



Finance & Operations Committee

October 2018

October 11, 2018

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

Boardroom, McNamara Alumni Center

FIN - OCT 2018

1. President's Recommended FY 2020-2021 Biennial Budget Request - Action

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2. President's Recommended Six-Year Capital Plan and 2019 State Capital Request - Action

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: President’s Recommended FY 2020-2021 Biennial Budget Request

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Brian D. Burnett, Senior Vice President
Matt Kramer, Vice President, University Relations
Julie Tonneson, Associate Vice President and Budget Director

PURPOSE & KEY POINTS

The purpose of this item is to act on the University’s Biennial Budget Request to the State of Minnesota for FY 2020 and FY 2021.

The University’s mission is threefold: research and discovery, teaching and learning, and outreach and public service. As the state’s only land grant and research institution, the University has a unique responsibility to better the lives of Minnesotans. As one of the nation’s top research institutions, the University is a venue where human talent, ideas and innovations, and discoveries and services converge to fuel Minnesota’s economy and improve our quality of life. These imperatives have guided the development of this biennial budget request.

Of the University’s \$3.8 billion revenue budget for FY19 (excluding internal sales), the majority (59 percent) is restricted to use by the source of the funds or is directly related to sales and other miscellaneous revenue generating activity where the revenues pay for the direct costs of the associated goods and services. In these cases, the funds are not available to cover the costs of general operations: faculty and staff salaries, health benefits, facility and technology needs, library collections, equipment and so forth. The remaining 41 percent of University revenues must be directed to core mission activities and the infrastructure necessary to support it. This unrestricted 41 percent comes from the operations and maintenance (O&M) appropriation from the state and tuition. As costs increase due to inflation and research and enrollment growth, the only way to grow these general operating revenues is by deciding to increase tuition or a decision by the State of Minnesota to increase the University’s O&M appropriation.

In addition to revenue growth to address cost increases, the University has and will continue to implement internal reallocations. Decisions are made every year to eliminate funding for lower priority activities or to build increased efficiency where possible. There is a level of reallocation that can be sustained every year with little impact to University priorities, but if the state O&M

appropriation remains flat, the total reallocation necessary to address costs can reach a level of magnitude that requires some very difficult choices on the part of the University:

- 1) Raise tuition on students at rates at or above inflation in order to maintain the current scope of quality programs;
- 2) Reduce the breadth and depth of the University's impact but maintain quality; or
- 3) Maintain the current scope of the University's work but sacrifice quality in some areas.

To partner with the state in maintaining the University's excellence and the current scope of programming, the biennial budget request seeks \$30,000,000 in FY 2020 and an additional \$27,000,000 in FY 2021. These annual increments represent a 0.8 percent increase to the University's total revenues, and expressed as a biennial increase of \$87,000,000 (\$30,000,000 in both FY 2020 and FY 2021 plus an incremental \$27,000,000 in FY 2021), it represents a 6.7 percent increase over the base general fund appropriation.

An increase in O&M support at this level will allow the University to achieve goals consistent with the priorities set by the Board. The specific allocation of dollars across the institution will be implemented consistent with systemwide strategic priorities and determined through the internal annual budget development process as directed by the President and approved by the Board. The most pressing priorities are in the areas of competitive compensation, classroom and equipment maintenance, compliance with federal and state regulations, research and technology infrastructure, and maintenance of core facilities.

BACKGROUND INFORMATION

The biennial budget request was reviewed by the committee on September 13, 2018.

Board of Regents Policy: *Reservation and Delegation of Authority* requires that the Board of Regents approve all requests for appropriations from the State of Minnesota.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the resolution related to the State Biennial Budget Request for FY 2020-2021.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

State Biennial Budget Request for FY2020-21

WHEREAS, the University of Minnesota, the state's only public, land grant university, is charged with the responsibility to pursue knowledge through research and discovery, and apply this knowledge through teaching and learning, and outreach and public engagement ; and

WHEREAS, the University is committed to a continuous process of reevaluating priorities and increasing the efficiency and effectiveness of both direct mission and support activities, reinvesting budget savings into mission critical strategies ; and

WHEREAS, the University, in partnership with the State of Minnesota, can better support financial access and affordability to post-secondary education for Minnesota students and families; and

WHEREAS, the University's annual budget process, including participation from the Board of Regents, is designed to surface and act on the most pressing priorities each year, including competitive compensation, classroom and equipment maintenance, compliance with federal and state regulations, research and technology infrastructure, and maintenance of facilities ; and

WHEREAS, the University recognizes the many competing priorities for state general fund support.

NOW, THEREFORE, BE IT RESOLVED that the biennial budget request for the 2020-2021 biennium be adopted by the Board of Regents for presentation to the State of Minnesota. The request is for a general fund appropriation of \$678,636,000 in fiscal year 2020 and \$705,636,000 in fiscal year 2021 for a biennial total of \$1,384,272,000 in the form of general operations and maintenance and state special appropriations. The Board of Regents further requests continuation of fiscal year 2019 base funding levels for the Primary Care Education Initiatives totaling \$2,157,000, and for the Academic Health Center funding under Minnesota Statutes 297F.10 totaling \$22,250,000.

President's Recommended FY 2020-2021 Biennial Budget Request

President Eric W. Kaler

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

Matt Kramer, Vice President, University Relations

Julie Tonneson, Associate Vice President and Budget Director

Finance & Operations Committee

October 11, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



UNIVERSITY BUDGET

UNIVERSITY OF MINNESOTA

Budget Request

Incremental over prior year

FY20

FY21

Total
Biennial Math
(yr 1 x 2) + yr 2

FY20-21 Request-Incremental Over Base			\$ 30,000,000	\$ 27,000,000	\$ 87,000,000
General Fund	Growth %	Annual	4.6%	4.0%	
		Biennial over base			6.7%

of ↓

<i>Current Biennium Recurring GF Appropriation Base</i>			
	<i>FY18</i>	<i>FY19</i>	<i>Total</i>
O&M	\$ 580,198,000	\$ 580,198,000	
St. Specials	\$ 68,438,000	\$ 68,438,000	
	\$ 648,636,000	\$ 648,636,000	\$ 1,297,272,000



Consistent with system-wide strategic priorities, funding this request will allow the University to address the most pressing needs:

- Competitive compensation
- Classroom and equipment maintenance
- Compliance with federal/state regulations
- Research and technology infrastructure
- Maintenance of core facilities
- Targeted program enhancement





**REGENTS OF THE UNIVERSITY OF MINNESOTA
RESOLUTION RELATED TO STATE BIENNIAL BUDGET REQUEST FOR FY2020-21**

WHEREAS, the University of Minnesota, the state’s only public, land grant university, is charged with the responsibility to pursue knowledge through research and discovery, and apply this knowledge through teaching and learning, and outreach and public engagement ; and

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UNIVERSITY OF MINNESOTA

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Crookston Duluth Morris Rochester Twin Cities

The University of Minnesota is an equal opportunity educator and employer.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: President’s Recommended 2018 Six-Year Capital Plan and 2019 State Capital Request

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: President Eric W. Kaler
Brian D. Burnett, Senior Vice President
Michael Berthelsen, Vice President, University Services

PURPOSE & KEY POINTS

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

The President’s recommended Six-Year Capital Plan (plan) includes major capital improvements planned for calendar years 2019 through 2024 (FY2020 to FY2025.) The Plan includes projects to be funded with state capital support as well as planned major projects funded by the University through a combination of University debt obligations, local unit resources, fundraising, and public/private partnerships. Year 1 of the Plan (2019) outlines the projects that the University will be submitting to the State of Minnesota for consideration during the 2019 legislative session. Higher Education Asset Preservation and Replacement (HEAPR) continues to be the top priority. This request also seeks funding for two stand alone renovation projects.

2018 Six Year- Capital Plan Highlights

The plan presented for consideration by the Board supports the mission of the University by placing almost all of its investment on the reduction of poor and critical space, which is a Maroon Measure on the University Progress Card. HEAPR continues to be the cheapest and smartest investment that can be made in existing facilities. It protects and extends the useful life of investments made by the taxpayers through capital bonding, by students and parents who pay tuition, and by donors who give to support the University’s vision. This plan follows the largest ever HEAPR request in 2018 with a further request for \$200 million. This \$2.46 billion plan advances the Systemwide Strategic Plan objectives and positions the University for success through five capital strategic priorities:

1. Address Poor and Critical Backlog

The Facility Condition Assessment (FCA) identifies a facility's physical condition and needs. This process looks at each building across the system and identifies deferred, non-recurring, and projected renewal needs to determine a facility condition needs index (FCNI.) The FCNI is the 10-year projected needs divided by the estimated replacement value. FCNI determines where a building is rated on a scale that starts at 0.0 (new building, excellent) and extends to 1.0 (significant needs, critical.) This industry standard assessment is conducted by a third-party under contract.

Campus	Total GSF ¹	Estimated Replacement Value ²	Projected 10-Year Needs ²	10 Year Needs/Replacement Value = (FCNI)	GSF Poor / Critical
Twin Cities	23,322,354	\$10,031,600,083	\$3,774,937,656	0.38	7,560,801
Duluth	3,248,831	\$1,087,910,842	\$378,626,203	0.35	385,901
Morris	993,166	\$407,550,477	\$161,627,743	0.40	404,331
Crookston	723,407	\$332,623,102	\$85,324,936	0.26	58,941
ROCs	1,647,999	\$297,564,748	\$87,137,679	0.29	90,707
TOTALS	29,972,425	\$12,157,249,252	\$4,487,654,217	0.37	8,500,681³

¹ Total Gross Square Feet. Excludes Rochester Campus. Does not include parking ramp decks.

² Figures include all formally assessed facilities plus actual or modeled values for non-assessed facilities less than 5 years old.

³ Increase of 0.8% from previous year.

The plan puts a strong emphasis on fixing or replacing some of our worst buildings, with Higher Education Asset Preservation and Replacement (HEAPR) funding remaining at the core of this strategy.

2. Advance the Health Sciences

The plan proposes a new strategic capital investment to improve the educational and clinical research spaces for University programs in Medicine and Health. The Health Sciences Strategic Capital Investment will co-locate clinical, translational, and outcomes focused research teams, create modern dental teaching clinics, consolidate the School of Public Health, support hospital service expansion, and create new clinical laboratories to support patient care. Through the development of modern and efficient replacement space, several FCA critical facilities will be brought up to current code, condition, and efficiency standards, while the Mayo complex will be decommissioned altogether resulting in a net reduction of campus square feet and annual facility operating costs. This new Health Sciences Strategic Investment program is in the early stages of planning. Details on all aspects of the program including overall structure, program components, project cost, funding strategy, and schedule will be developed in the coming year.

