Finance & Operations Committee

February 2023

February 9, 2023

1:00 p.m.

Boardroom, McNamara Alumni Center
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AGENDA ITEM: Collective Bargaining Agreements

☐ Review  X Review + Action  ☐ Action  ☐ Discussion

☐ This is a report required by Board policy.

PRESENTER: Kenneth Horstman, Vice President, Human Resources
Mani Vang, Senior Director, Human Resources

PURPOSE & KEY POINTS

The purpose of this item is for the committee to review and act on the collective bargaining agreement (CBA) between the Regents of the University of Minnesota and Law Enforcement Labor Services, Inc (LELS).

Covered Employees

The employees covered by this CBA are law enforcement employees and included in University of Minnesota Unit 1 as defined by the Minnesota Public Employee Labor Relations Act. The total number of employees is 46.

Key Contractual Highlights

Key contractual highlights include the following:

- Additional paid holiday for Juneteenth.
- Increase in clothing allowance and maintenance.
- A one-time hiring bonus of $5,000 in 2023 to each licensed peace officer hired by a University Police Department to work at any of the Duluth, Morris, or Twin Cities campuses.
- A one-time retention bonus of $5,000 in 2023 to all licensed peace officers who work at either the Duluth, Morris, or Twin Cities campuses and who are in active payroll status.

Summary Economic Highlights

Effective January 1, 2023, the University will increase University of Minnesota Police Department’s (UMPD’s) salary to match the average patrol rate paid to the five (5) top-paid departments in the Stanton Group Cities.

Effective January 1, 2024, the University will increase UMPD’s salary to match the average patrol rate paid to the five (5) top-paid departments in the Stanton Group Cities or 4 percent, whichever is greater.
Effective January 1, 2025, the University will increase UMPD’s salary to match the average patrol rate paid to the five (5) top-paid departments in the Stanton Group Cities or 4 percent, whichever is greater.

Financial Impact

This is a three-year agreement from January 1, 2023 through December 31, 2025.

**Year 1 Recurring Costs**
- Base Annual Payroll (FY23 annual budget) $8,809,695
- Base Salary Adjustments + $711,487
- Total Recurring Cost $9,521,182

**Estimated Year 2 Recurring Costs**
- Base Annual Payroll $9,521,182
- Base Salary Adjustments + $380,848
- Total Recurring Cost $9,902,030

**Estimated Year 3 Recurring Costs**
- Base Annual Payroll $9,902,030
- Base Salary Adjustments + $396,082
- Total Recurring Cost $10,298,112

Negotiation Timeline

Negotiations began on September 28, 2022. The parties reached a tentative agreement on November 15, 2022. The Union completed its contract ratification process on December 29, 2022.

**PRESIDENT’S RECOMMENDATION**

The President recommends approval of the collective bargaining agreement between the Regents of the University of Minnesota and Law Enforcement Labor Services, Inc (LELS).
REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

The Proposed Labor Agreement with Law Enforcement Labor Services, Inc

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

WHEREAS, the Law Enforcement Labor Services, Inc has ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the president, the Board of Regents approves this labor agreement as outlined in the Finance & Operations Committee docket materials for February 9, 2023.
AGENDA ITEM: President’s Recommended 2023 State Capital Request

☐ Review  ☐ Review + Action  ☑ Action  ☐ Discussion

☐ This is a report required by Board policy.

PRESENTERS: President Joan T.A. Gabel
  Myron Frans, Senior Vice President

PURPOSE & KEY POINTS

The purpose of this item is to act on the President’s Recommended 2023 State Capital Request. As stated in Board of Regents Policy: Reservation and Delegation of Authority, the Board reserves to itself authority to approve requests for capital budget appropriations from the State of Minnesota. The University’s state capital request is adjusted yearly to reflect any resulting capital investment from the state and/or inflation in the construction market. No changes have been made to the proposed request since the committee’s review at the December 2022 meeting.

The President’s Recommended 2023 State Capital Request includes the following capital projects:

<table>
<thead>
<tr>
<th>Campus</th>
<th>Project</th>
<th>Total</th>
<th>State</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide</td>
<td>Higher Education Asset Preservation and Replacement (HEAPR)</td>
<td>$200,000,000</td>
<td>$200,000,000</td>
<td></td>
</tr>
<tr>
<td>Twin Cities</td>
<td>Chemistry Undergraduate Teaching Laboratories</td>
<td>$138,900,000</td>
<td>$92,600,000</td>
<td>$46,300,000</td>
</tr>
<tr>
<td>Systemwide</td>
<td>Agricultural Research and Education Complex (FAARM)</td>
<td>$120,000,000</td>
<td>$60,000,000</td>
<td>$60,000,000</td>
</tr>
<tr>
<td>Duluth</td>
<td>Academic Health Sciences - Design</td>
<td>$18,000,000</td>
<td>$12,000,000</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>Crookston</td>
<td>Heating Plant and Utility Infrastructure Improvements</td>
<td>$5,000,000</td>
<td>$3,333,000</td>
<td>$1,667,000</td>
</tr>
<tr>
<td>Morris</td>
<td>Multi-Ethnic Resource Center Improvements</td>
<td>$5,000,000</td>
<td>$3,333,000</td>
<td>$1,667,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$486,900,000</td>
<td>$371,266,000</td>
<td>$115,634,000</td>
</tr>
</tbody>
</table>

Notes:
*The State provided funds for the design of the Chemistry Undergrad Teaching Labs in 2020. This request represents the balance of this project. Project costs now reflect increases made per Minnesota Management and Budget (MMB) guidance.
**Non-state match includes a gift to the University of Minnesota from the Hormel Foundation.
*The Board approved a University funded investment at UMR Housing and Dining in June 2022.
**Project Descriptions**

*Higher Education Asset Preservation and Replacement (HEAPR) - Systemwide*

This request is for funds to be used systemwide to maximize and extend the life of the University’s existing physical plant. HEAPR funds are essential in supporting the teaching, research, and outreach missions of the University. Individual projects will fall into one of four broad categories: Health and Safety, Building Systems, Energy Efficiency, and Utility Infrastructure. HEAPR funds do not require a one-third University funding match.

HEAPR funds are used for projects across the University system and are allocated to campuses and research stations using a formula based on facility needs and overall space. The funds leverage the State’s past investment in buildings and infrastructure by extending the functionality and useful life of assets and are more sustainable than new construction. HEAPR dollars are flexible, allowing the University to respond quickly to emergencies or unique opportunities.

*Chemistry Undergraduate Teaching Laboratories – Twin Cities*

This project will partially demolish the west side of the original Fraser Hall building and the 1954 building additions to make way for the construction of a five-story addition. Active learning laboratories will provide space for collaboration, lab prep, and academic support for Twin Cities’ undergraduate chemistry lab enrollment growth. The project costs have been increased from the 2022 State Capital Request to reflect both the extended schedule resulting from pausing the design and delaying construction and industry-wide construction inflation. The increases were made per Minnesota Management and Budget (MMB) guidance, using their methodology as requested by the State. Design funding was provided in the 2020 state bonding bill.

*Agricultural Research and Education Complex (FAARM) - Systemwide*

The MPact 2025 Systemwide Strategic Plan (MPact 2025) calls for developing and deploying new techniques and partnerships for smart farming and sustainable food supplies, as well as expanding, developing, and retaining agricultural and food system talent in rural communities and agribusiness. The FAARM initiative (Future of Animal Agricultural Research in Minnesota) centers around developing an integrated and advanced agricultural research and education complex. The complex will house animals (dairy cows, beef cattle, poultry, and swine), raise crops, support laboratory analysis, and provide immersive education for K-12, technical, baccalaureate, graduate, and public learners.

The University’s feasibility study proposes a value of $220 million to address all costs, including land acquisition, related to developing this complex. The request to the State of Minnesota is for $60 million to be matched by $60 million of pledged fundraising to launch the first phase of this initiative which would be used for land acquisition, design of the complex of facilities and infrastructure, and funding for the first set of facilities and infrastructure. The remaining $100 million (estimated) to complete design and construction is yet to be determined, but likely to include a mix of state, University, and private funds and will be brought to the Board as the long-range vision for the FAARM complex becomes more fully refined.
Academic Health Sciences – Design – Duluth

MPact 2025 calls for driving innovation in next-generation health by increasing collaborations in health education, clinical training, and new models of care. The University is proposing to design a new facility for the Duluth College of Pharmacy and Medical School to be co-located in the emerging Medical District in downtown Duluth. The facility will support teaching, clinical practice, and research at this location. A new building would accommodate both Pharmacy and Medical School students, providers, and researchers embedded as key participants in the emerging district. Teaching spaces, clinical care, and clinical research spaces will be designed and built based on the needs of the University community and be fully integrated with the amenities and features of the broader Medical District. This request is for design funds only.

Heating Plant and Utility Infrastructure Improvements - Crookston

The Crookston Heating Plant was built in 1911 and serves the entire campus, comprised of 40 buildings totaling approximately 500,000 square feet. Funding will be used to address aged and deteriorated equipment inside the plant, as well as related utility infrastructure throughout campus. Major improvements were made to improve the reliability of campus electrical infrastructure in recent years. This project is similar to HEAPR projects, where the goal is to invest in critical infrastructure to help avoid future mechanical failures that could cause major issues and disruptions. In the case of this heating plant, mechanical failures could disrupt heating to the entire campus.

Multi-Ethnic Resource Center Improvements - Morris

The Multi-Ethnic Resource Center (MRC) was constructed in 1899 and is the only campus building original to the Native American boarding school. Since 1972, the building has been home to the Office of Equity, Diversity, and Intercultural Programs, which includes the Multi-Ethnic Student Program, LGBTQIA2S+ Programs, and the International Student Programs Office. The building lacks an elevator and other basic accessibility infrastructure, as well as modern life safety and building systems. Funding will be used to install an elevator and make other essential building improvements.

BACKGROUND INFORMATION

Student Housing and Dining - Rochester

While this project has already been approved by the Board and is not part of the 2023 State Capital Request, the project is included here to highlight that investments are being made across all five campuses.

The master lease and remodel of the hotel in Rochester for student housing and dining allows UMR to progress toward its undergraduate enrollment growth strategy and MPact 2025 goals, increase UMR’s ability to recruit first-year students, and support the region and State of Minnesota through undergraduate education that addresses workforce demands in the healthcare industry. This leased space provides for recreation needs emanating from the closure of the Rochester YMCA facility and includes space for a dining hall. An estimated $7.6 million in leasehold improvements are underway before University occupancy in August 2023.

In December 2021, the Board of Regents reviewed and approved a 2022 Supplemental State Budget Request which included both the University’s operating budget request and an amended 2022 State Capital Request. Before that, in October 2022, the Board of Regents approved the 2022 Six-Year
Capital Plan. The Plan indicated that an updated 2023 State Capital Request, including projects and cost estimates, would be presented at the December 2022 meeting.

**PRESIDENT'S RECOMMENDATION**

The President recommends approval of the resolution related to the 2023 State Capital Request.
WHEREAS, the Board of Regents (Board) has directed the administration to annually submit a six-year capital plan and a capital improvement budget in support of the University of Minnesota’s (University) strategic priorities; and

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

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

NOW THEREFORE, BE IT RESOLVED that the Board of Regents approves the University’s 2023 State Capital Request in the amount of $486,900,000 consisting of $371,266,000 from the State of Minnesota and $115,634,000 from the University.
President’s Recommended 2023 State Capital Request

President Joan T.A. Gabel
Myron Frans, Senior Vice President

Finance & Operations Committee
February 9, 2023

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS
World Class Services for a World Class University
## 2023 State Capital Request

<table>
<thead>
<tr>
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*The Board approved a University funded investment at UMR Housing and Dining in June 2022.
AGENDA ITEM: PEAK Implementation Update

☐ Review ☐ Review + Action ☐ Action X Discussion

PRESENTERS: Myron Frans, Senior Vice President for Finance and Operations
Ken Horstman, Vice President for Human Resources

PURPOSE & KEY POINTS

The purpose of this item is to provide an update on the progress of the PEAK Initiative (Positioned for Excellence, Alignment, and Knowledge). The PEAK Initiative is in the implementation stage for the campuses, colleges, and units that are part of Phase 1. The discussion will focus on the components of the plan, including:

- The enterprise view of when each campus, college, and administrative unit will be included in the PEAK rollout.
- A look at the future services that will be provided by the PEAK operating model within each of the four in-scope functions (Human Resources, Finance, Marketing and Communications, and Information Technology) and alignment of services within the model.
- The schedule for Phase 1 Implementation.

