility – Completed October 2015

These four projects comprise 422,000 gross square feet of new research space housing 130 faculty and 729 research support staff.

The Cancer-Cardiovascular research facility also includes 35,000 square feet of shared research commons and support spaces. These areas house common instrumentation and research processing and support facilities, which are available to researchers throughout the district and broader University community, including:

- University Imaging Center
- University Genomics Center
- Mouse Genetics
- Flow Cytometry
- Chronic, long term testing laboratories

In addition, several of the planning principles for the Biomedical Discovery District provided for connectivity and the development of a cohesive research community. This interconnected, collaborative research environment is able to leverage common shared support spaces and resources while allowing for unique opportunities to collaborate across fields and disciplines of research.

The district has now been connected end-to-end by skyway to further enhance and support the principle of cohesiveness and opportunities for collaboration.

Current Occupancy

	Principal Investigators	Research Associates / Staff / Post Doc / Students	Minnesota Biomedical Research Program Total
Cancer & Cardiovascular Research Building	49	275	324
Center for Magnetic Resonance Research	41	127	168
Microbiology Research Facility	26	140	166
Wallin Medical Biosciences Building	40	240	280
TOTAL	156	782	938

Summary Research Programs

Project # 1 – Center for Magnetic Resonance Research (CMRR)

CMRR is focused on advancing methodologies and instrumentation for biomedical imaging using ultrahigh field magnetic resonance imaging and spectroscopy. As an integral part of its mission, CMRR also provides access to its unique instrumentation, technical expertise, and infrastructure through collaborations and service functions to enable the faculty, trainees and staff at the University of Minnesota and in the larger biomedical research community, to carry out basic biomedical, translational and clinical research. Examples of the current large-scale research projects being conducted by CMRR includes a focus on technological developments to usher in the next generation of MR instrumentation, data acquisition and image reconstruction methods, the use of these advanced technologies in biomedical research and clinical practice, as well as development of new, efficient and safe stimulation paradigms for Deep Brain Stimulation (DBS). The CMRR provides essential resources and synergistic activities to other UMN centers, including the Institute of Engineering in Medicine, Masonic Cancer Center, and Masonic Institute of the Developing Brain, as well as several departments within the Medical School (e.g. Departments of Radiology, Neurology, Neurosurgery, Medicine, Dentistry, Psychiatry and Neuroscience,) and outside the Medical School (e.g. Mathematics, Electrical and Computer Engineering, Biomedical Engineering, Mechanical Engineering, Chemistry, Physics, and Psychology). There are currently more than 300 collaborators throughout the University supported by CMRR. In each of the past five years, the CMRR has experienced steady growth, made possible by the investments in infrastructure and resources from the State of Minnesota.

In 2020-2021, CMRR faculty and collaborators made major scientific advances related to MRI, despite the challenges posed by the pandemic, and continue to make further program developments. Highlights include:

- Multiple CMRR faculty continue to make ground-breaking developments in neuroimaging, funded by numerous NIH grants, including a competitively renewed NIH's Biotechnology Research Center (BTRC) grant, and 4 large grants funded under the national programmatic effort named the BRAIN (**B**rain **R**esearch through **A**dvancing **I**nnovative **N**eurotechnologies) Initiative (https://braininitiative.nih.gov); the 4 BRAIN Initiative grants by themselves total $29.4M in funding. Developments accomplished in these BRAIN Initiative projects alone include: 1) developing what is currently the highest magnetic field (10.5 Tesla) used for imaging humans; in the previous year, this effort accomplished new techniques and electronics for the 10.5 Tesla MRI system that will achieve the highest spatial resolution images ever of human brain connectivity and function; 2) a radically new type of head-only 1.5 Tesla MRI scanner that will enhance brain research and, ultimately, enable the diagnosis of neurological diseases in underserved populations throughout the world where MRI scanners are currently unavailable; and 3) novel orientation-selective and field steering stimulation electrodes for neuromodulation.

- MRI is an indispensable tool in clinical medicine and biomedical research. Yet, due to its high cost to purchase, site, and maintain, access to MRI is limited to mainly well-funded medical centers or research institutions. During the past 2 years, CMRR researchers have invented a silent MRI technology that simplifies the MRI system in terms of its hardware components, cost, size, weight, and infrastructure requirements. Future portable MRI scanners based on this technology have a chance of empowering communities in remote, resource-limited settings to address health inequities, build local capacity for better health, improve understanding of brain development and degeneration in diverse populations, and enable access to high quality clinical care worldwide.