As the Health Sciences campus continues to grow, the University also has a unique opportunity to shape the character of future development at the campus edge through the University of Minnesota Foundation Real Estate Advisor's (UMFREA) Motley Initiative. Over the last 12 months, UMFREA has formed a private venture partnership to work with the city, the University, the community, and private developers to create a visionary master plan for this

critical place. The master plan integrates current uses with anticipated University growth and the new private sector development essential to supporting the many stakeholders in this area. The Motley plan contemplates mixed use development (varied housing, corporate and entrepreneurial workplaces, goods and services, and public parks, etc.) together with a quality public realm that better connects all the University, private sector spaces, and neighborhood amenities to each other. This type of dynamic community will further enhance the University's reputation as a world-class educational institution. University staff are working with UMFREA to ensure that the campus continues to provide vibrancy and capacity to advance the clinical, research, and teaching activities of academic health sciences. Members of the Board will hear more about this opportunity when UMFREA and the University leaders jointly present this work at the full Board meeting on Friday.

3. Modernize Saint Paul Campus Research Laboratories

The plan continues the vision first set out in the 2013 Six-Year Capital Plan to renovate, construct, and decommission targeted laboratories on the Saint Paul campus. The placeholder in 2022 for Saint Paul Capital Renewal will be informed by the outcome of the Saint Paul Strategic Facilities Plan that is scheduled to be complete in fall 2018. Additional HEAPR investments in Food Science and Nutrition, Biosystems and Ag Engineering, and the Biological Science Center will optimize existing facilities and infrastructure to support teaching and research. Renovation or replacement of the Saint Paul Student Center will create a new hub of campus life for students, faculty, staff, and visitors.

4. Expand Capacity in STEM Programs

Student demand as well as state performance measures related to STEM degrees has increased the need for teaching laboratory facilities. Chemistry is a core component of most STEM programs and an inadequate supply of chemistry labs is restricting the University's ability to meet demand and move students through the necessary course sequences. This Plan includes a major investment in Twin Cities campus chemistry teaching capacity as well as a major HEAPR investment in the Mechanical Engineering building.

5. Repositioning Libraries for the 21st Century

Library spaces are in high demand by the campus community. Investments will provide for materials that remain accessible, but are no longer housed in prime campus real estate. This will ensure existing libraries remain the center of campus scholarship and exchange by creating flexible teaching, learning, and collaboration spaces. Investments are planned on the Morris campus as well as several investments on the Twin Cities campus that will be done as part of the larger Health Sciences investment plan. Additional opportunities exist to modernize Wilson Library with future Twin Cities campus capital renewal or strategic capital investment placeholders.

2019 State Capital Request

There are three items in the 2019 State Capital Request. The first priority for funding is a \$200 million HEAPR request. Two other projects include the Child Development replacement on the Twin Cities campus and the renovation of A.B. Anderson Hall in Duluth. Funding for A.B. Anderson

was first proposed with the Academic and Student Experience Investments in 2016. The \$248.4 million in projects represent \$232.3 million from the state and \$16.1 million from the University.

BACKGROUND INFORMATION

Forming the Plan

Formation of the Plan is directed by University leadership including the Executive Vice President and Provost, the Senior Vice President for Finance and Operations, and the Vice Presidents for Health Sciences, Research, University Relations, and University Services. A multi-stage portfolio planning process yields a draft plan for the President’s consideration and ultimate recommendation to the Board.

Stage 1 Proposal	Stage 2 Feasibility	Stage 3 Predesign	Stage 4 Implementation
Primary Drivers <ul style="list-style-type: none"> • Programmatic Needs <ul style="list-style-type: none"> - Strategic positioning - Compacts • Facility Conditions <ul style="list-style-type: none"> - Facility Condition Assessment (FCA) • Financial Resources Assessment <ul style="list-style-type: none"> - building operation costs - debt service payments - debt capacity 	Major Criteria <ul style="list-style-type: none"> • Strategic Positioning • Academic Priorities • Facility Conditions • Financial Constraints • Project Logistics • Space and Other Issues 	Inclusion in Six-Year Plan <ul style="list-style-type: none"> • Predesign • Resource Acquisition 	Inclusion in Capital Budget <ul style="list-style-type: none"> • Individual projects over \$500,000 in annual capital budget or later amendments • Completed Predesign • Project is fully funded • Approved projects move into Design and Construction
Projects proposed by Chancellors, Vice Presidents, and Deans	Review, analysis, and recommendation by Capital Strategy Group	Approved and recommended to Board of Regents by the President	Approved and recommended to Board of Regents by the President

Although many projects have both academic and organizational value, the projects that demonstrate both a programmatic urgency and implementation readiness are advanced for further analysis in the six-year timeframe. Other factors analyzed before projects are placed in the plan include:

- *Financial parameters* such as state economic forecasts, state debt capacity, past trends, University debt capacity, and project-specific fundraising potential.
- *Operating budget impact* such as ability to fund the incremental operating (facility and programmatic) and debt costs associated with proposed projects.
- *Timing and sequencing of projects* to complete a series of related projects in process or other capital project “dominoes.”
- *Impact on programs (both research and instructional)* to manage the level of disruption while still maintaining research and teaching functions.
- *Health, safety, and regulatory requirements* result in issues that require some projects to be included in the plan.
- *Geographic distribution* recognizes the University as a system and balances investment across the state.
- *Alignment with Systemwide Strategic Plan objectives.*

Project Costs

Costs for projects in the *feasibility* stage and projects under consideration are order-of-magnitude estimates, based on square foot costs recently experienced with comparable building and space types at the University, applied to the estimated square footage of each project. Predesign studies are prepared for projects at the appropriate time to determine more accurate cost figures. Total project costs and funding will be confirmed for each project prior for approval in the annual capital improvement budget.

Debt Capacity Forecast

The University's ability to service debt over the long term is considered in the plan's development, specifically utilizing the following assumptions:

- Projected total debt includes only University supported debt at par plus capital leases (excludes state supported special purpose revenue bonds.)
- University-supported portion of projects in the plan are 100 percent funded with University-issued debt.
- Projected debt also includes \$253 million total issued in FY 2019 and FY 2020 for projects in process and outside of the 2018 Six-Year Capital Plan.
- Issuances of debt for plan projects occur over three years with a 20 percent, 55 percent, 25 percent split.
- Annual debt service for future debt assumes 4.5 percent over 25 years.
- Modest increases each year in ratio components of cash and investments and operating expenses (2.5 percent annually.)
- Capacity calculated based on arithmetic average of three ratios, assuming University goal is to maintain each ratio at the Aa1 median level, as defined by Moody's.
- University of Minnesota Foundation resources (cash and investments) are included in total resources in the applicable ratios, as defined by Moody's.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the 2018 Six-Year Capital Improvement Plan and the 2019 State Capital Request.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

2018 Six-Year Capital Plan

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

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

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the 2018 Six-Year Capital Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research, and outreach objectives



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

2019 State Capital Request

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

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

WHEREAS, 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 2019 State Capital Request to the Minnesota Legislature in the amount of \$248,300,000 consisting of \$232,267,000 from the State of Minnesota and \$16,133,000 from the University of Minnesota.

2018 Six Year Capital Plan
Project Description Report

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Description Report

Project Costs

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

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Description Report

102 Arboretum: Horticulture and Operations HQ

Campus: ROCs & Stations - Constructs a new 12,000 GSF, 2-story maintenance facility and 4,500 equipment storage building.
Unit: College of Food, Agricultural & Natural Resource Sciences - Converts the existing maintenance shop to storage space.
- Timeline may adjust pending availability of funds.
Total Cost: \$6,000
Plan Year: 2019

111 Turkey Research Facility

Campus: UMTC - Renovates 28,000 GSF in the Poultry Teaching and Research Facility on the St. Paul campus.
Unit: College of Food, Agricultural & Natural Resource Sciences - Relocates small scale turkey research from Rosemount to St. Paul.
- Maximizes research effectiveness and space utilization.
- Replaces or upgrades exterior enclosure, HVAC systems and lab casework.
Total Cost: \$7,400
Plan Year: 2019

140 St. Paul Capital Renewal

Campus: UMTC - Renovates teaching and research space in one or more buildings on the St. Paul campus.
Unit: Academic Affairs and Provost - Achieves collegiate goals of synergy among researchers
- Enables demolition of obsolete teaching and research space
- Project(s) will be defined pending the outcome of the St. Paul Strategic Facilities Plan.
Total Cost: \$45,000
Plan Year: 2022

141 TC Campus Capital Renewal

Campus: UMTC - Advances priority projects focused on learning spaces and student support.
Unit: Academic Affairs and Provost - Renews centers of campus scholarship and exchange by creating flexible teaching, learning, and collaboration spaces.
- Project will be defined in future Six Year Plan update.
Total Cost: \$40,000
Plan Year: 2023

142 UMM: Briggs Library Capital Renewal

Campus: UMM - Renovates the existing 50,000 GSF library and construct a new east link/entry addition and west entry.
Unit: UM Morris - Replaces mechanical, electrical, and plumbing systems, technology infrastructure, elevator, and provides ADA/Code compliant restrooms.
- Revitalizes the Briggs Library at the “heart of the campus” to best meet the academic, co-curricular, social and safety needs of the UMM Community.
Total Cost: \$27,900
Plan Year: 2021

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Description Report

146 Arboretum: Master Gardener's House

Campus: ROCs & Stations - Provides a new home for the Master Gardener Program
Unit: College of Food, Agricultural & Natural Resource Sciences - Creates a new Welcome and Plant Information Center for the Arboretum's Red Barn Farm campus that includes the Bee Center, Red Barn and Agricultural Demonstration gardens.
Total Cost: \$2,000 - Timeline may adjust pending availability of funds.
Plan Year: 2019

163 UMD: Limnology Building and Property Capital Renewal

Campus: UMD - Renovates the existing 7,000 GSF limnology research station and constructs a new 6,000 GSF addition.
Unit: UM Duluth - Creates a learning lab, meeting space and workstations for 27 personnel.
Total Cost: \$5,000 - Relocates MN Sea Grant Center from its current location at UMD Chester Park.
Plan Year: 2022 - Timeline for investment may adjust pending availability of funds.