BACKGROUND INFORMATION

The PEAK Initiative is a systemwide effort to help fulfill the MPact 2025 Systemwide Strategic Plan commitment around fiscal stewardship to promote access, efficiency, trust, and collaboration with the state, students, faculty, staff, and partners. PEAK aims to identify opportunities across non-academic functions to reduce costs while still retaining excellent service and the agility to evolve – helping to advance the University's teaching, research, and outreach mission.

Administrative functions within the scope of the project include general administration, finance, information technology, facilities management, student services, human resources, communications and marketing, global programs and activities, research administration, procurement, development, and auxiliary services.

Guiding principles of PEAK include:

- Equitable & Inclusive – consciously and intentionally includes and advocates for diverse populations.
- Integrated – seamless connections with other systems and processes.
- Agile – flexible to accommodate evolving needs and strategies through iterative improvements.
• Operating Efficiency – implement approaches that will drive value in support of the University’s mission.
• Digitally Enabled – simplify repetitive administrative tasks and enable focus on high-value strategic and consultative activities through technology enablement.
• Consistent – foster an experience of one University, supporting harmonization through simple and transparent processes.

The Board previously discussed this topic at the following meetings:

• December 2021: PEAK Action Plan, Board of Regents
• October 2021: PEAK Implementation Plan, Board of Regents
• September 2021: Update on PEAK Initiative, Board of Regents
• July 2021: Report on PEAK Initiative, Board of Regents
PEAK Implementation Update:
Positioned for Excellence, Alignment & Knowledge

Myron Frans, Senior Vice President for Finance and Operations
Kenneth Horstman, Vice President for Human Resources

Finance & Operations Committee
February 9, 2023
## Why PEAK?

### Current State

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Duplication of work</td>
<td>Unclear business processes</td>
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<tr>
<td></td>
<td>More focus on manual tasks</td>
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<td></td>
<td>Similar roles &amp; responsibilities</td>
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<td>Lack of clear accountability</td>
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</tbody>
</table>

### Future State

Our **people** will have equitable and inclusive opportunities for professional growth and specialization within newly created functional teams.

Our core **work** will be structured around **shared resources** for Human Resources, Finance, and Marketing & Communications.

People-centered **services** will be optimized while minimizing risks, which will be delivered consistently and equitably across all campuses and units.
PEAK Phase Implementation Plan

Rolling out to all campuses, colleges, and units in four overlapping phases

<table>
<thead>
<tr>
<th>Phase 1 FY23 to FY24</th>
<th>Phase 2 FY24</th>
<th>Phase 3 FY24 to FY25</th>
<th>Phase 4 FY25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hubert H Humphrey School of Public Affairs</td>
<td>CFANS (including Ag Exp Station)</td>
<td>College of Continuing and Professional Studies</td>
<td>Carlson School of Management</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>College of Liberal Arts</td>
<td>College of Education and Human Development</td>
<td>College of Biological Sciences</td>
</tr>
<tr>
<td>Law School</td>
<td>Office of Student Affairs</td>
<td>College of Pharmacy</td>
<td>College of Design</td>
</tr>
<tr>
<td>Office of the Board of Regents</td>
<td>EVPP - Office of the Exec VP &amp; Provost</td>
<td>College of Science and Engineering</td>
<td>College of Veterinary Medicine</td>
</tr>
<tr>
<td>Office of Human Resources</td>
<td>EVPP - The Graduate School</td>
<td>Intercollegiate Athletics</td>
<td>EVPP - Global Programs and Strategy</td>
</tr>
<tr>
<td>UM Crockett</td>
<td>EVPP - Office of Undergraduate Education</td>
<td>School of Dentistry</td>
<td>EVPP - MN Extension</td>
</tr>
<tr>
<td>UM Duluth</td>
<td>EVPP - Office of Faculty Affairs</td>
<td>School of Public Health</td>
<td>EVPP - University Libraries</td>
</tr>
<tr>
<td>UM Morris</td>
<td>EVPP - Office of Public Engagement</td>
<td>SVPFO - Capital Project Management</td>
<td>Medical School</td>
</tr>
<tr>
<td>UM Rochester</td>
<td>Office of Equity &amp; Diversity</td>
<td>SVPFO - Public Safety</td>
<td>Office of Academic Clinical Affairs</td>
</tr>
<tr>
<td>SVPFO - Finance/Controller</td>
<td>Office of the General Counsel</td>
<td>SVPFO - University Health &amp; Safety</td>
<td>Office of the VP for Health Sciences</td>
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<tr>
<td>SVPFO - Information Technology</td>
<td>Office of the President</td>
<td>SVPFO - University Services</td>
<td>Office of VP for Research</td>
</tr>
<tr>
<td></td>
<td>University Relations</td>
<td></td>
<td>School of Nursing</td>
</tr>
</tbody>
</table>
PEAK Model Elements

There are four primary elements of the PEAK Service Delivery Model depicted by Organizational Alignment and Primary Focus.
# Human Resources Service Delivery Model

## Services and Model Alignment

<table>
<thead>
<tr>
<th>Campus/Unit Based Leads</th>
<th>Operations Centers</th>
<th>Centers of Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Leads</td>
<td></td>
<td>Central HR</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee and Labor Relations</td>
<td>Workforce Data Management</td>
<td>Talent Acquisition</td>
</tr>
<tr>
<td>Workforce Strategy and Planning</td>
<td>Leave of absence</td>
<td>Learning and Talent Development</td>
</tr>
<tr>
<td>Overall Consultative Support</td>
<td>Benefits</td>
<td>Total Rewards</td>
</tr>
<tr>
<td></td>
<td>Talent Acquisition Operations</td>
<td></td>
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<tr>
<td></td>
<td>Contact Center</td>
<td>Employee and Labor Relations</td>
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<tr>
<td></td>
<td>Payroll</td>
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<tr>
<td></td>
<td>HR Technology</td>
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</tr>
</tbody>
</table>
## Finance Service Delivery Model

### Services and Model Alignment

<table>
<thead>
<tr>
<th>Campus/Unit Based Leads</th>
<th>Operations Centers</th>
<th>Centers of Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chief Financial Managers</strong></td>
<td>• Accounts Receivable&lt;br&gt;• Accounts Payable&lt;br&gt;• Accounting&lt;br&gt;• Purchasing&lt;br&gt;• Purchasing Contracts</td>
<td><strong>Central Finance</strong>&lt;br&gt;• Central units responsible for policy and compliance&lt;br&gt;• Controller, tax, real estate, debt, treasury, etc.</td>
</tr>
<tr>
<td>• Overall consultative planning, forecasting, budgeting, and analysis support</td>
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</tr>
</tbody>
</table>

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# Marketing & Communications Service Delivery Model

## Services and Model Alignment

<table>
<thead>
<tr>
<th>Campus/Unit Based Leads</th>
<th>Operations Centers/Centers of Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing &amp; Communications Leads</strong></td>
<td><strong>University Relations Common Good Services</strong></td>
</tr>
<tr>
<td>• Campus/college/unit strategic planning &amp; execution</td>
<td>• Brand management</td>
</tr>
<tr>
<td>• Overall consultative support and day-to-day support</td>
<td>• Measurement &amp; analytics</td>
</tr>
<tr>
<td>• Liaison to University Relations on Common Good Services</td>
<td>• Creative services</td>
</tr>
<tr>
<td></td>
<td>• Marketing strategy</td>
</tr>
<tr>
<td></td>
<td>• Digital communications</td>
</tr>
<tr>
<td></td>
<td>• Increased collaboration with Office of Information Technology &amp; campus/college/unit developers</td>
</tr>
</tbody>
</table>
## Information Technology Service Delivery Model

### Services and Model Alignment

<table>
<thead>
<tr>
<th>Campus/Unit Based Leads</th>
<th>Operations Centers</th>
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</tr>
</thead>
<tbody>
<tr>
<td>IT Leads</td>
<td>Academic Technology</td>
<td>Office of Information Technology</td>
</tr>
<tr>
<td><strong>Promote use of institutional standards</strong></td>
<td><strong>Expansion of services</strong></td>
<td><strong>Explore innovation and opportunities rising in campus/college/units</strong></td>
</tr>
<tr>
<td><strong>Liaison to Office of Information Technology on annual planning process</strong></td>
<td><strong>Video editing, captioning, recording</strong></td>
<td><strong>Support creation of scalability</strong></td>
</tr>
<tr>
<td><strong>Align on institutional practices and provide insight on objectives and results</strong></td>
<td><strong>Assessing and evaluating new tools &amp; practices</strong></td>
<td><strong>Partner with IT Leads to support development</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Facilitating/navigating the request-for-proposal process</strong></td>
<td></td>
</tr>
</tbody>
</table>
Recent Phase 1 Successes

- Centralized Leave of Absence services
- Added key talent in service center operations
- Aligned for 100% integration of Information Technology in Phase 1
- Developed consistent approach to workforce transition process across four functional areas
PEAK Phase 1 Implementation Milestones

- Confirm Approach
- Operational Alignment
- Plan Workforce Transition
- Expression of Interest
- Talent & Work Realignment
- Training
- Readiness Confirmation

- Fall 2022
- Spring 2023
- Summer 2023
Questions?
AGENDA ITEM: Ongoing Impacts of COVID-19 on University Finances and Operations

☐ 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
Ken Horstman, Vice President for Human Resources

PURPOSE & KEY POINTS

The purpose of this item is to provide an update on COVID-19’s ongoing impacts on the University’s finances and operations and efforts to adapt, evolve, and address those impacts.

Ongoing COVID-19 Impacts

At its February 2022 meeting, the committee discussed an estimated budgetary shortfall of $253 million due to the COVID-19 pandemic for March 2020 through June 2022. The University addressed this shortfall through decisions implemented in the annual budgets, internal reserves, and the allocation of Federal Institutional Relief Aid.

At that time, it was projected that although the financial impacts of COVID-19 would lessen, they would continue at least through FY 2023, with revenue losses as an ongoing, potential concern. These revenue challenges have continued as projected. However, as the University emerges from the pandemic it becomes difficult to determine whether the University should continue to attribute certain ongoing changes in revenue and operations to the pandemic, given the complex factors. For example, mask mandates and the cancellation of study abroad programs were entirely new to the University and were in direct response to the pandemic. However, hybrid/remote work arrangements, location or program-specific declines in enrollment, and enhanced student services were already occurring due to other factors (e.g., changes in the labor market) and not entirely caused by COVID-19.

Impact on Operations

COVID-19 primarily affected University operations by accelerating changes that were already underway and altering the trajectory of those changes. The presentation will discuss the following impacts on operations in more detail:

- Changes brought on by ”Work. With Flexibility” guidance
  o Effective implementation of remote work
- Plans for space use across the system
- Reduction in services due to fewer people on campus

**Change in Safety and Security Protocols**
- Preparedness – Emergency Management Policy Committee
- Individual safety practices
- Physical/building security changes

**Lasting change in student and employee needs and expectations leading to changes in operations**
- Increased mental health concerns
- Modified instructional and service delivery
- Altered partnerships with external groups

**Impact on Financial Situation**

The University has not attempted to quantify the ongoing financial impact of COVID-19 for FY 2023 and beyond due to the complex economic, social, and other factors that make it difficult to distinguish which factors are COVID-related or the “new normal” circumstances. Such determinations would greatly alter the outcome of the analysis, and the University does not want to under- or overstate the ongoing impact of the pandemic.

Regardless, the University will continue addressing challenges through the budget process, which is designed to facilitate managing changes. This includes any ongoing declines in revenues, which will be dealt with over time by either rebuilding the revenues or adjusting operations through reduced spending for better alignment with projected future revenues. Some revenues may not recover to pre-COVID levels for several years, or perhaps ever. The presentation will discuss the following financial situations in more detail:

- **Reduced growth or decline in revenues compared to pre-COVID expectations**
  - Tuition and fees (enrollment related)
  - Sales (clinical income, ticketed events, inter-departmental, etc.)
  - Grant activity (disrupted or stalled in some areas)

- **Change in expenses compared to pre-COVID expectations**
  - Regular purchase of items as a direct result of the pandemic
  - Accelerated or increased spending on improvements or evolving practices
  - Reduced activity leading to decreased expense in some categories

**BACKGROUND INFORMATION**

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

- February 2022: *Ongoing Impacts of COVID-19 on University Finances*
- June 2021: *President's Recommended FY 2022 Annual Operating Budget*
- May 2021: *FY 2021 Annual Operating Budget Update*
Ongoing Impacts of COVID-19

Myron Frans, Senior Vice President
Julie Tonneson, Vice President and Budget Director
Ken Horstman, Vice President for Human Resources

Finance & Operations Committee
February 9, 2023

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS
World Class Services for a World Class University
Topics for this agenda item include:

• Review financial impact from prior years
• Present and discuss ongoing COVID-19 impacts on operations and finances
Estimated Financial Impact: FY 2020-2022
(last calculated and reported February 2022)

FY 2020: $65 million
-driven by refunds to students and revenue losses

FY 2021: $149 million
-driven by revenue losses in tuition, room & board, misc.