- In 2015, the Minnesota Legislature committed funding to the University of Minnesota Medical School to support the creation of Medical Discovery Teams (MDT) focused on tackling four major health concerns facing the state and nation. The teams were part of a recommendation by a blue ribbon commission appointed by Gov. Mark Dayton in 2014 to develop strategies for elevating the Medical School's national ranking. CMRR was awarded the MDT on Optical Imaging and Brain Science as a multi-disciplinary effort focused on mapping the detailed circuits that underlie sensation, perception and complex behaviors in the developing and mature brain. This 10-year, $30 million award focuses on a central vision within the BRAIN Initiative (https://braininitiative.nih.gov) for the development of new approaches (microscopes, lasers, scanning methodologies, new fluorescent probes etc.) to overcome the limitation of optical techniques and the development of new computational and theoretical methods to exploit such rich data. This combination of technologies would provide the ability to bridge the scales of

organization going from individual neurons to the whole brain networks envisioned in the BRAIN Initiative. The combined neuroimaging would also provide a bridge to electrophysiological recordings carried out in clinical settings, such as in DBS (Deep Brain Stimulation) surgery and TMS (Transcranial Magnetic Stimulation).

- The MDT in Optical Imaging and Brain Science is located within CMRR and has added 2 new faculty members in the last 2 years (Drs. Thomas Naselaris and Audrey Sederberg) bringing the total to 5 faculty members, 2 optical engineers, and 16 postdoctoral fellows, students, and lab staff. We are actively recruiting for one additional experimental faculty member and hope to have a candidate identified soon. This new faculty member will be housed, along with the existing faculty, in new space in CMRR that was completed earlier this year. This new construction added an additional 7,511 ft^2 of lab and office space for this MDT program.

Three year total research expenditures for investigators in CMRR have been $48.48M.

<u>Projects #2 & 3 – Cancer and Cardiovascular Research Building (CCRB)</u>

- Dr. Eric Batchelor was recruited to the Department of Integrative Biology and Physiology in 2020. His laboratory is focused on understanding how cells detect and respond to stress conditions, with particular interests in different forms of DNA damage and genomic instability. His goal is to determine how the damage responses function in healthy conditions, how they become disrupted in pathological conditions including many forms of cancer, and how they can be targeted therapeutically to restore healthy conditions.

- Dr. Jesse Williams was recruited to the Department of Integrative Biology and Physiology (IBP) and the Center for Immunology (CFI) in 2019. The overarching goal of his laboratory is to understand mononuclear phagocyte heterogeneity and function in cardiovascular and metabolic disease. His group focuses primarily on mechanisms regulating monocyte trafficking, macrophage differentiation within tissues, and cytokine production with the intention to identify therapeutic targets to combat systemic chronic inflammation.

- Dr. Julia Liu was recruited to the Department of Integrative Biology and Physiology (IBP) in 2020. Her lab studies the role of mitochondria in generating, signaling, and responding to cellular stress, particularly in cardiac and skeletal muscle. She currently focuses on the physiological impacts of dysregulated mitochondrial calcium, which plays a critical role in energy production as well as cell death.

- The Masonic Cancer Center (MCC), University of Minnesota is the only National Cancer Institute-designated Comprehensive Cancer Center in the Twin Cities now in its 23rd year of continuous support. At MCC, funded cancer research continues to increase, with over $85.6M in direct cost cancer related research funding in the past year. The CCRB is one of two MCC directed laboratory research facilities. This building was originally designed to house investigators two types of investigators; those with research focused on chemical synthesis and analysis and those

with fundamental work in cancer biology. This unique laboratory space has led to substantial progress in several fields with some examples noted below:

- Under the leadership of Irina Stepanov, PhD, we have created the new "Institute for Global Cancer Prevention Research". The Institute's deputy director is Dorothy Hatsukami, PhD. The goal of this institute is to prevent cancer through research, evidence-based practices and policy changes with three focus areas: tobacco control, environmental causes of cancer and infectious agents and cancer. The initial funding for this institute was provided by the Masonic Cancer Center (MCC), School of Public Health and Medical School at the University of Minnesota. The investigators have already been successful in getting outside funding for their research and a major focus of this global health outreach is based on the analytical biochemistry capabilities that were constructed in the original building design.
- A new multi-PI grant (UG3CA265791) is led by Heather Nelson, PhD, Lisa Peterson, PhD, and Jen Poynter, PhD. The work will focus on three exposures of concern in the state of Minnesota (radon, perfluoryl alkyl substances (PFAS) and glyphosate) and includes partnership with community groups. The long-term goal of the work is to determine whether these exposures of concern are contributing to the excess rates of hematologic cancers in our catchment area. The successful receipt of this grant is directly due to the analytical biochemistry capabilities housed within the CCRB as noted above.
- The laboratory of Branden Moriarity, Ph.D. focuses on genetic engineering to develop T cells with enhanced efficacy in these mechanically complex tumor microenvironments, are poised to make a significant impact in the areas of immune and stromal engineering for enhanced cancer therapy. His work, along with other MCC members, forms the basis of a novel clinical trial "A Study of Metastatic Gastrointestinal Cancers Treated With Tumor Infiltrating Lymphocytes in Which the Gene Encoding the Intracellular Immune Checkpoint CISH Is Inhibited Using CRISPR Genetic Engineering (NCT04426669). In this phase 1 clinical trial, Dr. Moriarity's laboratory is evaluating tumors resected from patients with metastatic colon cancer, identifying immunogenic antigens to select a genetically modified T-cell clone (created in the University's Molecular and Cellular Therapy facility) for administration back to the patient. This ongoing trial shows promise and we are currently discussing expansion of this novel gene modified T-cell study to patients with metastatic lung cancer.

Three year total research expenditures for investigators in CCRB have been $106.5M.

Project # 4 - Microbiology Research Facility (MRF)

The Department of Microbiology and Immunology moved in January of 2016 from the Mayo Memorial Building into the 80,000 sq. ft. **Microbiology Research Facility (MRF)**, the fourth building in the Biomedical Discovery District (BDD), and the first building on campus to be designed and built using new "Smart Lab" technology to reduce energy costs.

The Department of Microbiology and Immunology held its **Centennial Celebration in July of 2019** and was honored, along with the University of Minnesota, by the American Society of Microbiology as a Milestones in Microbiology site. The Milestones in Microbiology Plaque now greets faculty, students and visitors as they enter MRF.

The faculty in MRF share with other investigators in the BDD the objective to "pursue discoveries by bringing together talented investigators and encouraging them to work on the new cures and therapies for our most challenging and important health conditions." Department of Microbiology and Immunology faculty are the anchor tenants in MRF, but MRF is home as well for the **Infectious Disease Corridor of Discovery (IDC)** whose mission is to understand the microbes and the diseases they cause as the foundations for discovering better ways to prevent, treat and cure infectious diseases with special emphasis on the great killers-HIV/AIDS/TB/influenza/ and other deadly bacterial, fungal and viral infections-on a continuum from fundamental discovery to developing antimicrobials and vaccines.

The guiding principles for MRF and the IDC are encouraging collaborative research through spatial proximity of faculty with expertise in microbiology and immunology and faculty drawn from other departments and colleges along the continuum of team science from fundamental research through clinical translation. So, a snapshot of MRF at the beginning of 2020 showed microbiologists and immunologists in MRF and the adjoining Center for Immunology (CFI) in WMBB working together by thematic concentration and location with infectious disease physician scientists and a medicinal chemist:

MRF highlights and accomplishments at that time include the following:

- **Herpes virus infections and influenza**
    - Participants in Congressionally mandated quest to develop a universal Flu vaccine (Masopust & Langlois)

- **HIV/AIDS/Malaria**
    - Strategies to Cure HIV (Haase/Schacker/Skinner)
    - New approaches to developing an effective HIV Vaccine (Herschhorn/Haase/Jenkins)

- **Lung infections, particularly in Cystic Fibrosis/Candida Infections/Drug Discovery**
    - Understanding microbial communities to better Rx Cystic Fibrosis (Hunter)
    - Candida genetics and drug resistance (Selmecki/Davis)
    - Medicinal Chemistry for new antimicrobials (Aldrich)