177 Child Development Replacement

Campus: UMTC - Renovates the interior and exterior of 30,000 GSF Institute of Child Development Building, built in 1913.
Unit: College of Education and Human Development - Demolishes the existing 1967 addition.
Total Cost: \$42,000 - Constructs a new 30,000 - 34,000 GSF addition.
Plan Year: 2019 - Creates new research labs and observation space for 20 ICD faculty and research and administrative space for the Center for Early Childhood Education.

178 UMD: A. B. Anderson Hall Capital Renewal

Campus: UMD - Updates mechanical systems, life safety systems, and architectural finishes.
Unit: UM Duluth - Modernizes 35,000 SF of teaching space for the departments of Communication, Philosophy, History, and Art.
Total Cost: \$6,400
Plan Year: 2019

182 Armory Capital Renewal

Campus: UMTC - Renovates the 72,000 SF Armory building in the Old Campus Historic District of the Minneapolis campus.
Unit: Academic Affairs and Provost - Corrects code deficiencies, updates HVAC and electrical systems and modernizes the facility to support University needs.
Total Cost: \$36,000 - Feasibility study is required to determine future occupants, scope, budget and schedule.
Plan Year: 2022

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Description Report

187 Chemistry Teaching Laboratory Facility

Campus: UMTC

Unit: College of Science and Engineering

Total Cost: \$96,000

Plan Year: 2020

- Creates a 101,600 GSF state-of-the-art undergraduate chemistry teaching facility with energy efficient teaching laboratories, student collaboration spaces, and classrooms.
- Provides 18 new teaching laboratories for general and organic chemistry.
- Renovates the 30,000 GSF original Fraser Hall building, demolishes the earlier 62,000 GSF addition, and constructs a new 71,600 addition.

195 Systemwide Capital Investment

Campus: Systemwide

Unit: Systemwide

Total Cost: \$24,000

Plan Year: 2023

- Advances priority projects focused on learning spaces, student support, and research laboratories.
- Project(s) will be defined in future Six Year Plan update.

198 Higher Education Asset Preservation and Replacement

Campus: Systemwide

Unit: Systemwide

Total Cost: \$200,000

Plan Year: 2019

- Maximizes and extends the life of the University's existing physical plant.
- Individual projects will fall into one of four broad categories: Health and Safety, Building Systems, Energy Efficiency, and Utility Infrastructure.
- Projects are informed by the Facilities Condition Assessment and Building Code Deficiency Report with input from facilities Management on each campus, in consultation with University Health & Safety and the Disability Resource Center.

289 UMD: New Residence Hall

Campus: UMD

Unit: UM Duluth

Total Cost: \$49,200

Plan Year: 2019

- Constructs a new residence hall with approximately 350 beds for first year students on the Duluth campus.
- Supports 1% annual growth in undergraduate enrollment.
- Allows for demolition of Vermillion hall.

295 UMD: New Dining/Expansion

Campus: UMD

Unit: UM Duluth

Total Cost: \$9,800

Plan Year: 2019

- Constructs a new 300 seat dining venue to serve the UMD residential population and campus community.

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Description Report

302 Health Sciences Strategic Capital Investment

Campus: UMTC

Unit: Health Sciences Administration

Total Cost: \$475,000

Plan Year: 2020

- Advances the strategic goals of Health Sciences (AHC Strategic Facilities Plan), State of MN (Governor's Blue Ribbon Cmte) and other U of M institutional priorities through a phased investment program.
- Constructs new space including a Clinical Research Facility and Dental Teaching Clinics.
- Renovates critical condition facilities including Moos Tower, Phillips-Wangensteen Building, and Diehl Hall.
- Demolishes Mayo.

304 Strategic Capital Investment

Campus: UMTC

Unit: Academic Affairs and Provost

Total Cost: \$100,000

Plan Year: 2024

- Enhances existing teaching, research and student space.
 - Project(s) will be defined in future Six Year Plan update.
-

2018 Six Year Capital Plan
Project Funding Report

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Funding Report

Project Costs

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

Project Priority

Projects are shown in order of priority for the state capital budget request in year 2019. Projects in future years of the plan and projects under consideration are not prioritized.

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Funding Report

2019

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
198	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
177	Child Development Replacement	UMTC	\$42,000	\$28,000	\$14,000
178	UMD: A. B. Anderson Hall Capital Renewal	UMD	\$6,400	\$4,267	\$2,133
			\$248,400	\$232,267	\$16,133

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
102	Arboretum: Horticulture and Operations HQ	ROCs & Stations	\$6,000	\$0	\$6,000
146	Arboretum: Master Gardener's House	ROCs & Stations	\$2,000	\$0	\$2,000
111	Turkey Research Facility	UMTC	\$7,400	\$0	\$7,400
295	UMD: New Dining/Expansion	UMD	\$9,800	\$0	\$9,800
289	UMD: New Residence Hall	UMD	\$49,200	\$0	\$49,200
218	R&R - Crookston Campus	UMC	\$245	\$0	\$245
284	R&R - Duluth Campus	UMD	\$3,000	\$0	\$3,000
224	R&R - Duluth Student Life	UMD	\$3,000	\$0	\$3,000
236	R&R - Morris Campus	UMM	\$90	\$0	\$90
212	R&R - Twin Cities Athletics	UMTC	\$1,300	\$0	\$1,300
254	R&R - Twin Cities Campus	UMTC	\$7,400	\$0	\$7,400
260	R&R - Twin Cities Dining Services	UMTC	\$2,710	\$0	\$2,710
230	R&R - Twin Cities Housing & Residential Life	UMTC	\$4,310	\$0	\$4,310
242	R&R - Twin Cities Parking & Transportation Services	UMTC	\$6,580	\$0	\$6,580
248	R&R - Twin Cities Student Affairs	UMTC	\$1,100	\$0	\$1,100
266	R&R - Twin Cities Utilities	UMTC	\$11,475	\$0	\$11,475
			\$115,610	\$0	\$115,610
FY Total:			\$364,010	\$232,267	\$131,743
Running Total:			\$364,010	\$232,267	\$131,743

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Funding Report

2020

Proposed Special State Investment Program

File	Project Title	Campus	Total	State Funds	University Funds
302	Health Sciences Strategic Capital Investment	UMTC	\$475,000	\$316,667	\$158,333
			\$475,000	\$316,667	\$158,333

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
199	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
187	Chemistry Teaching Laboratory Facility	UMTC	\$96,000	\$64,000	\$32,000
			\$296,000	\$264,000	\$32,000

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
219	R&R - Crookston Campus	UMC	\$245	\$0	\$245
285	R&R - Duluth Campus	UMD	\$3,000	\$0	\$3,000
225	R&R - Duluth Student Life	UMD	\$3,000	\$0	\$3,000
237	R&R - Morris Campus	UMM	\$90	\$0	\$90
213	R&R - Twin Cities Athletics	UMTC	\$1,300	\$0	\$1,300
255	R&R - Twin Cities Campus	UMTC	\$7,400	\$0	\$7,400
261	R&R - Twin Cities Dining Services	UMTC	\$3,100	\$0	\$3,100
231	R&R - Twin Cities Housing & Residential Life	UMTC	\$10,610	\$0	\$10,610
243	R&R - Twin Cities Parking & Transportation Services	UMTC	\$9,834	\$0	\$9,834
249	R&R - Twin Cities Student Affairs	UMTC	\$1,100	\$0	\$1,100
267	R&R - Twin Cities Utilities	UMTC	\$12,125	\$0	\$12,125
			\$51,804	\$0	\$51,804
FY Total:			\$822,804	\$580,667	\$242,137
Running Total:			\$1,186,814	\$812,934	\$373,880

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Funding Report

2021

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
200	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
142	UMM: Briggs Library Capital Renewal	UMM	\$27,900	\$18,600	\$9,300
			\$227,900	\$218,600	\$9,300

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
220	R&R - Crookston Campus	UMC	\$245	\$0	\$245
286	R&R - Duluth Campus	UMD	\$3,000	\$0	\$3,000
226	R&R - Duluth Student Life	UMD	\$3,000	\$0	\$3,000
238	R&R - Morris Campus	UMM	\$90	\$0	\$90
214	R&R - Twin Cities Athletics	UMTC	\$1,300	\$0	\$1,300
256	R&R - Twin Cities Campus	UMTC	\$7,400	\$0	\$7,400
262	R&R - Twin Cities Dining Services	UMTC	\$2,880	\$0	\$2,880
232	R&R - Twin Cities Housing & Residential Life	UMTC	\$6,540	\$0	\$6,540
244	R&R - Twin Cities Parking & Transportation Services	UMTC	\$5,380	\$0	\$5,380
250	R&R - Twin Cities Student Affairs	UMTC	\$1,100	\$0	\$1,100
268	R&R - Twin Cities Utilities	UMTC	\$11,250	\$0	\$11,250
			\$42,185	\$0	\$42,185
FY Total:			\$270,085	\$218,600	\$51,485
Running Total:			\$1,456,899	\$1,031,534	\$425,365

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Funding Report

2022

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
201	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
182	Armory Capital Renewal	UMTC	\$36,000	\$24,000	\$12,000
140	St. Paul Capital Renewal	UMTC	\$45,000	\$30,000	\$15,000
			\$281,000	\$254,000	\$27,000

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
163	UMD: Limnology Building and Property Capital Renewal	UMD	\$5,000	\$0	\$5,000
221	R&R - Crookston Campus	UMC	\$245	\$0	\$245
287	R&R - Duluth Campus	UMD	\$3,000	\$0	\$3,000
227	R&R - Duluth Student Life	UMD	\$3,000	\$0	\$3,000
239	R&R - Morris Campus	UMM	\$90	\$0	\$90
215	R&R - Twin Cities Athletics	UMTC	\$1,300	\$0	\$1,300
257	R&R - Twin Cities Campus	UMTC	\$7,400	\$0	\$7,400
263	R&R - Twin Cities Dining Services	UMTC	\$1,700	\$0	\$1,700
233	R&R - Twin Cities Housing & Residential Life	UMTC	\$13,445	\$0	\$13,445
245	R&R - Twin Cities Parking & Transportation Services	UMTC	\$7,980	\$0	\$7,980
251	R&R - Twin Cities Student Affairs	UMTC	\$1,100	\$0	\$1,100
269	R&R - Twin Cities Utilities	UMTC	\$11,450	\$0	\$11,450

	\$55,710	\$0	\$55,710
FY Total:	\$336,710	\$254,000	\$82,710
Running Total:	\$1,793,609	\$1,285,534	\$508,075