FY 2022: $39 million
-driven by revenue losses in tuition, room & board, misc.

Total: $253 million
-addressed through decisions made in the University’s budget process, internal reserves, and federal relief aid.
Continuing Impacts of COVID-19
Classification Changes

1. Not related at all to the pandemic?

2. Directly attributable to the pandemic?

3. Already underway prior to the pandemic, but accelerated?
COVID-19 Impact on Operations

Hybrid work arrangements

• Work. With Flexibility
• Space implications
  o Elimination of leased space
  o Planning for future space needs
• Service Implications
  o Demand for some services decreased
COVID-19 Impact on Operations

Safety/emergency protocols

• Implemented requirement for masking in clinical settings or where research participants or patients are present

• Changed assessment of classroom ventilation

• Reformatted the Emergency Management Policy Committee

• Increased security personnel on campus
COVID-19 Impact on Operations

Impact on individuals ➔ Impact on operations

- Increased student mental health concerns
- Increased strain on faculty
- Increased demand on student services
- Increased pressure/burden on healthcare partners
COVID-19 Impact on Finances

• Revenue challenges
  o Rebuilding revenues (ticketed events, NRNR tuition, etc.)
  o Adjusting operations to align with the resources available

• Expense patterns
  o Accelerated investment in space and technology upgrades
  o Staff to support a hybrid learning environment
  o New purchases - masks, cleaning supplies, etc.
  o Targeted cost savings (e.g. travel)

• Demonstrated the importance of reserves
Ongoing Efforts

• The University must continue to adapt its operations as higher education evolves and external drivers impact our work.

• The budget process will continue to identify and address financial challenges moving forward.
AGENDA ITEM: FY 2024 Annual Operating Budget Framework

☐ Review  ☐ Review + Action  ☐ Action  ☒ 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 to discuss the FY 2024 Annual Operating Budget Framework, highlighting revenue and expense categories. This is the final committee discussion on the FY 2024 budget before presentation of the President’s Recommended Annual Operating Budget for FY 2024 at the June 2023 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 budget planning, 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. In addition, in times of significant budget disruptions, available funds in Central Reserves can be accessed to cover one-time needs or bridge to future revenue growth or spending reductions. The presentation will include a summary of recent Central Reserves balances.

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 like 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 “households” 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, and 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 certain 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 related to their programming and operations during the annual budget development process. This process allows units to communicate projected cost increases exceeding the general categories mentioned above, that subsequently require central decisions about whether to invest a portion of the planned strategic investment pool to cover these costs or to direct 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 Consumption 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, recent experience related to recruitment and retention of employees, and the balance between available resources (including required internal reallocations), other framework costs, and strategic investment plans.

For FY 2024 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* = $6.0 million
- One percent salary increase framework funds* = $13.0 million
- Fringe with no salary increase all funds = $12.0 million
- One percent salary increase all funds = $26.0 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 the framework.

Current estimated increases in required facilities and technology costs are as follows:

- Facilities Expenses = $13.0 million
- Technology Licensing/Maintenance = $1.7 million

Recent experience in increases for other operating and strategic cost categories has been as follows:

- Other Core Operations = $5.0 to $10.0 million
- Strategic Choices = $10.0 to $20.0 million

Resource Categories

State Appropriation

In the biennial budget proposal to the state for the 2024-2025 biennium, the University is requesting a continuation of our base healthcare access fund appropriation ($2,157,000 annually for primary care education initiatives), our cigarette tax appropriation
($22,250,000 annually for the academic health center), and our general fund appropriations ($689,256,000 annually as Operations & Maintenance and State Specials) with incremental increases for the following (as approved by the Board in October):

- An incremental increase of $45 million in each year of the biennium (in FY 2024 and again in FY 2025 for a recurring total increase of $90 million entering the following biennium) for core mission support: to hold down tuition increases, support student services, ensure delivery of high-quality instruction, research, and public service, and provide safe, maintained spaces for students, employees, and the citizens that share our campuses every year.
- An increase of $30 million beginning in FY 2024 and continuing at that level thereafter for a new Minnesota Resident Scholarship Program: $20 million to support multi-year awards to resident undergraduates entering as freshmen on the Crookston, Duluth, Morris, and Rochester campuses and $10 million to support multi-year awards for first-generation students entering as freshmen or transferring to the Twin Cities campus.
- An increase of $5 million beginning in FY 2024 and continuing at that level thereafter for public safety staff and implementation of a state-of-the-art security system (building access card technology, cameras, vehicles, equipment) for all five campuses.

Activities described in the second and third bullets above ($35 million of the total $80 million requested in FY 2024) will not be implemented in FY 2024 if they are not funded by increased state appropriations.

**Tuition**

Decisions related to resident and nonresident undergraduate rates for FY 2024 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 2024, each one percent increase in resident undergraduate tuition is equivalent to the following in estimated incremental new tuition revenue:

- Twin Cities campus = $3.4 million
- Other system campuses combined = $1.2 million

For FY 2024, each one percent increase in nonresident undergraduate tuition is equivalent to the following in estimated incremental new tuition revenue:

- Twin Cities campus = $1.3 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 0 to 3.5 percent range over the last several years. Each one percent increase in these tuition rates (if all were to be raised at the same rate) would generate an estimated $3.7 million in new tuition revenue.
Re allocation

Re allocation 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 nine 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 has not been identical (across-the-board) for all units. 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 planned revenue increases and priority costs and investments.

As the University plans the budget for FY 2024 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. 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’ abilities to manage this reallocation process in the future, but is not expected to impact FY 2024 budget plans.

BACKGROUND INFORMATION

The Board discussed aspects of the FY 2024 annual operating budget framework at three Finance & Operations Committee meetings:

- December 2022: FY 2024 Budget Variables and Levers
- October 2022: President’s Recommended FY 2024-25 Biennial Budget Request - Action
- September 2022: President’s Recommended FY 2024-25 Biennial Budget Request – Review

The committee will review the President’s Recommended FY 2024 Annual Operating Budget at the June 8 meeting and take action at a special meeting later in June.
FY 2024 Annual Operating Budget Framework

Julie Tonneson, Vice President and Budget Director

Finance & Operations Committee

February 9, 2023

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS
World Class Services for a World Class University
Today’s Agenda – FY 2024 Framework

- Framework as Part of the Normal Process
- Expenditure Estimates and Budget Planning
- Resource Options and Planning
  - Central Reserves Update
- Pulling it All Together – Example Scenarios
“Budget Framework”

Change in Available Resources \(=\) or \(>\) Change in Costs and Investments
FY 2023 Framework – Approved Budget

**Incremental Recurring Resources:**

- Increased State Appropriations: $2,500,000
- Tuition Revenue: $34,500,000
- Unit Reallocations: $28,100,000
- One-Time Balances to Bridge: $8,700,000
- Unit – Other Revenue Increases: $13,300,000

**Total: Incremental Resources** = $87,100,000

**Incremental Recurring Expenditures:**

- Compensation and Benefits: $51,000,000
- Core Operations and Services: $20,000,000
- MPact 2025 & Program Enhancement and Compliance: $13,200,000
- Facilities and Technology Infrastructure: $2,800,000

**Total: Incremental Expenditures** = $87,000,000

**Balance:** $100,000
### University of Minnesota

#### All-Funds Budget Plan

**FY23**

#### RESOURCES

<table>
<thead>
<tr>
<th>Revenue Current Funds (By Fund)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carry Forward</strong></td>
<td><strong>$1,653,235,964</strong></td>
<td></td>
</tr>
<tr>
<td><strong>State Appropriation</strong></td>
<td><strong>$621,968,000</strong></td>
<td>40%</td>
</tr>
<tr>
<td><strong>Tuition</strong></td>
<td><strong>$1,050,697,671</strong></td>
<td></td>
</tr>
<tr>
<td><strong>State Special</strong></td>
<td><strong>$93,095,000</strong></td>
<td>2%</td>
</tr>
<tr>
<td><strong>Sales, Fees, and Misc</strong></td>
<td><strong>$405,181,338</strong></td>
<td>10%</td>
</tr>
<tr>
<td><strong>Indirect Cost Recovery</strong></td>
<td><strong>$184,152,125</strong></td>
<td>4%</td>
</tr>
<tr>
<td><strong>Auxiliary Enterprises</strong></td>
<td><strong>$360,306,547</strong></td>
<td>9%</td>
</tr>
<tr>
<td><strong>Internal Sales</strong></td>
<td><strong>[254,319,752]</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Private Practice</strong></td>
<td><strong>$138,905,209</strong></td>
<td>3%</td>
</tr>
<tr>
<td><strong>Federal Appropriations</strong></td>
<td><strong>$18,321,999</strong></td>
<td>0%</td>
</tr>
<tr>
<td><strong>Gifts &amp; Endowment Income</strong></td>
<td><strong>$275,777,793</strong></td>
<td>7%</td>
</tr>
<tr>
<td><strong>Restricted Grants, Contracts &amp; Misc</strong></td>
<td><strong>$331,456,980</strong></td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total Nonsponsored Revenues</strong></td>
<td><strong>$3,479,862,663</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Estimated Sponsored Revenues</strong></td>
<td><strong>$675,000,000</strong></td>
<td>16%</td>
</tr>
<tr>
<td><strong>Total Annual Revenues - Current Funds (b+c)</strong></td>
<td><strong>$4,154,862,663</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total Resources All Current Funds (a+d)</strong></td>
<td><strong>$5,808,098,627</strong></td>
<td></td>
</tr>
</tbody>
</table>
Central Reserves - Restored

<table>
<thead>
<tr>
<th>Carryforward</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>*FY23</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$27.2</td>
<td>$41.6</td>
<td>$26.1</td>
<td>$13.6</td>
<td>$8.1</td>
</tr>
</tbody>
</table>

Net Revenues

- FY19: $34.3
- FY20: $27.6
- FY21: $18.3
- FY22: $24.4
- *FY23: $50.8

Allocations

- FY19: ($19.9)
- FY20: ($43.1)
- FY21: ($30.8)
- FY22: ($29.9)
- *FY23: ($21.0)

Balance

- FY19: $41.6
- FY20: $26.1
- FY21: $13.6
- FY22: $8.1
- *FY23: $37.9

* COVID
* Excludes planned withdrawal and allocation of TIP in CEF

All $ in millions
Planning for Framework Funds
Budget Variables

“What do we want to plan for in...”

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

- general salary increase (applying known fringe rate changes)?
- “must-do” cost increases related to facilities, technology, safety, and compliance
- investment beyond “must do” – priorities that we should address
Expenditure Estimates and Planning
### Maintain the Core Mission

<table>
<thead>
<tr>
<th>Compensation</th>
<th>Facilities/Tech.</th>
<th>Supplies/Equip etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe – 0% Salary</td>
<td>Facilities:</td>
<td>Inflation and program driven purchases</td>
</tr>
<tr>
<td>• “other funds” = $6m</td>
<td>• Utilities - +9%/$8M</td>
<td>Units cover within “churn” of their budgets or</td>
</tr>
<tr>
<td>• State &amp; Tuition = $6m</td>
<td>• Debt Service - +10%/$5M</td>
<td>Units bring forward for central consideration as “significant financial concerns” = strategic investment (next slide)</td>
</tr>
<tr>
<td>Salaries – each 1%</td>
<td>• Leases - down</td>
<td></td>
</tr>
<tr>
<td>• “other funds” = $13m</td>
<td>Technology Licensing &amp; Maintenance - +$2M</td>
<td></td>
</tr>
<tr>
<td>• State &amp; Tuition = $13m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Beyond the Core Mission – Invest in Strategic Goals

Academic and support units
- Enhance/strengthen programs and services statewide
- Take advantage of opportunities/Move in new directions
- Address structural budget issues

“Typical” investment pool goal = $10.0m to $20.0m
Resource Options and Planning: Constrained by Available Resources

- State $$
- Tuition
- Reallocations
State Appropriation – Slow and Minimal Growth

*Includes Cigarette Tax and MnCare – excludes nonrecurring project appropriations
Biennial Budget Request – General Fund