- **TB and deadly fungal infections (TB & Cryptococcal meningitis)/ Antimicrobial Resistance**
    - Enterococcal research and antimicrobial resistance (Dunny)
    - TB metabolism and improved drugs (Baughn/Aldrich)
    - TB genetics & immunology and vaccine development (Tischler/Masopust/Jenkins)
    - Cryptococcal and TB Meningitis (Nielsen/Boulware)

MRF in the time of the COVID-19 Pandemic

By early spring of 2020, the growing COVID-19 pandemic had forced MRF investigators to restrict their research programs to working remotely with scheduling of critical lab work under conditions that protected the safety of faculty, students and staff. Highlights of essential COVID-19 MRF investigators who redirected their research and activities to responding to the pandemic include the following:

- Identifying rationale treatment strategies for COVID-19 pneumonia: Haase/Schacker/Klatt labs
- Identifying drugs that might be repurposed to treat COVID-19 pneumonia: Langlois and Hunter labs
- Developing serological tests to detect SARS-CoV-2 infection: Jenkins and Herschhorn labs
- Developing a test for antibodies that neutralize SARS-CoV-2: Bold lab
- Developing a T cell vaccine to broadly protect against SARS-CoV-2 and variants: Masopust and Jenkins labs
- Collection, processing and storage of samples for clinical COVID-19 research: Bold/Southern/Schacker
- Processing clinical samples for SARS-CoV-2 PCR diagnosis tests: Langlois lab

Three year total research expenditures for investigators in MRF have been $43.5M. In addition, State Covid-19 research and testing for FY20 and FY21 was $57M.

UNIVERSITY OF MINNESOTA

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Office of the Senior Vice President for Finance and Operations

301 Morrill Hall
100 Church Street S.E.
Minneapolis, MN 55455

January 25, 2022

Elizabeth Lincoln, Director
Legislative Reference Library
645 State Office Bldg.
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1050

Dear Ms. Lincoln:

On behalf of the Board of Regents of the University of Minnesota, I submit the following annual report to the Legislature under Minnesota Statutes Section 137.52(b) regarding the University's efforts and the efforts of the United States Department of Defense to remedy environmental impacts associated with the former Gopher Ordnance Works (GOW), a World War II smokeless powder production facility located on University land in Rosemount, Minnesota. That land includes Vermillion Highlands: A Research, Recreation and Wildlife Management Area, which is managed under a cooperative agreement between the University and the Department of Natural Resources. Per the requirements set forth in Minnesota Statutes Section 3.187, the cost to prepare this report was $595.

The University completed the Remedial Investigation of the site in 2017. In approving the Remedial Investigation, the Minnesota Pollution Control Agency requested that the University and the Army Corps complete a Feasibility Study to identify response action alternatives for the releases of hazardous substances identified during the Remedial Investigation. The Army Corps refused to perform or fund the Feasibility Study. The University is now performing a Focused Feasibility Study of sites of concern located in the northcentral portion of the site. The University anticipates submitting a draft Focused Feasibility Study Report to the MPCA and to make it available for public comment later this year. The MPCA will then select response action alternatives for the sites of concern located within the study area.

The University's litigation in federal district court against the Army Corps and its contractor for GOW, E.I. du Pont de Nemours and Company (DuPont), is ongoing. In that litigation, the University seeks recovery of a money judgment including the approximately $3.3 million the University has incurred in past investigation costs, its ongoing costs of completing a Feasibility Study, and a declaration that the Army Corps and DuPont must pay their fair shares of future cleanup expenses. The trial in the litigation is presently scheduled to begin in late June 2022.

Sincerely,

Myron Frans
Senior Vice President for Finance and Operations

cc: Brian Steeves, Executive Director and Corporate Secretary, Board of Regents
Douglas Peterson, General Counsel, University of Minnesota
Michael Berthelsen, Vice President, University Services
Matt Kramer, Vice President, University Relations
J.D. Burton, Chief Government Relations Officer, University of Minnesota
Leslie Krueger, Assistant Vice president for Planning, Space, and Real Estate
Jami Markle, Central Region Wildlife Manager, DNR, Vermillion Highlands Joint Steering Committee