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Funding Report

2023

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
202	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
195	Systemwide Capital Investment	Systemwide	\$24,000	\$16,000	\$8,000
141	TC Campus Capital Renewal	UMTC	\$40,000	\$26,667	\$13,333
			\$264,000	\$242,667	\$21,333

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
222	R&R - Crookston Campus	UMC	\$245	\$0	\$245
288	R&R - Duluth Campus	UMD	\$3,000	\$0	\$3,000
228	R&R - Duluth Student Life	UMD	\$3,000	\$0	\$3,000
240	R&R - Morris Campus	UMM	\$90	\$0	\$90
216	R&R - Twin Cities Athletics	UMTC	\$1,300	\$0	\$1,300
258	R&R - Twin Cities Campus	UMTC	\$7,400	\$0	\$7,400
264	R&R - Twin Cities Dining Services	UMTC	\$3,150	\$0	\$3,150
234	R&R - Twin Cities Housing & Residential Life	UMTC	\$18,573	\$0	\$18,573
246	R&R - Twin Cities Parking & Transportation Services	UMTC	\$7,730	\$0	\$7,730
252	R&R - Twin Cities Student Affairs	UMTC	\$1,100	\$0	\$1,100
270	R&R - Twin Cities Utilities	UMTC	\$11,500	\$0	\$11,500
			\$57,088	\$0	\$57,088
FY Total:			\$321,088	\$242,667	\$78,421
Running Total:			\$2,114,697	\$1,528,201	\$586,496

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Project Funding Report

2024

State Funded

File	Project Title	Campus	Total	State Funds	University Funds
201	Higher Education Asset Preservation and Replacement	Systemwide	\$200,000	\$200,000	\$0
304	Strategic Capital Investment	UMTC	\$100,000	\$66,667	\$33,333
			\$300,000	\$266,667	\$33,333

University Funded

File	Project Title	Campus	Total	State Funds	University Funds
308	R&R - Crookston Campus	UMC	\$245	\$0	\$245
306	R&R - Duluth Campus	UMD	\$3,000	\$0	\$3,000
305	R&R - Duluth Student Life	UMD	\$3,000	\$0	\$3,000
310	R&R - Morris Campus	UMM	\$90	\$0	\$90
307	R&R - Twin Cities Athletics	UMTC	\$1,300	\$0	\$1,300
313	R&R - Twin Cities Campus	UMTC	\$7,400	\$0	\$7,400
314	R&R - Twin Cities Dining Services	UMTC	\$2,900	\$0	\$2,900
309	R&R - Twin Cities Housing & Residential Life	UMTC	\$15,585	\$0	\$15,585
311	R&R - Twin Cities Parking & Transportation Services	UMTC	\$5,000	\$0	\$5,000
312	R&R - Twin Cities Student Affairs	UMTC	\$1,100	\$0	\$1,100
315	R&R - Twin Cities Utilities	UMTC	\$11,500	\$0	\$11,500
			\$51,120	\$0	\$51,120
FY Total:			\$351,120	\$266,667	\$84,453
Running Total:			\$2,465,817	\$1,794,868	\$670,949

2018 Six Year Capital Plan
Under Consideration List

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Under Consideration List

Proposals included on the Under Consideration list have been identified as priorities by the responsible unit. Projects under consideration are recommended to complete a feasibility study to support further decision making. Projects will be included in the Six Year Plan when the source of funding and year is determined.

Projects must complete predesign, obtain necessary funds and receive approval in the Annual Capital Budget to proceed with design and construction.

Preliminary cost estimates are included on the Under Consideration list where available. Estimates prepared at this time have a low expectation of accuracy. Estimates may be regarded as preliminary, ballpark or order of magnitude. Multiple factors including location, size, complexity, level of finish and inflation may impact the final cost. These figures are intended to support a decision to proceed with the proposal and must be verified through later phases of design.

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Under Consideration List

113 St. Paul Student Center Replacement

<i>Campus:</i>	UMTC	- Renovates or replaces the St. Paul Student Center.
<i>Unit:</i>	Student Affairs	- Provides a venue for programming, services, meetings and events on St. Paul campus.
<i>Total Cost:</i>	To Be Determined	- Scope, budget and schedule to be confirmed pending the outcome of the St. Paul Strategic Facilities Plan.
<i>Status:</i>	Planning	

118 Athletic Facilities Targeted Improvement Projects

<i>Campus:</i>	Systemwide	- Implements targeted investments to improve gender equity in athletics facilities on the Crookston, Morris, Duluth and Twin Cities campuses.
<i>Unit:</i>	Systemwide	- Project(s) to be defined pending outcome of individual campus planning studies.
<i>Total Cost:</i>	To Be Determined	
<i>Status:</i>	Planning	

120 Cloquet and Hubacheck Capital Investments

<i>Campus:</i>	ROCs & Stations	- Provides setting for field-based teaching and applied learning and research in northern forest and wilderness ecosystems.
<i>Unit:</i>	College of Food, Agricultural & Natural Resource Sciences	- Constructs lodging, dining and kitchen facilities for students, staff, professionals and families.
<i>Total Cost:</i>	To Be Determined	- Creates flexible research labs, classrooms and support spaces.
<i>Status:</i>	Planning	- Scope, budget and schedule to be confirmed pending outcome of site master plans.

121 Cowles Stadium Hitting Facility

<i>Campus:</i>	UMTC	- Constructs an indoor hitting facility and restrooms accessible from the dugout for the Gopher Women's Softball Team.
<i>Unit:</i>	Intercollegiate Athletics	- Enhances recruitment of top student-athletes and contributes to success in the classroom and on the field.
<i>Total Cost:</i>	To Be Determined	- Budget and schedule to be confirmed pending availability of funds.
<i>Status:</i>	Proposal	

124 3M Arena at Mariucci Ice Plant/Floor Replacement

<i>Campus:</i>	UMTC	- Converts the refrigerant system in response to phase out of freon production by 2020.
<i>Unit:</i>	Intercollegiate Athletics	- Reduces scale of ice sheet and expands capacity for seating.
<i>Total Cost:</i>	\$5,200	- Enables meeting fluorocarbon emissions standards.
<i>Status:</i>	Predesign	- Budget and schedule to be confirmed pending availability of funds.

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Under Consideration List

125 Gymnastics Practice Facility

Campus: UMTC
Unit: Intercollegiate Athletics
Total Cost: \$8,900
Status: Predesign

- Remodels shell and storage space to create a practice facility for Men's and Women's Gymnastics.
- Includes remodeling two existing locker rooms to provide locker and lounge space for both teams.
- Supports the decommissioning of the 20,150 GSF Peik Gym.
- Budget and schedule to be confirmed pending availability of funds.

127 Ridder Arena Ice Plant/Floor Replacement

Campus: UMTC
Unit: Intercollegiate Athletics
Total Cost: \$1,200
Status: Predesign

- Converts the refrigerant system in response to phase out of freon production by 2020.
- Replaces the ice plant, ice sheet floor and piping.
- Enables meeting fluorocarbon emissions standards.
- Budget and schedule to be confirmed pending availability of funds.

128 Siebert Field Phase 3

Campus: UMTC
Unit: Intercollegiate Athletics
Total Cost: \$13,700
Status: Schematic Design

- Constructs a canopy over the concourse, additional concessions and public restrooms.
- Expands the press box to include a club room and suites.
- Phases 1 and 2 were completed in 2012 and 2016, respectively.
- Budget and schedule to be confirmed pending availability of funds.

131 Boynton Bldg Systems and Interior Capital Renewal

Campus: UMTC
Unit: Student Affairs
Total Cost: To Be Determined
Status: Planning

- Renovates the existing building to meet fire code and life safety requirements.
- Upgrades the 50 year old HVAC system.
- Reduces energy costs with energy efficiency improvements.
- Budget and schedule to be confirmed pending availability of funds.

134 Gopher Volleyball Performance Center

Campus: UMTC
Unit: Intercollegiate Athletics
Total Cost: \$6,000
Status: Proposal

- Remodels the existing Gopher Volleyball team area within the Maturi Pavillion to create a volleyball performance center.
- Provides improved locker rooms, weight room, training room, team lounge, coaches suite.
- Budget and schedule to be confirmed pending availability of funds.

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Under Consideration List

143 Welcome Center

<i>Campus:</i>	UMTC	- Provides a single location for undergrad, international and transfer student admissions.
<i>Unit:</i>	Academic Affairs and Provost	- Creates a new welcome center for the Twin Cities campus.
<i>Total Cost:</i>	To Be Determined	- Visioning study complete. Scope, budget and schedule to be confirmed pending outcome of feasibility study.
<i>Status:</i>	Planning	

148 Lions Eye Institute

<i>Campus:</i>	UMTC	- Constructs a new centralized 70,000 - 90,000 GSF clinical care, research and training facility for the Lion's Eye Institute.
<i>Unit:</i>	Medical School	- Consolidates multiple clinics including the Adult Eye Clinic, Clinical Trial Clinic, Advanced Ocular Imaging Clinic, Low-Vision Clinic, Eye Surgery Suites, Ocular BioMedical Lab, Education Space, Office Space, the Eye Bank, and potential shelled out space for future Visual Neurosciences Laboratories.
<i>Total Cost:</i>	\$54,000	- Funding and timeline dependent upon business plan in alignment with Health Sciences and Fairview strategy.
<i>Status:</i>	Planning	

151 St. Paul Gymnasium Renovation/Addition

<i>Campus:</i>	UMTC	- Renovates and constructs an addition to the St. Paul Gym.
<i>Unit:</i>	Student Affairs	- Programming may include an expanded area for youth programs drop-off, reconfiguration of the member desk, expanded weight room, refurbished running track and new family locker rooms.
<i>Total Cost:</i>	To Be Determined	- Scope, budget and schedule to be verified through predesign.
<i>Status:</i>	Planning	

164 Lind Hall Capital Renewal

<i>Campus:</i>	UMTC	- Renovates 20,000 SF in Lind Hall for the College of Science and Engineering.
<i>Unit:</i>	College of Science and Engineering	- Optimizes space following the completion of Pillsbury Hall.
<i>Total Cost:</i>	To Be Determined	- Scope, budget and schedule to be defined pending outcome of feasibility study.
<i>Status:</i>	Proposal	- Timeline dependent upon availability of college and donor funds.