<table>
<thead>
<tr>
<th></th>
<th>2024 Increment</th>
<th>2025 Increment</th>
<th>Biennial Math</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Mission</td>
<td>$45.0M</td>
<td>$45.0M</td>
<td>$135.0M</td>
</tr>
<tr>
<td>Percent Increase</td>
<td>6.5%</td>
<td>6.1%</td>
<td></td>
</tr>
<tr>
<td>MN Resident Scholarship</td>
<td>$30.0M</td>
<td>$0.0M</td>
<td>$60.0M</td>
</tr>
<tr>
<td>Public Safety</td>
<td>$5.0M</td>
<td>$0.0M</td>
<td>$10.0M</td>
</tr>
<tr>
<td>Total University Request</td>
<td>$80.0M</td>
<td>$45.0M</td>
<td>$205.0M</td>
</tr>
<tr>
<td>Percent Increase</td>
<td>11.6%</td>
<td>5.8%</td>
<td>14.9%</td>
</tr>
</tbody>
</table>
Tuition Goals

- Resident undergraduate TC
  - *keep within inflation*

- NRNR undergraduate TC
  - *align with resident changes as building from pandemic drop*

- Resident and NRNR undergraduate system campuses
  - *differential from TC?*

- Graduate and professional
  - *keep within inflation*

**Estimate/Potential for FY24**

- $3.4m per 1%
- $1.3m per 1%
- $1.3m per 1%
- $3.7m per 1%
Repurposing Existing Resources

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

Note: FY 2020 and FY 2021 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

<table>
<thead>
<tr>
<th>Incremental Resources - Examples</th>
<th>Incremental Expenditures - Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tuition</strong></td>
<td><strong>Compensation</strong></td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$1.0%</td>
<td>$6m</td>
</tr>
<tr>
<td>$1.5%</td>
<td>$13m</td>
</tr>
<tr>
<td><strong>TC Resident Undergrad</strong></td>
<td><strong>Fringe Alone</strong></td>
</tr>
<tr>
<td>$0</td>
<td>$0.1m</td>
</tr>
<tr>
<td>$3.4m</td>
<td>$32m</td>
</tr>
<tr>
<td>$5.1m</td>
<td>$2%=$32m</td>
</tr>
<tr>
<td><strong>System Campus Res Undergrad</strong></td>
<td><strong>Salary Increase (assoc. fringe)</strong></td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$1.2m</td>
<td>$0m</td>
</tr>
<tr>
<td>$1.8m</td>
<td>$13m</td>
</tr>
<tr>
<td><strong>TC NRNR Undergrad</strong></td>
<td><strong>Other Costs</strong></td>
</tr>
<tr>
<td>$0</td>
<td>Minimum</td>
</tr>
<tr>
<td>$1.3m</td>
<td>Invest</td>
</tr>
<tr>
<td>$1.9m</td>
<td>Advance</td>
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<tr>
<td><strong>System Campus NRNR Undergrad</strong></td>
<td><strong>Facilities</strong></td>
</tr>
<tr>
<td>$0</td>
<td>$12.8m</td>
</tr>
<tr>
<td>$0.1m</td>
<td>$20.0m</td>
</tr>
<tr>
<td>$0.2m</td>
<td>$40.0m+</td>
</tr>
<tr>
<td><strong>Resident Grad &amp; Professional</strong></td>
<td><strong>Technology</strong></td>
</tr>
<tr>
<td>$0</td>
<td>$1.7m</td>
</tr>
<tr>
<td>$2.1m</td>
<td>$4.0m</td>
</tr>
<tr>
<td>$3.0m</td>
<td>$8.0m+</td>
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<tr>
<td><strong>NRNR Grad &amp; Professional</strong></td>
<td><strong>Request</strong></td>
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<tr>
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<td>$3.0m</td>
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<tr>
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<td>$7.0m</td>
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<tr>
<td>$2.4m</td>
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<tr>
<td><strong>State Appropriation</strong></td>
<td><strong>Maintain/Strengthen Support Core</strong></td>
</tr>
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<td>$80.0m</td>
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<td><strong>1.0%</strong></td>
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<td><strong>1.5%</strong></td>
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<tr>
<td><strong>2.0%</strong></td>
<td><strong>Maintain/Strengthen Academic Core</strong></td>
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<td><strong>Internal Reallocation</strong></td>
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<td>$20.0m</td>
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<td>$40.0m</td>
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## FY24 Example Frameworks for Incremental Budget Changes

<table>
<thead>
<tr>
<th>Resources</th>
<th>Example 1</th>
<th>Example 2</th>
</tr>
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<tbody>
<tr>
<td>1 Tuition-Res Undergrad</td>
<td>14,000,000</td>
<td>18,600,000</td>
</tr>
<tr>
<td>2 Tuition-Nonres Undergrad</td>
<td>4,200,000</td>
<td>5,600,000</td>
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<tr>
<td>3 Tuition-Grad &amp; Professional</td>
<td>10,000,000</td>
<td>12,800,000</td>
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<tr>
<td>4 New State Appropriation-Core Mission</td>
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<td>5 New State Appropriation-Targeted</td>
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<td>6 Reallocation - General</td>
<td>16,000,000</td>
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<td>7 Other Revenues-TBD</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Resources</strong></td>
<td><strong>124,200,000</strong></td>
<td><strong>112,000,000</strong></td>
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### Costs

<table>
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<tr>
<th>Costs</th>
<th>Example 1</th>
<th>Example 2</th>
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</thead>
<tbody>
<tr>
<td>16 Compensation - Fringe (no salary increase)</td>
<td>6,000,000</td>
<td>6,000,000</td>
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<tr>
<td>17 Compensation - Salary Increase</td>
<td>48,750,000</td>
<td>42,250,000</td>
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<td>18 Facilities</td>
<td>12,800,000</td>
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<tr>
<td>19 Tech Licenses/Maint.</td>
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<td>20 New State $-Scholarship/Public Safety</td>
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<td>21 Program/Service Investments (Core +)</td>
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<td>14,000,000</td>
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<tr>
<td><strong>Total Challenge/Spend</strong></td>
<td><strong>124,250,000</strong></td>
<td><strong>111,750,000</strong></td>
</tr>
<tr>
<td>24 Balance - Resources over Challenge</td>
<td>(50,000)</td>
<td>250,000</td>
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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Finance & Operations  February 9, 2023

AGENDA ITEM: Real Estate Transactions

☐ Review  X Review + Action  ☐ Action  ☐ Discussion

☐ This is a report required by Board policy.

PRESENTERS: Leslie Krueger, Assistant Vice President for Planning, Space, and Real Estate
Brian Buhr, Dean, CFANS

PURPOSE & KEY POINTS

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

A. Sale of 2050 Roselawn Avenue West, Falcon Heights (Falcon Heights Community Park, Twin Cities campus)
B. Purchase of 80 Acres in Mower Country (FAARM, Twin Cities campus)

BACKGROUND INFORMATION

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

PRESIDENT’S RECOMMENDATION

The President recommends approval of the following real estate transactions:

- Sale of 2050 Roselawn Avenue West, Falcon Heights (Falcon Heights Community Park, Twin Cities campus)
- Purchase of 80 Acres in Mower Country (FAARM, Twin Cities campus)
SALE OF 2050 ROSELAWN AVE W  
(FALCON HEIGHTS COMMUNITY PARK), FALCON HEIGHTS, MN  
(Twin Cities Campus)

1. **Recommended Action**

The President recommends that the appropriate administrative officers receive authorization to sell approximately 15.6 acres at 2050 Roselawn Ave W, Falcon Heights (otherwise known as Falcon Heights Community Park), Ramsey County, Minnesota.

2. **Location and Description of the Property**

The City of Falcon Heights has leased land from the University at the corner of Cleveland Avenue and Roselawn Avenue for park purposes since 1958 – first leasing 2.5 acres of land, then in 1972 expanding the park’s footprint to its current geography. The subject property is approximately 15.6 acres of parkland with an existing park building on the site. The existing park building is in disrepair, and the City of Falcon Heights wishes to renovate/reconstruct the facility.

The legal description of the property:

The North 940 feet of that part of the SW 1/4 Section 16, Township 29, Range 23, lying West of the westerly line of Block 2, Falcon Woods, the westerly line of Block 5, Falcon Woods No. 2, and said westerly line extended in a southerly direction, according to the plats thereof on file and of record in the office of the Register of Deeds in and for Ramsey County, Minnesota, subject to the rights of the public over any portion thereof for highways, consisting of about 15.6 acres, more or less.

This legal description will be finalized via ALTA land title survey prior to closing, subject to University’s reasonable administrative approval.

3. **Basis for Request**

The City of Falcon Heights has leased this property for $1 per acre from the inception of the lease. The current lease expires at the end of 2024. Rather than renewing the lease for another 15-20 years, the City has requested the University consider a sale of the property to the City. According to the City, free ownership of the land will allow the City to apply for grants for the renovation/reconstruction of the existing park building that would not otherwise be available under a lease arrangement.
This potential disposition is aligned with the guiding principles in Board of Regents Policy: *Real Estate and Facilities*. The University has not used this property for mission-related purposes for over 50 years (principle A), and the sale will positively impact areas adjacent to the University (principle D). Disposition is also in alignment with the Twin Cities Campus Plan (principle B), adopted in December 2021.

4. **Details of the Transaction**

The total price for this transaction is approximately $1,107,127.00 or $1.625 per square foot of land. The final sale value will be determined by the land area specified in the survey at $1.625 per square foot. This price is consistent with the two appraisals obtained for the property. These appraisals are based upon the limited use of the property for park land. If alternative land uses were to be considered, the appraised value would be considerably higher. As a result, the property will include a restriction that limits the future use of the land for park purposes only.

The buyer is the City of Falcon Heights. The buyer will pay all closing costs. The sale is contingent upon Board of Regents’ approval.

5. **Use of Property**

The City of Falcon Heights will own and continue to operate the property as Falcon Heights Community Park.

6. **Environmental Considerations**

The property will be sold “as is”.

7. **Source of Funding**

Proceeds of the sale will be put in a reserve account for future land acquisitions on the Twin Cities campus.
Real Estate Transaction:
Sale of 2050 Roselawn Avenue West, Falcon Heights
(Falcon Heights Community Park)

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

Finance & Operations Committee
February 9, 2022

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

- Falcon Heights Community Park located at the corner of Cleveland Ave and Roselawn Ave
- Subject property is ~15.6 acres of parkland with an existing park building on the site
- The existing park building is in disrepair, and the City of Falcon Heights wishes to renovate/reconstruct the facility
The City of Falcon Heights has leased land from the University for park purposes since 1958, initially leasing 2.5 acres, and then expanding the park footprint to its current acreage in 1972.

The lease has been $1 per acre from the inception of the lease. The current lease expires at the end of 2024.

The City of Falcon Heights would like to purchase the park outright in order to apply for grants that would fund renovation/reconstruction of the existing park building.
What is the strategic value to the University in disposing of this property?

<table>
<thead>
<tr>
<th>Draft Guiding Principles for Real Estate Transactions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Support the University’s teaching, research, and service mission and align with the MPact 2025 Systemwide Strategic Plan</td>
<td>✓</td>
</tr>
<tr>
<td>Align with campus master plans</td>
<td>✓</td>
</tr>
<tr>
<td>Provide strategic value when balanced against scarce resources and minimize financial liability</td>
<td>✓</td>
</tr>
<tr>
<td>Positively impact areas adjacent to the University or limit negative impact</td>
<td>✓</td>
</tr>
</tbody>
</table>
Transaction Overview

• Sale Price: approximately $1,107,127.00 or $1.625 per square foot of land
• The final sale value will be determined by the land area specified in the survey at $1.625 per square foot.
• The buyer is the City of Falcon Heights.
• The City of Falcon Heights will own and continue to operate the property as Falcon Heights Community Park.
### Sale of 2050 Roselawn Ave W

**Falcon Heights Community Park**

**Twin Cities Campus, St Paul (Falcon Heights)**

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

Base Data: Real Estate Office, University Services GIS, MnDNR, Met Council, Hennepin Co

1/23/2023
PURCHASE OF 80 ACRES – DAVID AND CHRISTINE MEYER
UDOLPHO TOWNSHIP, MOWER COUNTY, MN
(University’s FAARM Program)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to purchase 80 acres of farmland in Udolpho Township, Mower County, Minnesota.

2. Location and Description of the Property

The subject property is located on the northwest corner of 320th Street and 540th Avenue. It consists of 80 acres of farmland with no structures on the site, however, the site is bisected by a drainage ditch. The farmland has been tilled and rotated for corn and or soybeans for many years. Cement drain tile was installed in the fall of 1980, with some additional/replacement tile installed in fall of 1993. The crop productivity index for the property is 85.1, which is about average for the area.

The legal description of the property is as follows:

Tax parcel ID number: 18.010.0030, Udolpho Township, Mower County, Minnesota. The Legal description to be finalized upon completion of an ALTA land title survey.