171 UMC: Animal Science Facility

<i>Campus:</i>	UMC	- Constructs a new pole barn facility to consolidate the animal facilities at the Crookston campus with adjacent academic and research space.
<i>Unit:</i>	UM Crookston	- Accommodates birthing, controls noise and protects against illness.
<i>Total Cost:</i>	To Be Determined	- Supports teaching needs of the Agriculture and Natural Resource program and provides space for student research.
<i>Status:</i>	Proposal	- Scope, budget and schedule to be defined pending outcome of feasibility study.

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Under Consideration List

175 UMM: Historic District Capital Renewal

Campus: UMM
Unit: UM Morris
Total Cost: To Be Determined
Status: Proposal

- Invests in programmatic needs of the Morris campus.
- Modernizes systems and infrastructure in the campus national historic district.
- Renovates learning spaces and student support spaces to meet the needs of future students.
- Projects to be defined pending outcome of campus strategic facilities plan.

202 Equine Center Isolation Unit

Campus: UMTC
Unit: College of Veterinary Medicine
Total Cost: To Be Determined
Status: Proposal

- Constructs a 13,000 SF addition to the Equine Center to treat critically ill and infectious horses.
- Provides a clinical isolation unit, surgery suite and intensive care unit.
- Scope, budget and schedule to be defined pending outcome of feasibility study.
- Timeline dependent upon availability of college and donor funds.

204 Joint Venture Development

Campus: UMTC
Unit: University Budget & Finance
Total Cost: To Be Determined
Status: Planning

- Provides new office space and facilities to advance innovation in related University programs in partnership with United Properties.

277 UMD: Chemistry Building Capital Renewal

Campus: UMD
Unit: UM Duluth
Total Cost: To Be Determined
Status: Proposal

- Invests in space that will be vacated in Spring 2019 with the completion of the Chemistry and Advanced Materials Science building.
- Upgrades 65,000 GSF of research labs and offices to support future campus space needs.
- Future use, scope, budget and schedule to be defined pending outcome of feasibility study.

290 MCT Building Addition

Campus: UMTC
Unit: Health Sciences Administration
Total Cost: To Be Determined
Status: Planning

- Expands the existing Molecular and Cellular Therapeutics facility to accommodate Vector Production and Gene Therapy (VP/GT) and other health sciences research.
- Provides a minimum of 3,500 ASF for cleanroom, lab and lab support spaces.
- Scope, budget and schedule to be defined pending outcome of feasibility study.

UNIVERSITY OF MINNESOTA

2018 Six Year Capital Plan - Under Consideration List

296 Consolidated Livestock Research Complex (FAARM)

Campus: ROCs & Stations - Constructs an off-campus consolidated animal research facility for the College of Food, Agriculture and Natural Resource Sciences.
Unit: College of Food, Agricultural & Natural Resource Sciences - Scope, budget and schedule to be defined pending outcome of feasibility study.
Total Cost: To Be Determined
Status: Proposal

299 Strategic Land Acquisitions

Campus: UMTC - Evaluates opportunities for strategic land and asset acquisitions that support University mission.
Unit: Planning, Space, and Real Estate
Total Cost: To Be Determined
Status: Proposal

300 Child Care Facility

Campus: UMTC - Provides for child care services on the Twin Cities campus based on the recommendations of the Provost's Child Care Advisory Committee.
Unit: Academic Affairs and Provost
Total Cost: To Be Determined
Status: Proposal

301 Parking Structure

Campus: UMTC - Provides additional parking for students, faculty, staff and visitors.
Unit: Auxiliary Services - Scope, budget and schedule to be defined pending outcome of feasibility study.
Total Cost: To Be Determined
Status: Proposal

President's Recommended 2018 Six-Year Capital Plan and 2019 State Capital Request

Brian Burnett, Senior Vice President for Finance and Operations
Michael Berthelsen, Vice President, University Services

Board of Regents Finance & Operations Committee

October 11, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



University Services

Stewardship • Integrity
Respect • Innovation • Safety

Plan Priorities

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



Growing deferred renewal backlog has widespread impacts on academic programs, research initiatives, student experience, and general competitiveness.

Six Year Plan Highlights

- \$200 million HEAPR request each year
- Continuity with Board priorities
- Placeholders for Saint Paul, Greater Minnesota, and other strategic investments
- Proposed major new Health Sciences Investment Program



This capital request prioritizes renewal

Request
(dollars in millions)

Location		Project	Total	State	U of MN
SYSTEM	HEAPR		\$200.0	\$200.0	\$0.0
UMTC	Institute for Child Development Renewal/Replacement		\$42.0	\$28.0	\$14.0
UMD	A.B. Anderson Hall Renovation		\$6.4	\$4.3	\$2.1
Total:			\$248.4	\$232.3	\$16.1



Six-Year Plan Resolution

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

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

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the 2018 Six-Year Capital Plan in order to create and maintain facilities that serve as tools in accomplishing the University's education, research, and outreach objectives.



State Capital Request Resolution

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

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

WHEREAS, 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 2019 State Capital Request to the Minnesota Legislature in the amount of \$248,300,000 consisting of \$232,267,000 from the State of Minnesota and \$16,133,000 from the University of Minnesota.





UNIVERSITY OF MINNESOTA

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The University of Minnesota is an equal opportunity educator and employer.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: Twin Cities Undergraduate Nonresident/Non-Reciprocity Tuition Update

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President
Robert McMaster, Vice Provost, Undergraduate Education
Julie Tonneson, Associate Vice President and Budget Director

PURPOSE & KEY POINTS

The purpose of this item is to provide an update on nonresident/non-reciprocity (NRNR) undergraduate student enrollment and tuition pricing information for the Twin Cities campus. Recent enrollment trends and recruitment initiatives will be presented to show how the University has cultivated a national market in the past twenty years. The University has established an intentional NRNR tuition pricing plan to further develop national markets and enhance the geographic diversity on campus. These recent trends in enrollment and tuition pricing will inform future discussion on FY 2020 NRNR tuition rate setting.

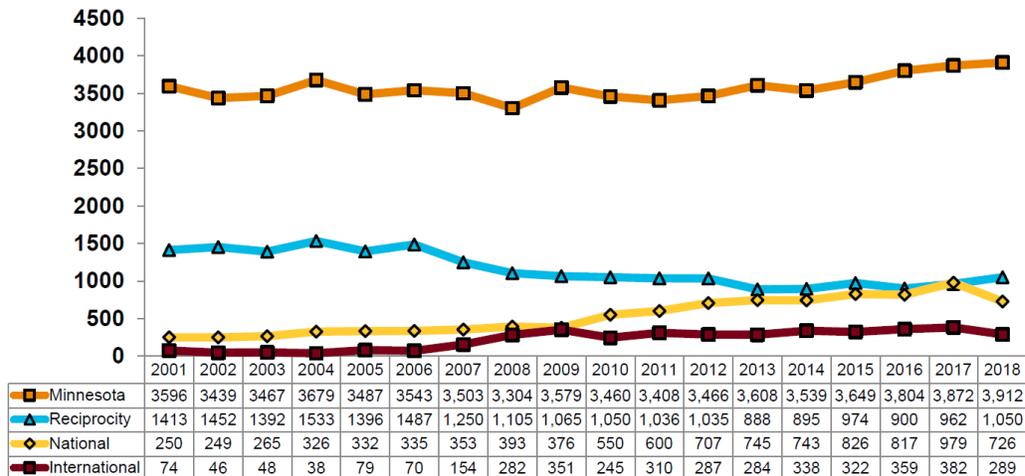
Nonresident/Non-reciprocity Enrollment and Recruitment

History of Enrollment/Recruitment

The Twin Cities campus began its first strategic outreach to recruit students outside of Minnesota and the reciprocity regions beginning in 2003 when it implemented a multi-pronged approach towards Illinois and specifically the Chicago region. The reasons to expand national recruitment were to ensure that the University had strategic pipelines of prospective students to respond to demographic shifts in Minnesota and the upper Midwest. The expansion also sought to establish the University as a talent magnet, build a more diverse student body overall, and increase national visibility and prestige. More recently, the University added a California regional recruiter in 2012 followed by regional recruiters in New York/New Jersey and Texas in 2018. Developing these new markets will require 5-10 years before substantial enrollment will manifest in the entering class.

Since fall 2003, the University has nearly tripled the number of NRNR students in the fall new freshman (NHS) undergraduate entering class. Beginning in fall 2015, the University started enrolling over 800 nonresident, non-reciprocity students. The unusually high NRNR enrollment of 979 in fall 2017 was an anomaly, where the targeted number of students was between 800 and 850.

Twin Cities Campus Fall Semester New Freshman (NHS) Headcount Enrollment by Home Location



Throughout all these changes, the long-term strategy was (and remains) to maintain our historic commitment to serving Minnesota students, while over time growing the nonresident student population. The data would suggest the strategy is being realized where the University has recently increased the number of Minnesota residents to 3,912 in Fall 2018 and consistently maintained at least 62 percent Minnesota resident share of the entering fall new freshman class.

Recent Percentage Shares of Twin Cities Campus Fall Semester New Freshmen (NHS) Students by Home Location

Fall	2012		2013		2014		2015		2016		2017		2018	
Home Location	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Minnesota	3,466	62.9%	3,608	65.1%	3,539	64.0%	3,649	63.2%	3,804	64.7%	3,872	62.5%	3,912	65.5%
Reciprocity	1,035	18.8%	888	16.0%	895	16.2%	974	16.9%	900	15.3%	962	15.5%	1,050	17.6%
Other US	707	12.8%	745	13.4%	743	13.4%	826	14.3%	817	13.9%	979	15.8%	726	12.1%
Foreign	287	5.2%	284	5.1%	338	6.1%	322	5.6%	359	6.1%	382	6.2%	289	4.8%
Unknown	19	0.3%	19	0.3%	15	0.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	5,514	100%	5,544	100%	5,530	100%	5,771	100%	5,880	100%	6,195	100%	5,977	100%

Factors Influencing Fall 2018 Recruitment

Early indications from the fall 2018 recruitment cycle suggest there was increased competition for domestic nonresident students. Some of this came from competitor institutions reacting to a fall 2017 decline in international students, so efforts shifted to more aggressively enroll domestic nonresidents. In addition, some competitor institutions clearly provided more

aggressive discounting in order to bolster their nonresident enrollment. Early information suggests a larger number of prospective students chose to stay in their home state for college thereby reducing the pool of potential recruits.

The University's Office of Admissions was aware of this increased competition early in the recruitment cycle and responded by expanding recruitment efforts and increasing merit scholarships (mostly through waivers and discounting). Admissions professionals from the Twin Cities campus attended 38 percent more national fairs and visited 8 percent more national high schools over efforts in the fall 2017 recruitment cycle. The University offered awards to 37 percent more prospective students in fall 2018 over fall 2017, offering \$7.7 million more to admitted nonresident students in fall 2018 over total offers in fall 2017. Despite these efforts, the fall 2018 nonresident, non-reciprocity enrollment of 726 students was lower than the targeted number of 880-895.

Enrollment Goals for FY 2020

The enrollment goals for the fall 2019 class include enrolling 825 domestic NRNR students and 300 international students, reflecting reasonable targets between the fall 2017 high yield and 2018 lower yield.

Nonresident/Non-reciprocity Tuition

History of tuition rates

Historically, a minority of NRNR students paid the actual nonresident rate. Most students enrolling from outside of the region received some type of financial aid or participated in alternative tuition reduction programs such as the Midwest Student Exchange Program (MSEP). By 2006, less than 25 percent of students (approximately 400 students overall) were paying the full nonresident rate. Given this situation, along with additional revenue from Wisconsin students due to a change in the reciprocity agreement between the two states, the University decided to markedly lower the nonresident rate and off-set any minor revenue loss through decreasing discounts to these students. Nonresident rates were dropped from \$20,130 in 2007-08, to \$12,500 in 2008-09. Beginning in 2015-16, the University began to increase nonresident tuition rates more aggressively for incoming students while strategically increasing scholarships and grants to better align our tuition pricing and discounting with peer/competitor institutions. As part of this strategy, the University limited the tuition increase for continuing NRNR students to be no more than 5.5 percent of their prior year's rate.

Twin Cities Nonresident, Nonreciprocity (NRNR) Tuition Rates by Recent Entry Cohort

Entry Cohort	Year 1	Year 2		Year 3		Year 4	
	Amount	Amount	% Percent Change from Prior Year	Amount	% Percent Change from Prior Year	Amount	% Percent Change from Prior Year
Fall 2013	\$18,310	\$19,310	5.5%	\$20,660	7.0%	\$21,796	5.5%
Fall 2014	\$19,310	\$20,660	7.0%	\$21,796	5.5%	\$22,994	5.5%
Fall 2015	\$20,660	\$21,796	5.5%	\$22,994	5.5%	\$24,258	5.5%
Fall 2016	\$22,210	\$22,994	3.5%	\$24,258	5.5%		
Fall 2017	\$24,986	\$26,360	5.5%				
Fall 2018	\$28,736						

Big Ten Public Institution Comparison

The most recent 15 percent NRNR tuition increase in FY 2019 put the University in a more competitive position and began to align the rate more closely with nonresident tuition and fee rates at other Big Ten public institutions. An additional 10 percent increase in the FY 2020 tuition rate would put the University nearer the middle of the Big Ten for nonresident tuition and fees. If other Big Ten institutions increase nonresident tuition and fees by no more than 5 percent in FY20 (the average increase based on trend information was 3 percent), then a 10 percent increase in the tuition rate would likely place the University just above the nonresident tuition and fees rate at the University of Iowa (9th highest rate out of 14 schools).

2018-19 Nonresident Big Ten Tuition and Fees

	2018-19 Tuition and Fees	\$ increase in 2018-19 over 2017-18	% increase in 2018-19 over 2017-18
Northwestern University	\$54,567	\$2,328	4%
University of Michigan	\$51,082	\$1,940	4%
Michigan State University	\$40,446	\$985	2%
University of Wisconsin	\$36,784	\$2,001	6%
Indiana University	\$35,456	\$610	2%
University of Maryland	\$35,216	\$1,610	5%
Pennsylvania State University	\$34,804	\$1,140	3%
University of Illinois--Base Rate	\$32,574	\$586	2%
University of Iowa	\$31,458	\$625	2%
Rutgers University	\$31,113	\$839	3%
Ohio State University	\$30,742	\$1,074	4%
University of Minnesota	\$30,438	\$3,764	14%
Purdue University	\$28,804	\$0	0%
University of Nebraska	\$25,038	\$760	3%

15% was the actual Minnesota tuition rate increase in FY19 but when combined with fees the overall increase was 14%.

Tuition revenue estimates

The following graphs illustrate the revenue trends (including domestic, international and total revenue) for the period 2015-16 through 2018-19 (projected). Gross revenue, discounting, and

recruitment costs yield the net revenue for each category and year. The final row calculates the annual percent increase.

The second graph depicts three possible scenarios for NRNR tuition rate growth at 5.5 percent, 10 percent, and 15 percent. Note that the amount of discounting is increased for each of the models. The President’s recommendation for the NRNR tuition rate for FY 2020 is a 10 percent increase, which will be introduced as part of this item but will be officially offered for review as part of the Budget Variables and Levers agenda item.

NRNR Gross and Net Tuition Revenue and Net Revenue Per Student Continue to Rise (\$ in millions)

			A	B	C	D
			2015-16	2016-17	2017-18	2018-19
1	Domestic	Gross revenue	\$ 63.7	\$ 71.9	\$ 81.9	\$ 87.9
2		Discounting	\$ (9.7)	\$ (12.4)	\$ (13.1)	\$ (13.7)
3		Recruitment cost	\$ (1.0)	\$ (1.0)	\$ (1.2)	\$ (1.2)
4		Net revenue	\$ 53.0	\$ 58.5	\$ 67.6	\$ 73.0
5						
6	International	Gross revenue	\$ 58.2	\$ 60.6	\$ 65.1	\$ 61.6
7		Discounting	\$ (4.8)	\$ (5.9)	\$ (6.8)	\$ (6.0)
8		Recruitment cost	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.3)
9		Net revenue	\$ 53.1	\$ 54.4	\$ 58.0	\$ 55.3
10						
11	Total	Gross revenue	\$ 121.9	\$ 132.5	\$ 147.0	\$ 149.5
12		Discounting	\$ (14.5)	\$ (18.3)	\$ (19.9)	\$ (19.7)
13		Recruitment cost	\$ (1.3)	\$ (1.3)	\$ (1.5)	\$ (1.5)
14		Net revenue	\$ 106.1	\$ 112.9	\$ 125.6	\$ 128.3
15						
16						
17						
18		Total NRNR Enrollment	6,102	6,259	6,565	6,317
19		Revenue per student	\$ 17,388	\$ 18,038	\$ 19,132	\$ 20,315
20		Annual % Increase		3.7%	6.1%	6.2%

Note – 2018-19 = estimates as of first day of classes

Increased Tuition Rate For FY20 – Scenarios Considered:

Entering Freshmen*	5.5%	10.0%	15.0%
Gross Revenue	\$ 157.0	\$ 158.5	\$ 160.1
Enrollment Change	\$ (1.2)	\$ (1.2)	\$ (1.2)
Discounting	\$ (20.2)	\$ (20.7)	\$ (21.2)
Recruitment Cost	\$ (1.5)	\$ (1.5)	\$ (1.5)
Net Revenue	\$ 134.1	\$ 135.1	\$ 136.2
Net Gain over FY19	\$ 5.80	\$ 6.80	\$ 7.90

- Total enrollment down 60
- Add \$500k in each scenario
- Review during budget process

Revenue Per Student	\$ 21,437	\$ 21,597	\$ 21,773
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→ Based on enrollment goals/estimates

*Planned – continuing students experience no more than a 5.5% increase

Twin Cities Undergraduate Non-Resident/Non-Reciprocity Tuition Update

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

Robert McMaster, Vice Provost and Dean, Undergraduate Education

Julie Tonneson, Associate Vice President and Budget Director

Finance & Operations Committee

October 11, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

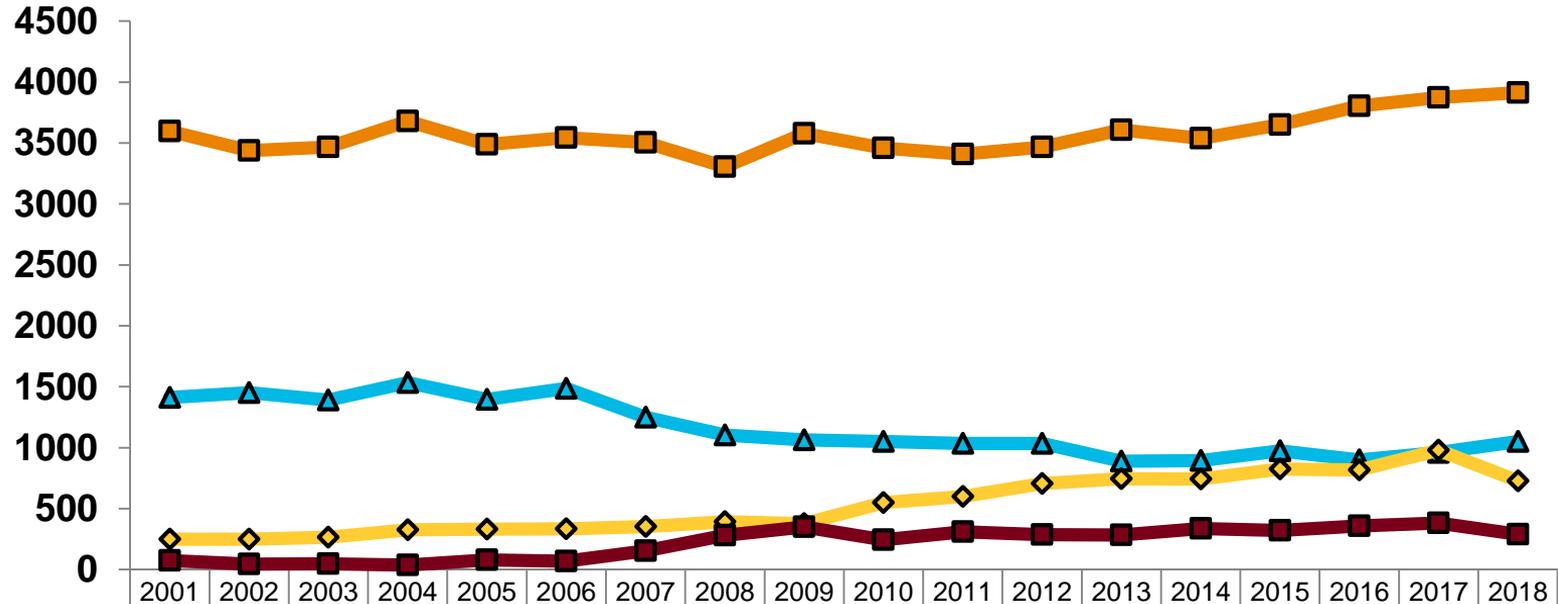


Nonresident Tuition and Recruitment History

- 1990s
 - Began participation in MSEP which offered lower tuition to nonresidents from participating states
- 2003
 - Started national outreach and recruitment in IL
- 2008-09
 - Renegotiated reciprocity agreement requiring WI residents to pay higher MN resident tuition rate
 - Lowered nonresident tuition from \$20,130 to \$12,500 (“R4000”)
- 2012
 - Expanded recruitment in CA
- 2016
 - Began implementing tuition rate increases above 5.5% for incoming freshmen (continuing students held at no more than 5.5% increase)
- 2018
 - Added regional recruiters in NJ/NY and TX