3. Basis for Request

FAARM is a key component of the MPact 2025 Systemwide Strategic Plan goal to develop and deploy new techniques and partnerships for smart farming and sustainable food supplies, as well as expanding, developing, and retaining agricultural and food system talent in rural communities and agribusinesses. FAARM centers around the development of an integrated and advanced agricultural research and education complex dedicated to improving the health of animals, humans, and the environment at local, regional, and global scales. The University, in collaboration with Minnesota State, will facilitate the development of a new digital, autonomous, and integrated advanced agricultural complex that studies the intersection of human, animal, plant, and environmental health.

In order to support the FAARM program, the University has identified the need to acquire approximately 1,600 acres of land in Mower County. As part of the feasibility study for FAARM, the University identified several potential areas in Mower County that met our location criteria. The University has been working with landowners in the area on this complex land assembly process. This 80-acre parcel is one of the many parcels that are intended to make up the 1,600 acres.
4. **Details of the Transaction**

The total purchase price for this transaction is $1,000,000.00 or $12,500 per acre (consistent with the two MAI appraisals). The owner/seller is David and Christine Meyer, husband and wife.

Under this Purchase Option Agreement, within 3 days of the effective date (execution by both parties), the University will deposit $5,000 option payment with the Title Company. The option period runs through December 31, 2023. The University may exercise its option at any time during the option period by providing notice to the Seller and depositing $20,000 earnest money. Under this Purchase Option Agreement, closing would likely occur sometime in January 2024, this is a cash / 1031 exchange transaction, the option payment and earnest money deposit are applied to the purchase price at closing. If the University does not exercise its option, the $5,000 option payment is granted to the Seller as compensation for limiting the owners’ ability to sell the property to another buyer during the option period.

There is an existing farm lease on the property. The University will have the option to renew this lease with the tenant, based upon the time of closing and the plans for the property.

The sale is contingent upon the University completing its due diligence and Board of Regents’ approval.

5. **Use of Property**

The University will use the property for the FAARM program. The specific use of the site will be determined during the design process.

6. **Environmental**

The University will complete the necessary environmental due diligence prior to close.

7. **Source of Funding**

The University will issue debt for this transaction.
Real Estate Transaction:
Purchase of 80 Acres in Mower County, MN
(FAARM)

Brian Buhr, Dean, CFANS
Leslie Krueger, Assistant Vice President for Planning, Space, and Real Estate

Finance & Operations Committee
February 9, 2023

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS
World Class Services for a World Class University
MPact 2025

Commitment 3: MNtersections

**Goal 9**
Advance natural resources and agro-food systems to elevate human security and potential.

**Actions**
- Develop and deploy new techniques and partnerships for smart farming and sustainable food supplies, and natural resources
- Expand, develop and retain agricultural and food system talent in rural communities and agribusiness.
The Vision for FAARM is an integrated advanced agriculture complex with a one-health approach that studies every aspect of cattle, hogs, and poultry - from the crops used to feed them, to the intersection of human and animal health - and how those animals impact soil health, water quality, and climate.
Discovery Center: Experiential Vertical Education

- Open Viewing & Outreach Programs
- Riverland + UMN = Vertical Discovery
- World Class Research
  Enterprise Attracts Brilliance
- Talent Develop + Innovation
  Transformational Economic Growth
"Line of Sight" points to three interconnected research thrusts:

**Digital and Autonomous Agriculture**
- Ag. Informatics and Data Analytics
- Sensors & Data Capture
- Automation/Robotics

**Research at FAARM**

**Integrated and Resilient Farming Systems**
- Integrated Cropping Systems
- Manure Management
- Climate/Environment
- Alternative Protein

**Animal Health and Nutrition**
- Feed and nutrition
- Microbiome
- One Health
- Alternative Protein
What is the strategic value to the University in acquiring this property?

<table>
<thead>
<tr>
<th>Draft Guiding Principles for Real Estate Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support the University’s teaching, research, and service mission and align with the MPact 2025 Systemwide Strategic Plan</td>
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<tr>
<td>Align with campus master plans</td>
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<tr>
<td>Provide strategic value when balanced against scarce resources and minimize financial liability</td>
</tr>
<tr>
<td>Positively impact areas adjacent to the University or limit negative impact</td>
</tr>
</tbody>
</table>
Property Overview

• The total amount of acreage needed to support the entire FAARM program is approximately 1,600 acres.

• Potential sites for the FAARM program were identified via an intensive feasibility study and other GIS reporting.

• The University has pursued a group of parcels within its top priority area, the first of which will be presented today.
Process Overview

• Land Assembly – The University has identified landowners open to disposition of farmland in the priority area for the site.

• Negotiate Purchase Option Agreements – Each transaction involves complex legal arrangements such as 1031 exchanges, contracts for deed, and lease-back agreements.

• Board Approval – These transactions will be presented for Board approval as they are executed.

• Due Diligence – Each transaction will also be contingent upon the findings of a due diligence process.
Transaction Overview – Meyer Property

- 80 acres of farmland in Udolpho Township, Mower County, Minnesota
- Purchase Price: $1,000,000 or $12,500 per acre
- Owner/seller: David and Christine Meyer
- Purchase Option Agreement
  - Option Period through 12.31.23
  - Potential for 1031 Exchange
  - Existing farm lease
The University of Minnesota is an equal opportunity educator and employer.
FAARM Acquisition:
David A Meyer
~80 Acres, Sec. 10, Udolpho Twp, Mower County
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 Clearspan for an estimated $1,350,000 to purchase 5,000 Softphone licenses for all campuses for the period of January 1, 2023 to September 30, 2026 for the Office of Information Technology (OIT). The funding for this purchase comes from OIT's budgeted FY 2023 central O&M funds. See the enclosed documentation for the basis of supplier selection.

- To John Wiley & Sons, Inc (Wiley) for up to an estimated $4,000,000 annually based on enrollments and a revenue-sharing agreement for marketing, recruitment, instructional design, and student support services for the period of January 1, 2023 through December 31, 2029 for Carlson School of Management (Twin Cities) Online & Part-Time MBA, as well as Online Master of Business Taxation and post-baccalaureate certificates. The source of funds is the revenue generated from the tuition paid by students who are recruited and enrolled in these programs. Wiley was selected as the result of a competitive Request for Proposal (RFP) conducted by Purchasing Services. Eight suppliers responded to the RFP and none were a targeted business.

- To John Wiley & Sons, Inc (Wiley) for an estimated $4,417,000 for journal subscriptions for University Libraries (Duluth, Morris, Rochester, and Twin Cities campuses) for the period of January 1, 2023 through December 31, 2025. The estimated costs for this subscription to Wiley are included in the respective campuses’ FY23, FY24, and FY25 budgets. See the enclosed documentation for the basis of supplier selection.
**Capital Improvement Budget Amendments**

The purpose of this item is to seek approval of capital budget amendments for the following projects:

- A.B. Anderson Hall Renewal, Duluth campus
- Center for Magnetic Resonance Research: Expansion Project, Twin Cities campus
- Variety Club Research Center: Space Renovation, Twin Cities campus

Project overviews, which provide the basis for the request, project scope, cost estimate, funding, and schedule, are included in the docket. Site maps locating the projects on their respective campuses are also included.

**Appointment of Representative to the Minnesota Clean Water Council**

The purpose of this item is to seek approval of the reappointment of Dr. Jeffrey Peterson, Director of the University of Minnesota's Water Resources Center and Professor in the College of Food, Agricultural, and Natural Resource Sciences, as the University representative to the Minnesota Clean Water Council. Per policy, the appointment term is four years.

**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.
- Appointment: *Appointments to Organizations and Boards*, Section III, Subd. 9

**PRESIDENT'S RECOMMENDATION**

The President recommends approval of the Consent Report.
Purchase of Goods and Services $1,000,000 and Over

To Clearspan for an estimated $1,350,000 to purchase 5,000 Softphone licenses for all campuses for the period of January 1, 2023 to September 30, 2026 for the Office of Information Technology (OIT).

*Clearspan provides voicemail and related advanced maintenance services for all University campuses. Clearspan is now an independent company and the original equipment manufacturer (OEM) for the brand-compatible equipment and licensing needed to integrate with the University’s existing network.*

*The purchase is an addition to the Clearspan purchase approved by the Board of Regents in September 2021. It includes software support for 5,000 Softphone bundle licenses, with a term that is coterminous with the University’s previously approved 5-year renewal. The purchase locks in pricing for the University with no increase in cost from year to year.*

*The funding for this purchase comes from OIT’s budgeted FY 2023 central O&M funds.*

Submitted by: Nicolle Peterson  
Contracts Manager, OIT Finance  
612-301-2172

Approval of this Item is requested by:

Bernard Gulachek  
Vice President and Chief Information Officer  
(Signature on file in Purchasing Services)
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because the University is standardized on Mitel equipment for its phone networks and infrastructure. Mitel spun off the phone business as Clearspan. Clearspan is now an independent company and is the original equipment manufacturer for the brand-compatible equipment and licensing needed to integrate with the University’s existing telephone network.

A 5-year renewal of the University's Clearspan services was approved by the Board of Regents in 2021. At that time, we purchased a 2,500 softphone bundle. This purchase is an addition to that renewal purchase at the same cost.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price for the University.
Purchase of Goods and Services $1,000,000 and Over

To John Wiley & Sons, Inc (Wiley) for up to an estimated $4,000,000 annually based on enrollments and a revenue sharing agreement for marketing, recruitment, instructional design, and student support services for the period of January 1, 2023 through December 31, 2029 for Carlson School of Management (Twin Cities) Online & Part-Time MBA, as well as Online Master of Business Taxation and post-baccalaureate certificates.

The Carlson School of Management (CSOM) has a suite of working professional graduate management programs offered fully or partly online. These programs compete in a national marketplace with extensive and well-funded competition. After four years of internally funded growth efforts, the college seeks an external partner to achieve the desired scale of enrollment.

CSOM developed a vendor selection rubric in collaboration with Purchasing Services that considered cost, supplier diversity, vendor approach to growth, and vision, among others. Eight suppliers responded to the University’s RFP, which was narrowed to 3 finalists by a committee representing multiple relevant areas of the school (Marketing, IT, MBA & MS Program Office). Wiley was the consensus choice based on the best mix of economics and capabilities.

The source of funds is the revenue generated from the tuition paid by students who are recruited and enrolled in these programs by the vendor.

Submitted by: Philip Miller
CSOM 1-110H
Phone 612-626-0682

Approval of this Item is requested by:

Sri Zaheer January 17, 2023
Dean, Carlson School of Management
(Signature on file in Purchasing Services)
Purchases of Goods and Services $1,000,000 and Over

To John Wiley & Sons, Inc (Wiley) for an estimated $4,417,000 for journal subscriptions for University Libraries (Duluth, Morris, Rochester, and Twin Cities) for the period of January 1, 2023 through December 31, 2025.

*Wiley journal content provides access to unique digital journal content totaling approximately 1,375 subscription journals. Wiley is the only publisher to offer this service.*

*This purchase is a three-year consortia purchase through the Big Ten Academic Alliance (BTAA). The University Libraries/Law will pay approximately $3,880,000 over the three years, while Duluth and Morris will pay $464,000 and $73,000, respectively. The agreement includes a 0%/1%/1% increase for each year, which is a reasonable increase for these types of subscriptions.*

*The estimated costs for this subscription to Wiley are included in the respective campus FY23, FY24, and FY25 budgets. The contract with Wiley is utilizing a competitively bid Big Ten Academic Alliance contract.*

Submitted by: Sunshine Carter
Director
Collection Strategy & eResource Management
218-343-0064

Approval of this Item is requested by:

Rachel Croson
Executive Vice President & Provost
January 17, 2023
(Signature on file in Purchasing Services)
1. **Basis for Project**
   This Capital Budget Amendment addresses the continuation of the previously authorized A.B. Anderson Hall Renewal project, project cost escalation, and significant asbestos abatement costs that necessitated the phasing of the project. Phase 1 is nearing completion and includes upgrades to floors 2-4 and a new mechanical penthouse. Phase 2 consists of upgrades to the first floor that houses fine arts studios, kilns, and art workspaces. This project is necessary to maintain the School of Fine Arts’ accreditation.

2. **Scope of Project**
   The impacted space is located on the first floor of A.B. Anderson Hall, renovated to align with the objectives of the School of Fine Arts to create suitable studio and workspaces. The project scope includes abatement of hazardous materials, demolition of existing mechanical and lighting systems, electrical and mechanical upgrades, fixtures and finishes, and ADA code upgrades.

3. **Campus Plan**
   The project complies with the Duluth Campus Plan adopted in 2013.

4. **Environmental Issues**
   Identified abatement needs include asbestos-containing materials within the project area; the project budget includes these associated abatement costs.