Twin Cities Campus Fall Semester New Freshman (NHS) Headcount Enrollment by Home Location



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
■ Minnesota	3596	3439	3467	3679	3487	3543	3,503	3,304	3,579	3,460	3,408	3,466	3,608	3,539	3,649	3,804	3,872	3,912
▲ Reciprocity	1413	1452	1392	1533	1396	1487	1,250	1,105	1,065	1,050	1,036	1,035	888	895	974	900	962	1,050
◆ National	250	249	265	326	332	335	353	393	376	550	600	707	745	743	826	817	979	726
■ International	74	46	48	38	79	70	154	282	351	245	310	287	284	338	322	359	382	289



Recent Percentage Shares of Twin Cities Campus Fall Semester New Freshmen (NHS) Students by Home Location

Fall	2012		2013		2014		2015		2016		2017		2018	
Home Location	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Minnesota	3,466	62.9%	3,608	65.1%	3,539	64.0%	3,649	63.2%	3,804	64.7%	3,872	62.5%	3,912	65.5%
Reciprocity	1,035	18.8%	888	16.0%	895	16.2%	974	16.9%	900	15.3%	962	15.5%	1,050	17.6%
Other US	707	12.8%	745	13.4%	743	13.4%	826	14.3%	817	13.9%	979	15.8%	726	12.1%
Foreign	287	5.2%	284	5.1%	338	6.1%	322	5.6%	359	6.1%	382	6.2%	289	4.8%
Unknown	19	0.3%	19	0.3%	15	0.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	5,514	100%	5,544	100%	5,530	100%	5,771	100%	5,880	100%	6,195	100%	5,977	100%



Total nonresident tuition revenue (net) from freshmen on the Twin Cities campus has varied with enrollment, while net tuition per student has increased.

	Fall 2016				Fall 2017				Fall 2018 Estimated			
	N	Gross Tuition (in Millions)	Net Tuition (in Millions)	Avg. Net Tuition Per Student	N	Gross Tuition (in Millions)	Net Tuition (in Millions)	Avg. Net Tuition Per Student	N	Gross Tuition (in Millions)	Net Tuition (in Millions)	Avg. Net Tuition Per Student
NRNR Domestic	817	\$17.6	\$14.9	\$18,249	979	\$23.8	\$20.5	\$20,926	726	\$20.3	\$16.6	\$22,882
NRNR Intl	359	\$7.8	\$6.9	\$19,185	382	\$9.4	\$8.0	\$20,922	289	\$8.2	\$7.1	\$24,607

(Fall 2018 Revenue Estimated as First Day of Classes)

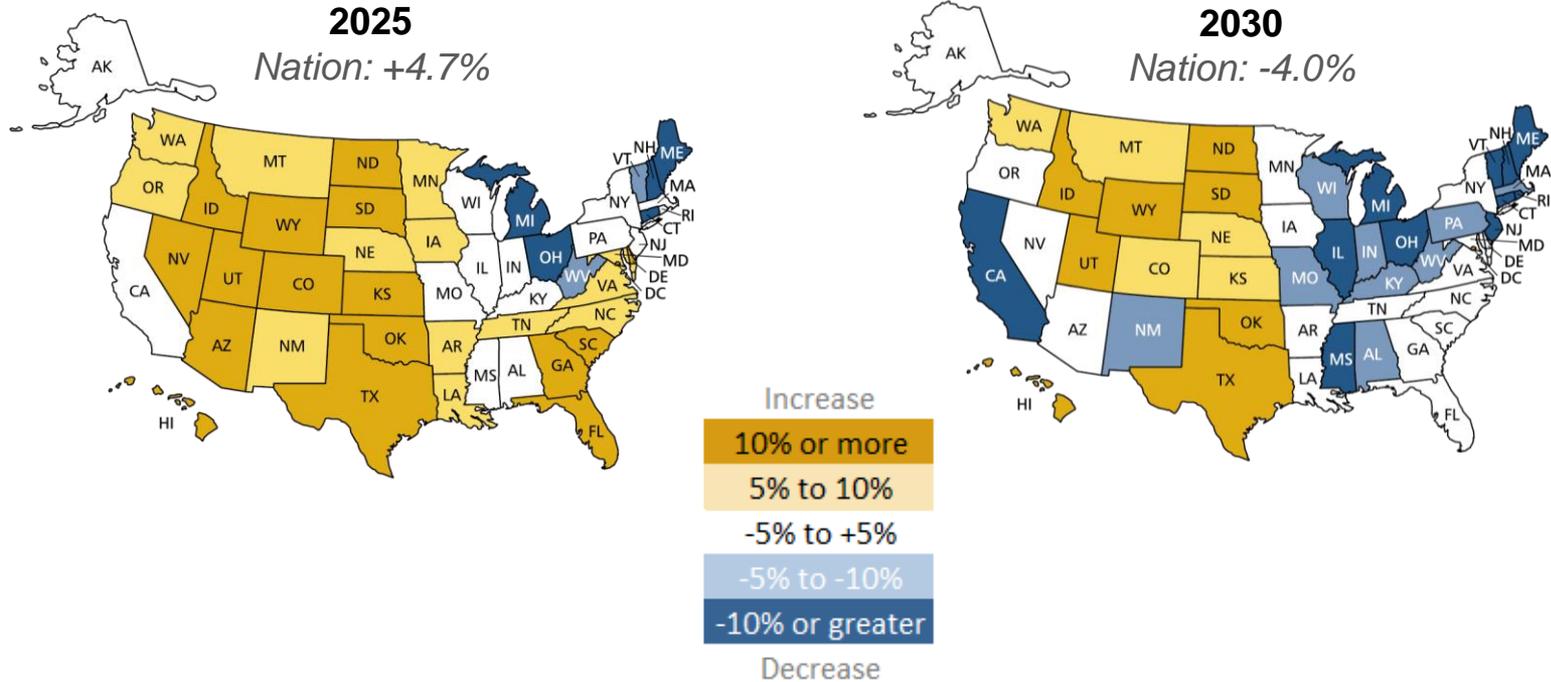


Factors Influencing Fall 2018 Recruitment and Yield

- Shifting geodemographics in the Upper Midwest
- Increased competition for national students
- Higher Minnesota NRNR cost of attendance (\$45K in Fall 2018 vs \$41K Fall 2017) may have pushed some prospective students to stay in their home state
- First full year using Common App shifted yield rates in national markets
- New markets in NJ/NY and Dallas/Fort Worth are in the earlier stages of development, which have long-term plans to supplement established markets in IL and CA



Projected Percentage Change in High School Graduates Since 2012-13



Source: WICHE Knocking on the College Door 2016



NRNR Gross and Net Tuition Revenue and Net Revenue Per Student Continue to Rise *(\$ in millions)*

			A		B		C		D
			2015-16		2016-17		2017-18		2018-19
1	Domestic	Gross revenue	\$ 63.7		\$ 71.9		\$ 81.9		\$ 87.9
2		Discounting	\$ (9.7)		\$ (12.4)		\$ (13.1)		\$ (13.7)
3		Recruitment cost	\$ (1.0)		\$ (1.0)		\$ (1.2)		\$ (1.2)
4		Net revenue	\$ 53.0		\$ 58.5		\$ 67.6		\$ 73.0
5									
6	International	Gross revenue	\$ 58.2		\$ 60.6		\$ 65.1		\$ 61.6
7		Discounting	\$ (4.8)		\$ (5.9)		\$ (6.8)		\$ (6.0)
8		Recruitment cost	\$ (0.3)		\$ (0.3)		\$ (0.3)		\$ (0.3)
9		Net revenue	\$ 53.1		\$ 54.4		\$ 58.0		\$ 55.3
10									
11	Total	Gross revenue	\$ 121.9		\$ 132.5		\$ 147.0		\$ 149.5
12		Discounting	\$ (14.5)		\$ (18.3)		\$ (19.9)		\$ (19.7)
13		Recruitment cost	\$ (1.3)		\$ (1.3)		\$ (1.5)		\$ (1.5)
14		Net revenue	\$ 106.1		\$ 112.9		\$ 125.6		\$ 128.3
15									
16									
17									
18		Total NRNR Enrollment	6,102		6,259		6,565		6,317
19		Revenue per student	\$ 17,388		\$ 18,038		\$ 19,132		\$ 20,315
20		Annual % Increase			3.7%		6.1%		6.2%

Note – 2018-19 = estimates as of first day of classes



2018-19 Nonresident Big Ten Tuition and Fees

	2018-19 Tuition and Fees	\$ increase in 2018-19 over 2017-18	% increase in 2018-19 over 2017-18
Northwestern University	\$54,567	\$2,328	4%
University of Michigan	\$51,082	\$1,940	4%
Michigan State University	\$40,446	\$985	2%
University of Wisconsin	\$36,784	\$2,001	6%
Indiana University	\$35,456	\$610	2%
University of Maryland	\$35,216	\$1,610	5%
Pennsylvania State University	\$34,804	\$1,140	3%
University of Illinois--Base Rate	\$32,574	\$586	2%
University of Iowa	\$31,458	\$625	2%
Rutgers University	\$31,113	\$839	3%
Ohio State University	\$30,742	\$1,074	4%
University of Minnesota	\$30,438	\$3,764	14%
Purdue University	\$28,804	\$0	0%
University of Nebraska	\$25,038	\$760	3%

15% was the actual Minnesota tuition rate increase in FY19 but when combined with fees the overall increase was 14%.