5. **Cost Estimate**
   - Construction Cost: $5,250,000
   - Non-Construction Cost: $1,250,000
   - Total Project Cost (Phase 2): $6,500,000

6. **Capital Funding**
   - UMD Funds: $6,500,000
   - Total Capital Funding (Phase 2): $6,500,000

7. **Capital Budget Approvals**
   This Capital Budget Amendment provides authorization for $6,500,000 to complete Phase 2 of the renewal project.

8. **Annual Operating and Maintenance Cost**
   No increase in operating and maintenance costs is anticipated with the renovation of the first floor.

9. **Time Schedule**
   - Proposed Design Completion: Construction documents are complete
   - Proposed Substantial Completion: May 2024

10. **Project Team**
    - Architect: Architecture Advantage
    - Construction Manager at Risk: Johnson Wilson Constructors
1. **Basis for Project**

The Center for Magnetic Resonance Research (CMRR) Medical Discovery Team (MDT) Optical Imaging expansion project completed in the spring of 2021 included research shell space for future MDT researchers. The University has recently retained two new researchers for the MDT team to occupy a portion of the shell space; they will utilize cutting-edge optical techniques to study neural activity to understand how genetically defined neuronal classes interact.

Additionally, supporting and retaining faculty is a priority for the Medical School, with neuroscience and imaging as key strategic areas. This project supports the retention of key faculty by allocating the remaining portion of shell space to support their research.

2. **Scope of Project**

This project provides the tenant improvement buildout to accommodate the new researchers’ specific research requirements as well as support space.

3. **Campus Plan**

The project complies with the Twin Cities Campus Plan dated December 2021.

4. **Environmental Issues**

The project extents are within the 2021 building addition; therefore, no environmental impacts are anticipated.

5. **Cost Estimate**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Construction Cost</td>
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<tr>
<td>Non-Construction Cost</td>
<td>$344,000</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>$2,866,000</td>
</tr>
</tbody>
</table>

6. **Capital Funding**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing MDT Project Funds</td>
<td>$716,655</td>
</tr>
<tr>
<td>Medical School Funds</td>
<td>$2,149,345</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,866,000</strong></td>
</tr>
</tbody>
</table>

7. **Capital Budget Approvals**

The original CMRR building project was approved by the Board of Regents in February 2019.

8. **Annual Operating and Maintenance Cost**

The impact on current operating costs is minimal as the proposed project program and fit plan does not add additional square footage to the existing building.
9. **Time Schedule**
   - Proposed Design Completion: Spring 2023
   - Proposed Substantial Completion: Fall 2023

10. **Project Team**
    
    Architect: RSP Architects  
    Construction Manager at Risk: Mortenson
1. **Basis for Project**

Research Animal Resources seeks to renovate its space in the Variety Club Research Center (VCRC) in the Health Sciences District of the Twin Cities campus to meet the demand for growth in biomedical research. Upgrades to the current space are required to provide efficient and effective management and care that can be maintained during emergency situations. In addition to supporting the research needs of the University, this project also ensures that the University can meet its commitment to regulatory and accreditation requirements.

2. **Scope of Project**

The primary scope of work consists of the following:

- emergency power to maintain associated mechanical and support equipment,
- new facility equipment, and
- miscellaneous office upgrades.

3. **Campus Plan**

The project complies with the Twin Cities Campus Plan dated December 2021.

4. **Environmental Issues**

Hazardous materials will be abated if encountered where impacted; the project budget includes the associated abatement costs.

5. **Cost Estimate**

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Cost</td>
<td>$2,241,000</td>
</tr>
<tr>
<td>Non-Construction Cost</td>
<td>$1,429,000</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>$3,670,000</strong></td>
</tr>
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</table>

6. **Capital Funding**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Vice President for Research</td>
<td>$3,670,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,670,000</strong></td>
</tr>
</tbody>
</table>

7. **Capital Budget Approvals**

The design had not progressed, and funding was not secured in time for inclusion in the FY2023 Annual Capital Budget. The project has met these requirements and is now ready to proceed.

8. **Annual Operating and Maintenance Cost**

The new generator, sterilizer, and tunnel washer will require annual preventive maintenance, increasing operating costs slightly.
9. **Time Schedule**
   Proposed Design Completion: Spring 2023
   Proposed Substantial Completion: Spring 2024
   (Anticipated 52-week lead time for emergency generator)

10. **Project Team**

    Architect (Predesign) Perkins+Will
    Construction Manager at Risk: to be determined
PROPOSED DESIGN MODIFICATIONS

Variety Club Research Center (VCRC) 5th Floor HEPA and Emergency Power Tie-in
Project No. 01-069-22-1789

01.12.2022
Reappointment of Professor Jeffrey Peterson as University of Minnesota Representative to the Clean Water Council

The President recommends the reappointment of Dr. Jeffrey Peterson, Director of the University of Minnesota’s Water Resources Center and Professor in the College of Food, Agricultural, and Natural Resource Sciences, as the University of Minnesota representative to the Clean Water Council.

In 2015, the Minnesota State Legislature revised the Legacy Bill to change the membership rules for the Clean Water Council, which advises the Legislature and the Governor on the Clean Water Fund, created by the Clean Water, Land and Legacy Amendment. The membership revisions to the bill state that the higher education representative is no longer a voting member and is to be appointed by the Regents of the University of Minnesota rather than the Governor. Professor Deborah Swackhamer, former director of the University’s Water Resources Center, served as the higher education representative to the Clean Water Council since its inception in 2009 through September of 2015, when Dr. Jeffrey Peterson was appointed.

Dr. Jeffrey Peterson began his tenure as director of the Water Resources Center in August 2015. In this role, he guides the interdisciplinary center, encourages and strengthens the links among University water resources research and extension, and promotes graduate education and training in water resources science. Dr. Peterson also will have a faculty appointment in the department of applied economics. He began his faculty career in the department of agricultural economics at Kansas State University moving through a tenure and promotion process to full professor in 2013. He also spent a year as visiting faculty at Oregon State University. His research emphasizes the interaction between agriculture and natural resources, particularly with water use and water policy in the Great Plains. He has received awards and recognition for his scholarly contributions and for teaching and advising students. He holds a Ph.D. and M.S. in Agricultural Economics from Cornell University and a B.S. in Agricultural Economics from the University of Wisconsin-River Falls.

The Water Resources Center (WRC), a partnership between CFANS and University of Minnesota Extension, works to improve and protect the quality and value of water resources for Minnesota's citizens and businesses. The mission of the WRC is to integrate interdisciplinary research, education, and outreach to increase knowledge and improve the quality and value of water resources in Minnesota by leveraging resources and expertise on global environmental issues that have regional significance. More than 100 faculty are engaged in water related science, policy or economic research at the intersection of agriculture, forestry and fisheries and wildlife management and water resource management. The WRC is one of 54 water resources research institutes established by Congress in 1964 by the Water Resources Research Act.
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. Capital Appropriations Expenditure Report to the Minnesota Legislature
C. Contamination Remediation of University Land in Rosemount, MN
D. Debt Management Advisory Committee Update
E. Intent to Dispose of Property

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 during this period. A current summary of General Contingency allocations for this fiscal year is included in the docket.

Capital Appropriations Expenditure Report to the Minnesota Legislature

The purpose of this item is to provide the Capital Appropriations Expenditure Report submitted to the Minnesota Legislature as required by Minnesota state statute.

Contamination Remediation of University Land in Rosemount, MN

The purpose of this item is to provide 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.

Debt Management Advisory Committee Update

The purpose of this item is to provide a summary of the Debt Management Advisory Committee (DMAC) meeting held on December 14, 2022. Two new members were welcomed to DMAC - Mike Blair, CFO of CentraCare Health System, Inc., and Jennifer Carlson, Finance Director for the City of Duluth. DMAC received information and discussed a number of topics, which are listed in the meeting agenda.
**Intent to Dispose of Property:**

The purpose of this item is to advise the Board regarding the intent to dispose of the following properties, consistent with Board of Regents Policy: *Real Estate and Facilities:*

- Cloquet Forestry Center
- 5918 London Road, Duluth, MN

*Cloquet Forestry Center*

The purpose of this item is to advise the Board regarding the intent to return what is currently known as the Cloquet Forestry Center to the Fond du Lac Band of Lake Superior Chippewa in recognition that the lands were originally a part of its promised treaty-based territory. Although the standard language used to communicate the University's desire to sell real estate is “Intent to Dispose of Property,” the University wants to make it clear that this real estate transaction is a repatriation of land to its original caretakers.

*5918 London Road, Duluth, MN*

The purpose of this item is to advise to Board regarding the intent to dispose of the property at 5918 London Road in Duluth. The University administration has deemed it as no longer required to fulfill the University's mission and will begin the process of considering the potential sale of the property.

Additional details and site maps are included in the docket.
## Central Reserves General Contingency Allocations

### Finance & Operations Committee

**February 2023**

**Fiscal Year 2023** (7/1/2022-6/30/2023)

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Amount</th>
<th>Running Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Carryforward from FY22 to FY23</td>
<td>$1,173,773</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 FY23 General Contingency Allocation</td>
<td>$1,000,000</td>
<td>$2,173,773</td>
<td>Duluth Health Sciences Project: Preliminary planning and site visits for Academic Health Center in downtown Duluth.</td>
</tr>
<tr>
<td>3 Capital Project Management</td>
<td>($70,440)</td>
<td>$2,103,333</td>
<td>Morrill Hall Project: staff programming and location analysis for relocation of building occupants.</td>
</tr>
<tr>
<td>4 Capital Project Management</td>
<td>($55,811)</td>
<td>$2,047,522</td>
<td>Mondale Memorial Service: Support for event on May 1, 2022 at Northrup Auditorium.</td>
</tr>
<tr>
<td>5 University Health &amp; Safety</td>
<td>($31,457)</td>
<td>$2,016,065</td>
<td></td>
</tr>
<tr>
<td>6 Capital Project Management</td>
<td>($73,819)</td>
<td>$1,942,247</td>
<td>Eastcliff: Replace mechanical service gate and repave service driveway.</td>
</tr>
<tr>
<td>7 New items this reporting period:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Current Balance</td>
<td>$1,942,247</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Items $250,000 or more subject to Board approval.
Capital Appropriations Expenditure Report

In fulfillment of MN 135A.046 subd. 3

December 2022
## Major Projects - Spending Status

<table>
<thead>
<tr>
<th>Year</th>
<th>Major Projects Allocation</th>
<th>% Spent or Encumbered Under Contract</th>
<th>% Spent, Encumbered or Otherwise Obligated to Complete a Project</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$ 95,070,002</td>
<td>100%</td>
<td>100%</td>
<td>$4,263,998 converted to 2017 HEAPR</td>
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<tr>
<td>2018</td>
<td>$ 32,249,374</td>
<td>100%</td>
<td>100%</td>
<td>$2,150,626 converted to 2018 HEAPR</td>
</tr>
<tr>
<td>2019</td>
<td>$ -</td>
<td>N/A</td>
<td>N/A</td>
<td>No appropriation</td>
</tr>
<tr>
<td>2020</td>
<td>$ 36,886,000</td>
<td>96%</td>
<td>96%</td>
<td></td>
</tr>
</tbody>
</table>

### 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 to the nearest integer.
# HEAPR - Spending Status

<table>
<thead>
<tr>
<th>Year</th>
<th>HEAPR Allocation</th>
<th>% Spent or Encumbered Under Contract</th>
<th>% Spent, Encumbered or Otherwise Obligated to Complete a Project</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$24,863,998</td>
<td>100%</td>
<td>100%</td>
<td>$4,263,998 converted to 2017 HEAPR</td>
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<tr>
<td>2018</td>
<td>$47,150,626</td>
<td>100%</td>
<td>100%</td>
<td>$2,150,626 converted to 2018 HEAPR</td>
</tr>
<tr>
<td>2019</td>
<td>$</td>
<td>N/A</td>
<td>N/A</td>
<td>No appropriation</td>
</tr>
<tr>
<td>2020</td>
<td>$38,495,000</td>
<td>89%</td>
<td>94%</td>
<td></td>
</tr>
</tbody>
</table>

**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 to the nearest integer.
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.
### 2020 State Capital Appropriations: Major Projects

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Appropriation Amount</th>
<th>(B) Spent and/or Encumbered</th>
<th>(C) Obligated</th>
<th>(D) Unencumbered</th>
<th>Status</th>
<th>Occupancy</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institute of Child Development Bldg Replacement</td>
<td>29,200,000</td>
<td>27,908,403</td>
<td>(0)</td>
<td>1,291,597</td>
<td>Substantial Completion</td>
<td>8/17/2022</td>
<td></td>
</tr>
<tr>
<td>Fraser Hall Chemistry Undergraduate Teaching Facility</td>
<td>3,286,000</td>
<td>3,286,000</td>
<td>0</td>
<td>0</td>
<td>Procurement</td>
<td>9/1/2025</td>
<td>Construction not funded yet</td>
</tr>
<tr>
<td>A.B. Anderson Hall Renovation</td>
<td>4,400,000</td>
<td>4,400,000</td>
<td>0</td>
<td>0</td>
<td>Construction</td>
<td>1/6/2023</td>
<td></td>
</tr>
</tbody>
</table>

Subtotal - '20 Appropriations: Major Projects 36,886,000 35,594,403 (0) 1,291,597

### 2020 State Capital Appropriations: HEAPR Projects

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Appropriation Amount</th>
<th>(B) Spent and/or Encumbered</th>
<th>(C) Obligated</th>
<th>(D) Unencumbered</th>
<th>Status</th>
<th>Occupancy</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campuswide Emergency Renewal</td>
<td>1,794,445</td>
<td>0</td>
<td>0</td>
<td>1,794,445</td>
<td>Programming</td>
<td>Unknown</td>
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<tr>
<td>Pattee Hall Roof Replacement</td>
<td>286,452</td>
<td>98,051</td>
<td>188,401</td>
<td>0</td>
<td>Construction</td>
<td>7/23/2023</td>
<td></td>
</tr>
<tr>
<td>Elliott Hall Accessible Restroom</td>
<td>54,548</td>
<td>32,804</td>
<td>21,744</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>VCRC Roof Repairs</td>
<td>530,329</td>
<td>520,366</td>
<td>0</td>
<td>9,963</td>
<td>Pacloseout</td>
<td>Occupied</td>
<td></td>
</tr>
<tr>
<td>PWB Generator &amp; Fire Pump Replacement</td>
<td>16,624</td>
<td>13,974</td>
<td>2,651</td>
<td>0</td>
<td>Construction Documents</td>
<td>9/30/2023</td>
<td></td>
</tr>
<tr>
<td>Weisman Automatic Fire Suppression System</td>
<td>1,705,181</td>
<td>1,653,496</td>
<td>(0)</td>
<td>51,685</td>
<td>Substantial Completion</td>
<td>Occupied</td>
<td></td>
</tr>
<tr>
<td>NHH Fume Exhaust Replacement</td>
<td>1,000,000</td>
<td>0</td>
<td>1,000,000</td>
<td>0</td>
<td>Procurement</td>
<td>9/1/2023</td>
<td></td>
</tr>
<tr>
<td>Ferguson Hall Roof Replacement</td>
<td>1,768,524</td>
<td>1,700,861</td>
<td>(0)</td>
<td>67,663</td>
<td>Substantial Completion</td>
<td>Occupied</td>
<td></td>
</tr>
<tr>
<td>Mech Eng Phase III Renewal</td>
<td>11,829,611</td>
<td>11,790,400</td>
<td>0</td>
<td>39,211</td>
<td>Pacloseout</td>
<td>Occupied</td>
<td></td>
</tr>
<tr>
<td>Campuswide Elevator Renewal</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>0</td>
<td>0</td>
<td>Construction</td>
<td>5/31/2023</td>
<td></td>
</tr>
<tr>
<td>Biosystems &amp; Ag Eng Roof Replacement</td>
<td>635,672</td>
<td>471,745</td>
<td>0</td>
<td>163,927</td>
<td>Substantial Completion</td>
<td>Occupied</td>
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<tr>
<td>Haecker Hall Roof Replacement</td>
<td>1,657,835</td>
<td>1,657,835</td>
<td>(0)</td>
<td>2,891</td>
<td>Pacloseout</td>
<td>Occupied</td>
<td></td>
</tr>
<tr>
<td>Food Science &amp; Nutrition Bldg Infrastructure</td>
<td>100,000</td>
<td>96,338</td>
<td>3,662</td>
<td>0</td>
<td>Design Development</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>Ecology Building Exterior Leak Corrections</td>
<td>61,500</td>
<td>51,410</td>
<td>10,090</td>
<td>0</td>
<td>Design Development</td>
<td>3/31/2023</td>
<td></td>
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<tr>
<td>UMD Sports &amp; Health Ctr HVAC Phase II</td>
<td>1,720,118</td>
<td>1,720,118</td>
<td>0</td>
<td>0</td>
<td>Pacloseout</td>
<td>Occupied</td>
<td></td>
</tr>
<tr>
<td>UMD AB Anderson Hall Asbestos Abatement</td>
<td>646,504</td>
<td>640,000</td>
<td>6,504</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMD Lund UST Replacement</td>
<td>685,280</td>
<td>685,280</td>
<td>0</td>
<td>0</td>
<td>Construction</td>
<td>7/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMD Med School Generator Replacement</td>
<td>259,638</td>
<td>31,600</td>
<td>97,908</td>
<td>0</td>
<td>Construction Documents</td>
<td>6/30/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Campuswide Controls Renewal Phase II</td>
<td>109,500</td>
<td>87,907</td>
<td>21,593</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM HVAC and Chiller Renewal</td>
<td>182,874</td>
<td>159,878</td>
<td>22,996</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Electronic Door Access/Security</td>
<td>138,968</td>
<td>126,103</td>
<td>12,865</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Sewer Replacement &amp; Water Service Repairs</td>
<td>123,719</td>
<td>123,719</td>
<td>0</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Instal New Lift Station</td>
<td>38,000</td>
<td>38,000</td>
<td>0</td>
<td>0</td>
<td>Schematic Design</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Multi-Ethnic Res Ctr Elev Installation-Design</td>
<td>75,000</td>
<td>72,125</td>
<td>2,875</td>
<td>0</td>
<td>Design Development</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Behmler Hall Tunnel HVAC Upgrades</td>
<td>30,000</td>
<td>26,795</td>
<td>3,205</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Student Ctr Sprinker/Pump Repairs</td>
<td>234,659</td>
<td>234,659</td>
<td>(0)</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
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<tr>
<td>UMM Science Building HVAC Repairs</td>
<td>101,017</td>
<td>100,967</td>
<td>50</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
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<tr>
<td>UMM Briggs Library HVAC Controls</td>
<td>242,000</td>
<td>242,000</td>
<td>0</td>
<td>(0)</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Cougar Sports Ctr Gym Flooring &amp; Bleachers</td>
<td>1,341</td>
<td>1,341</td>
<td>0</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Heating Plant Chiller Control Panel</td>
<td>248,316</td>
<td>206,448</td>
<td>41,886</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
<td></td>
</tr>
<tr>
<td>UMM Dining Hall Generator Connection</td>
<td>5,500</td>
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<td>Schematic Design</td>
<td>3/31/2023</td>
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<td>UMM Humanities Fine Arts Membrane Roof Repcl</td>
<td>39,000</td>
<td>25,000</td>
<td>14,000</td>
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<td>7/31/2023</td>
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<tr>
<td>UMM HFA Mechanical Upgrades</td>
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<td>3/31/2023</td>
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</tr>
<tr>
<td>Crookston Project Balances</td>
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<td>Programming</td>
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<tr>
<td>Project Name</td>
<td>(A) Appropriation Amount</td>
<td>(B) Appropriation Spent and/or Encumbered</td>
<td>(C) Obligated</td>
<td>(D) Unencumbered</td>
<td>(E) (B-C-D) Estimated</td>
<td>(F) Status</td>
<td>(G) Occupancy</td>
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<tr>
<td>--------------------------------------------------</td>
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<td>UMC Campus Wide Electrical Distribution Phase 3</td>
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<td>UMC Central Mall/North Quadrant Watermain Improvmts</td>
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<td>UMC Owen Hall Exterior Façade, Window/Door Replic</td>
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<td>NCROC Hog Barn Boiler &amp; Plumbing Replicmtn</td>
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<td>NCROC Admin Bldg Heating &amp; Cooling RTU Replacement</td>
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<td>0</td>
<td>50,000</td>
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<td>6/30/2023</td>
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<tr>
<td>SWROC Project Balances</td>
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<td>SWROC Shop Overhead Door Replacement</td>
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<td>25,000</td>
<td>0</td>
<td></td>
<td>Procurement</td>
<td>4/30/2023</td>
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<tr>
<td>WCROC Maintenance Shop Infrastructure Improv</td>
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<td>15,324</td>
<td>23,635</td>
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<td></td>
<td>Design Development</td>
<td>3/31/2023</td>
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<td>WCROC Replace Underground Fuel Tanks</td>
<td>127,827</td>
<td>127,827</td>
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<td>0</td>
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<tr>
<td>NWROC Project Balances</td>
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<td>SROC Replace Underground Fuel Tanks</td>
<td>130,000</td>
<td>117,053</td>
<td>12,947</td>
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<td>HRC Root Cellar Door Replacement</td>
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<td>Construction</td>
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<td>Itasca Lodging Thermal Pane Windows</td>
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<td>Cloquet Critical Infrastructure Renewal</td>
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<td>100</td>
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<td>Construction Documents</td>
<td>3/31/2023</td>
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<td>Cedar Creek Drying Barn HVAC Replacement</td>
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<td>276</td>
<td>19,392</td>
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<td>Construction</td>
<td>3/31/2023</td>
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<tr>
<td>Cedar Creek Entry Door Replacement</td>
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<td>13,011</td>
<td>13,570</td>
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<td>Construction</td>
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<td>Hubachek Well Corrections for Reliability</td>
<td>324,743</td>
<td>66,516</td>
<td>258,227</td>
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<td>6/30/2023</td>
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<tr>
<td>Hubachek Critical Infrastructure Renewal</td>
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<td>25,750</td>
<td>9,250</td>
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<td>6/30/2023</td>
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<td>Hubachek Domestic Water Distribution</td>
<td>36,950</td>
<td>36,950</td>
<td>0</td>
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<td>Design Development</td>
<td>3/31/2023</td>
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</table>

Subtotal - '20 Appropriations: HEAPR Projects 38,495,000 34,275,987 1,962,763 2,256,250

Total - 2020 State Capital Appropriations 75,381,000 69,870,390 1,962,763 3,547,847

2018 State Capital Appropriations: Major Projects

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Appropriation Amount</th>
<th>Encumbered</th>
<th>Obligated</th>
<th>Unencumbered</th>
<th>Status</th>
<th>Occupancy</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pillsbury Hall Rehabilitation</td>
<td>22,638,137</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Paccloseout</td>
<td>1,361,863.19 was converted to HEAPR</td>
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<tr>
<td>UMD Glensheen Renewal</td>
<td>4,000,000</td>
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<td>Construction</td>
<td>4/30/2023</td>
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<tr>
<td>Morris Teaching and Learning Spaces</td>
<td>2,451,578</td>
<td>0</td>
<td>6,275</td>
<td>0</td>
<td>0</td>
<td>Substantial Completion</td>
<td>748,421.64 was converted to HEAPR</td>
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<td>Crookston Teaching and Learning Spaces</td>
<td>3,159,658</td>
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<td>0</td>
<td>Paccloseout</td>
<td>2/15/2021 40,341.65 was converted to HEAPR</td>
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</table>

Subtotal -'18 Appropriations: Major Projects 32,249,374 32,243,099 0 6,275

2018 State Capital Appropriations: HEAPR Projects

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Appropriation Amount</th>
<th>Encumbered</th>
<th>Obligated</th>
<th>Unencumbered</th>
<th>Status</th>
<th>Occupancy</th>
<th>Comments</th>
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<tr>
<td>Completed Projects</td>
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<td>Pattee Hall Roof Replacement</td>
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<td>0</td>
<td>Construction</td>
<td>7/30/2023</td>
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<tr>
<td>Elliott Hall Accessible Restroom Upgrade</td>
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<td>6/30/2023</td>
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<tr>
<td>UMM Cougar Sports Ctr Gym Flooring &amp; Bleachers</td>
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<td>Construction</td>
<td>3/31/2023</td>
</tr>
<tr>
<td>Itasca Workshop Window Replacement</td>
<td>7,500</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Construction</td>
<td>3/31/2023</td>
</tr>
<tr>
<td>Cedar Creek Entry Door Replacement</td>
<td>2,974</td>
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<td>0</td>
<td>0</td>
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<td>Construction</td>
<td>3/31/2023</td>
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</tbody>
</table>

Subtotal - '18 Appropriations: HEAPR Projects 47,150,626 47,150,626 0 0
### University of Minnesota
Status Report: Total Capital Appropriations 2017 to 2020
As of 11/30/2022 - Definitions on last page

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Appropriation Amount</th>
<th>(B) Spent and/or Encumbered</th>
<th>(C) Obligated</th>
<th>(D) Unencumbered</th>
<th>(E) Estimated</th>
<th>Status</th>
<th>Occupancy</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total - 2018 State Capital Appropriations</strong></td>
<td>79,400,000</td>
<td>79,393,725</td>
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<td>6,275</td>
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<tr>
<td><strong>2017 State Capital Appropriations: Major Projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Subtotal - '17 Appropriations: Major Projects</td>
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<td>95,070,002</td>
<td>0</td>
<td>(0)</td>
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<td><strong>2017 State Capital Appropriations: HEAPR Projects</strong></td>
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<td></td>
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<td>Subtotal - '17 Appropriations: HEAPR Projects</td>
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<tr>
<td><strong>Total - 2017 State Capital Appropriations</strong></td>
<td>119,934,000</td>
<td>119,934,000</td>
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<td>(0)</td>
<td></td>
<td></td>
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<tr>
<td><strong>Grand Totals - 2017 to 2020</strong></td>
<td>274,715,000</td>
<td>269,198,115</td>
<td>1,962,763</td>
<td>3,554,121</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Notes:

1) Definitions of columns:

   A. 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.

   B. 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.

   C. Obligated: Funds required to complete the project that are not yet under contract.

   D. 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 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.
<table>
<thead>
<tr>
<th>Project Name</th>
<th>2020 Appropriations</th>
<th>2018 Appropriations</th>
<th>2017 Appropriations</th>
<th>Total Percent by Status</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(A) Appropriation Amount (B) Spent and/or Encumbered (C) Obligated (D) (B-C-D) (E) Estimated (F) Status (G) Occupancy (H) Comments</td>
<td></td>
<td></td>
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<tr>
<td><strong>Summary of University State Capital Appropriations</strong></td>
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<tr>
<td><strong>Total Dollars by Status</strong></td>
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<td></td>
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<tr>
<td>2020 Appropriations</td>
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<tr>
<td>Major Projects</td>
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<td>38,495,000</td>
<td>34,275,987</td>
<td>1,962,763</td>
<td>2,256,250</td>
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<tr>
<td>Subtotal</td>
<td>75,381,000</td>
<td>69,870,390</td>
<td>1,962,763</td>
<td>3,547,847</td>
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<tr>
<td>2018 Appropriations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Projects</td>
<td>32,249,374</td>
<td>32,243,099</td>
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<td>HEAPR Projects</td>
<td>47,150,626</td>
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</tr>
<tr>
<td>Subtotal</td>
<td>79,400,000</td>
<td>79,393,725</td>
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<tr>
<td>2017 Appropriations</td>
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<td>95,070,002</td>
<td>95,070,002</td>
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<td>HEAPR Projects</td>
<td>24,863,998</td>
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<tr>
<td>Subtotal</td>
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<td>119,934,000</td>
<td>0</td>
<td>(0)</td>
</tr>
<tr>
<td><strong>Grand Total: 2017-2020 Appropriations</strong></td>
<td>274,715,000</td>
<td>269,198,115</td>
<td>1,962,763</td>
<td>3,554,121</td>
</tr>
</tbody>
</table>
January 31, 2023

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 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, 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 Minn. Stat. §3.187, the cost to prepare this report was $990.00.

After the University completed the Remedial Investigation of the site in 2017, the Minnesota Pollution Control Agency asked the University and the Army Corps to perform a Feasibility Study to identify cleanup options for identified hazardous substances at the site. The Army Corps refused to perform the study. The University retained a consultant and is now performing a Focused Feasibility Study under a MPCA-approved work plan in the northcentral portion of the site. The University selected the northcentral portion of the site to start the study because it is closest to areas that will soon be privately redeveloped. The MPCA will present the findings of the Focused Feasibility Study to the public later this year, and will then select a cleanup plan, consistent with the planned property uses in that area of the site.

The University’s cost recovery litigation in federal district court against the Army Corps and E.I. du Pont de Nemours and Company remained active in 2022. The parties completed discovery and filed motions for summary judgment. On November 3, 2022, the Court granted the University’s motion, finding that the University has incurred over $3.3 million in recoverable response costs. The Court denied the Army Corps’ motion, determining that the Corps had not incurred any recoverable response costs. The only remaining issue for trial is for the Court to allocate responsibility between the parties for the University’s past response costs and all future cleanup expenses. We anticipate that the case will be tried in mid-to-late 2023.
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
    Matt Kramer, Vice President, University Relations and Interim Vice President, University Services
    J.D. Burton, Chief Government Relations Officer, University of Minnesota
    Leslie Krueger, Assistant Vice President for Planning, Space, and Real Estate
    Jesse Robert, Region 3 Assistant Regional Wildlife Manager, DNR, Vermillion Highlands Joint Steering Committee
Debt Management Advisory Committee (DMAC)

Invites

Regent Douglas A. Huebsch, Chair
Myron Frans, Senior Vice President & Treasurer
Mike Blair, CFO, CentraCare
Jennifer Carlson, Finance Director, City of Duluth
Todd P. Hurley, President, St. Paul Port Authority
Katherine Kardell, Debt Director, Hennepin County
Pervin Shroff, Professor, Carlson School of Management

Carole Fleck, Director of Debt Management
Jason Langworthy, Policy Manager & Assistant Secretary, Office of the Board of Regents
Ruilin Li, Senior Associate General Counsel
Stuart Mason, Chief Investment Officer
Kristin Muller, University Tax Director
Christine Searson, VP & CFO, University of Minnesota Foundation
Michael D. Volna, Associate VP & Assistant CFO

Agenda

- Introductions
- Debt Management Overview
- FY 2022 Debt Activities
- 2023 State Capital Request
- MPact 2025: Capital Financing Program
- Other

Future Meetings (Tentative):

February 2023  September 2023
June 2023       December 2023
Summary
The purpose of this item is to advise the Board regarding the intent to return what is currently known as the Cloquet Forestry Center to the Fond du Lac Band of Lake Superior Chippewa in recognition that the lands were originally a part of its promised treaty-based territory. Although the standard language used to communicate the University’s desire to sell real estate is “Intent to Dispose of Property,” the University wants to make it clear that this real estate transaction is a repatriation of land to its original caretakers.

Policy Overview
According to the Board of Regents Policy: Real Estate and Facilities, 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 and in alignment with the policy’s guiding principles. The Administrative Policy: Acquiring and Disposing of University Real Estate, which implements Board policy, states that dispositions may occur when it is determined the real estate is no longer required to fulfill the University’s mission, or the disposition of the real estate better meets the University’s needs or better supports the University’s mission. In this case, the Administration has deemed that the repatriation of the property at the Cloquet Forestry Center (CFC) is in the best interest of the University’s mission as a positive step in repairing and strengthening the University’s relationship with the Fond du Lac Band and Indigenous communities throughout the state.

Following Administrative Procedure: Real Estate Transactions, the University’s standard disposition process will be utilized. Real estate identified for disposition is offered first to the state, county, municipality, township, or other governmental entity within which the real estate is located. If not acquired by one of those governmental units, the real estate is then offered for sale to the public, either via an Invitation to Bid or a Request for Proposal process managed by the Real Estate Office, or by listing the sale of the real estate with a real estate broker. In this instance, the CFC is located entirely within the boundaries of the Fond du Lac Reservation, and as a result, the University will offer the property to the Fond du Lac Band of Lake Superior Chippewa. The University does not intend to offer the property for sale to the public.

CFC Background and Operations
The CFC, one of the University’s ten Research and Outreach Centers in the state, is located three miles west of the City of Cloquet and lies within the boundaries of the Fond du Lac Reservation (see attached map). The CFC has been the primary research and educational forest for the University of Minnesota for more than a century. The CFC is an experimental forest and a site
for researchers, students, natural resource managers, and members of the public to understand the complex systems of forest management, ecosystems resilience, and sustainable management of forest and natural resource-based systems.

The CFC hosts long-term and controlled studies designed to improve the management of Minnesota’s timber, recreation, wildlife, soil, and water resources on forested lands. Research at the CFC studies the impact and sustainability of forest management approaches, wildlife populations and habitat, and how climate change affects forest ecosystems and productivity. The continuity of long-term data is a unique and valuable component upon which to base future research.

Education and outreach are equally as important as the research that takes place at the CFC. The CFC provides undergraduate students with intensive field experiences that are essential to professions related to forestry. The CFC hosts a variety of classroom and field-based learning opportunities to inform natural resource managers and the public about practical applications of relevant research and forest stewardship, with some programming specifically designed for area youth. The CFC is also open to public recreation and gathering that does not conflict with research activities.

**Maintaining Research, Teaching, and Outreach Activities**

The Administration recognizes that the teaching, research, and outreach functions conducted at the CFC are vital to the University’s forestry program. As a result, the University will be seeking alternative locations to conduct these teaching, research, and outreach functions. In order to ease this transition, the University will ask the Fond du Lac Band to consider entering into a memorandum of understanding or similar agreement with the University to facilitate some of the University's ongoing research at the CFC for a period of time, if the Fond du Lac Band agrees that such research is consistent with the Fond du Lac Band's mission.

**Alignment with Regents Policy Guiding Principles and Next Steps**

The potential disposition is aligned with the guiding principles in the Board of Regents Policy: *Real Estate and Facilities*. Specifically, Principle (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. Repatriating this property that is located entirely within the Fond du Lac Reservation will support the Fond du Lac Band in reaffirming their tribal sovereignty.

Although much of the CFC property was titled in the name of the State of Minnesota for many years, after additional state legislation in 2002, the property was formally conveyed by quit claim deed, and much (but not all) of it is now titled in the name of the University. However, because state bond proceeds have been invested in the CFC property, the state did record a restriction against the property along with the quit claim deed preventing the University from selling or disposing of it without the prior approval of the Commissioner of Minnesota Management and
Budget (MMB), so the University will need to work with MMB and the State Department of Administration prior to any conveyance.

The Administration will continue to keep the Board apprised as it works through these processes with the Fond du Lac Band of Lake Superior Chippewa and the State of Minnesota, with the goal of presenting the real estate transaction, including plans for maintaining forestry research, teaching, and outreach activities to the Board for review and action.
Intent to Dispose of University Property
Cloquet Forestry Center
Carlton County
Policy Overview
According to the Board of Regents Policy: Real Estate and Facilities, 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 and in alignment with the policy’s guiding principles. The Administrative Policy Acquiring and Disposing of University Real Estate, which implements Board policy, states that dispositions may occur when it is determined the real estate is no longer required to fulfill the University’s mission, or the disposition of the real estate better meets the University’s needs or better supports the University’s mission. In this case, the University administration has deemed the property at 5918 London Road, Duluth as no longer required to fulfill the University’s mission and will begin the process of considering the potential sale of the property.

Following Administrative Procedure: Real Estate Transactions, the University’s standard disposition process will be utilized. Real estate identified for disposition is offered first to the state, county, municipality, township, or other governmental entity within which the real estate is located. If not acquired by one of those governmental units, the real estate is then offered for sale to the public, either via an Invitation to Bid or a Request for Proposal process managed by the Real Estate Office, or by listing the sale of the real estate with a real estate broker. In this instance, the University will first offer the property to the City of Duluth, St. Louis County, and State of Minnesota at the appraised value, and then if no offers are received, pursue a public sale.

Background
The Howard W. Higholt Living Trust gifted and granted the residential property at 5918 London Road, Duluth to the Regents of the University of Minnesota on December 22, 2015. The property was subject to a life estate in favor of John H. Higholt (brother of Howard W. Higholt). The Howard W. Higholt Living Trust was responsible for all costs and expenses (i.e. property taxes, insurance, utility, and repairs) to maintain the property during the term of the life estate. The University completed its environmental due diligence prior to accepting this gift but paid no cash or provided other goods or services in exchange for the property.

The life estate tenant, John H. Higholt, passed away on September 20, 2021. Documents were filed extinguishing the life estate on December 1, 2021, where upon the Regents of the University of Minnesota were the sole survivor and owner of the property.
Alignment with Regents Policy Guiding Principles

The potential disposition is aligned with the guiding principles in Board of Regents Policy: Real Estate and Facilities. The University of Minnesota Duluth has assessed the property for mission-related purposes and has determined that it is in the best interest of the campus to sell the property. Academic and non-academic options for use were reviewed, with none rising to the level of mission fulfillment that would warrant capital investment. While this property is adjacent to the Limnology site owned by the University, it is separated by an easement for the City of Duluth transfer station. The property abuts a residential property, which limits potential development for University usage. Specifically, given that the University has not determined a mission-related purpose for this property (principle A), and the property is not identified on the UMD Campus Plan (principle B), the Administration is comfortable making the determination that the property is not required to fulfill the University's mission.

The Administration will continue to keep the Board apprised as it engages in the sale process, with the goal of presenting the real estate transaction to the Board for review and action later in 2023.
Intent to Dispose of University Property
5918 London Road, Duluth
UMD Campus

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

Base Data: Real Estate Office
University Services GIS, St. Louis County
1/23/2023