NRNR Enrollment and Tuition Setting Goals

- Enhance the geographic diversity
- Contribute some of the highest ACT/SAT scores on campus
- Improve nonresident retention and graduation rates
- Pricing that more closely represents reputation of the University compared to peer institutions



NRNR Enrollment Goals for FY20:

Group	Goal/Estimate	Change from Prior Year
NHS Domestic	825	+99
NHS International	300	+11
Continuing Students	5,132	-169
Total	6,257	-59



Increased Tuition Rate For FY20 – Scenarios Considered:

Entering Freshmen*	5.5%	10.0%	15.0%
Gross Revenue	\$ 157.0	\$ 158.5	\$ 160.1
Enrollment Change	\$ (1.2)	\$ (1.2)	\$ (1.2)
Discounting	\$ (20.2)	\$ (20.7)	\$ (21.2)
Recruitment Cost	\$ (1.5)	\$ (1.5)	\$ (1.5)
Net Revenue	\$ 134.1	\$ 135.1	\$ 136.2
Net Gain over FY19	\$ 5.80	\$ 6.80	\$ 7.90

- Total enrollment down 60
- Add \$500k in each scenario
- Review during budget process

Revenue Per Student	\$ 21,437	\$ 21,597	\$ 21,773
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→ Based on enrollment goals/estimates

*Planned – continuing students experience no more than a 5.5% increase



President Recommends a 10% Increase in the NRNR Rate for FY20

- Pricing that more closely represents the value and quality of experience compared to other institutions
- Increase investment in recruitment and merit scholarships
- Little gain in net tuition moving to a 15% increase for the added risk to recruitment



2018-19 Nonresident Big Ten Tuition and Fees with 10% Increase in FY20 and 5% in FY21

	2018-19 Tuition and Fees	2019-20 Estimate (assume 5% increase at other Big 10 institutions)	2020-21 Estimate (assume 5% increase at other Big 10 institutions)
Northwestern University	\$54,567	\$57,295	\$60,160
University of Michigan	\$51,082	\$53,636	\$56,318
Michigan State University	\$40,446	\$42,468	\$44,592
University of Wisconsin	\$36,784	\$38,623	\$40,554
Indiana University	\$35,456	\$37,229	\$39,090
University of Maryland	\$35,216	\$36,977	\$38,826
Pennsylvania State University	\$34,804	\$36,544	\$38,371
University of Illinois--Base Rate	\$32,574	\$34,203	\$35,913
University of Iowa	\$31,458	\$33,031	\$34,682
Rutgers University	\$31,113	\$32,669	\$34,302
Ohio State University	\$30,742	\$32,279	\$33,893
University of Minnesota	\$30,438	\$33,312	\$34,892
Purdue University	\$28,804	\$30,244	\$31,756
University of Nebraska	\$25,038	\$26,290	\$27,604

Assumes 10% annual increase in FY20 and 5% in FY21 at Minnesota and 5% annual increase at other Big 10 institutions for 2019-20 and 2020-21. FY20 and FY21 fees were held flat at the FY19 Minnesota rate for these estimates.





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Twin Cities NRNR and International Fall Applications, Admits, and Enrollment

	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018
International					
Applications	5,708	5,677	6,190	5,909	6,599
Admission Offers	1,503	1,529	1,785	2,027	2,160
Enrollment	338	322	359	382	289
NRNR Domestic					
Applications	16,421	17,635	19,457	15,457	15,419
Admission Offers	6,456	7,267	8,025	7,375	7,717
Enrollment	743	826	817	979	726



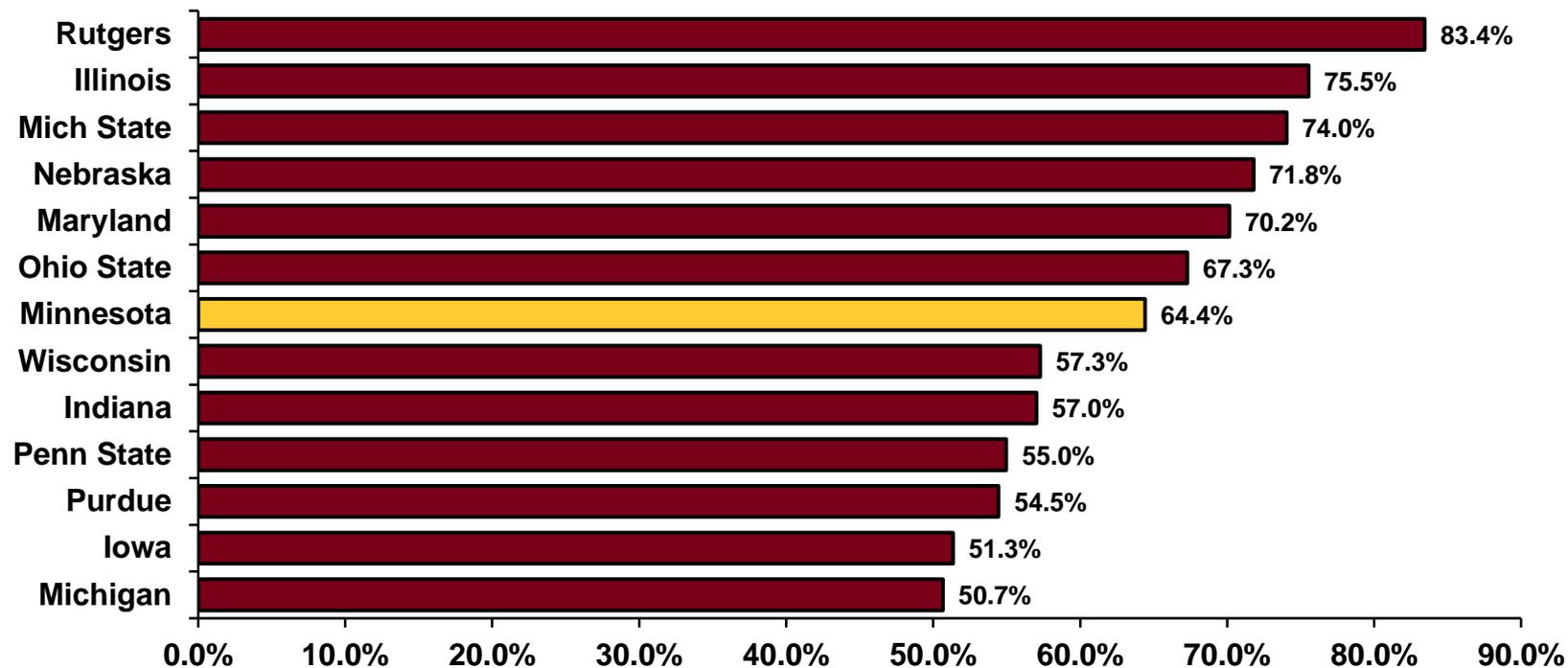
Big Ten Resident Undergraduate Tuition

2018-19 Big 10 Tuition & Fees and Cost of Attendance

	% Tuition Increase Over Prior Year	Tuition & Fees	Total COA
Northwestern University	4.4%	\$54,567	\$75,758
Pennsylvania State University	3.0%	\$18,436	\$34,778
University of Michigan	2.9%	\$16,225	\$31,261
University of Illinois	0%	\$16,004	\$31,102
Michigan State University	0%	\$15,708	\$30,110
Rutgers University	2.3%	\$14,970	\$34,138
University of Minnesota	2.0%	\$14,760	\$28,106
Ohio State University	1.4%	\$10,726	\$27,394
Indiana University	1.4%	\$10,680	\$24,778
University of Maryland	2.0%	\$10,594	\$26,794
University of Wisconsin	0%	\$10,534	\$26,004
Purdue University	0%	\$10,002	\$22,982
University of Iowa	3.8%	\$9,492	\$24,464
University of Nebraska	3.2%	\$9,246	\$25,000



Percentage of Fall 2016 New Freshmen from Home State: Big 10 Academic Alliance Members





BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: FY 2020 Budget Variables and Levers

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

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

PURPOSE & KEY POINTS

The purpose of this item is twofold:

- to review the President’s recommended FY 2020 undergraduate nonresident/non-reciprocity (NRNR) tuition rate for the Twin Cities campus in preparation for action in December; and
- to engage in a policy discussion regarding the remaining preliminary budget planning assumptions for the fiscal year beginning July 1, 2019 (FY20).

The timeline for Board discussion and review of components of the annual operating budget begins with an introduction of the state appropriation’s impact in September. The discussion continues with this presentation to introduce ideas and variables specific to next fiscal year and ends with review and action on the President’s Recommended Annual Operating Budget for FY 2020 in June. The complementary goals of each discussion are for the administration to share information and recommendations and for Board members to provide input and guidance reflecting their priorities and expectations for next year’s budget. With the exception of the Twin Cities NRNR tuition rate, this discussion will focus on general definitions and trends in resources and expenditures, rather than specific issues or values.

The Budget Framework

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

The other funds of the institution (fees, auxiliary and other unrestricted sales, restricted grants, contracts, gifts etc.) are generated differentially by units throughout the University based on the

activities they engage in. They are monitored and reviewed by central administration, but are automatically attributed to the units as generated. The annual budgeting of revenues and expenses in this category of funds requires estimating and decision making processes at the local unit level, but not by central administration (some auxiliary rates, such as those for student room and board and parking, are reviewed and approved by central administration). These other funds are incorporated into detailed budget planning for each unit and are included in the President’s recommended annual operating budget, but they are only a very small component of the “budget framework”.

Where possible, growth in these revenues can cover general operating cost increases, taking the place of what might have been funded by O&M in the past. For example, an increase of \$100,000 in indirect cost recovery funds within a unit may be budgeted as an unrestricted revenue source to cover the compensation costs of an employee or two that was funded by O&M in the past. The opposite scenario is also true, however. If grant funding decreases in a unit and that unit must continue to support a tenured faculty member’s salary previously supported by that grant, it is the unrestricted state O&M appropriation that often must shift to cover that expense. These shifts occur each year in many units as they strategically manage their resources and costs, but they are small adjustments on the margin relative to the \$1.6 billion of unrestricted O&M and tuition resources. It is important to note that many of the funds in these other categories are restricted to unit and to purpose, so they cannot replace a dollar of state appropriation or tuition.

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

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

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

Trend in Major Framework Components

State Appropriation:

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

FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
\$701.5	\$647.8	\$615.6	\$569.7	\$569.7	\$601.2	\$615.5	\$650.0	\$650.8	\$683.1	\$673.0
-\$7.3	-\$53.7	-\$32.2	-\$45.9	\$0.0	+\$31.5	+\$14.3	+\$34.5	+\$0.8	+\$32.3	-\$10.0

At \$673 million in FY19, without adjusting for inflation, the appropriation remains \$36.0 million less than the University received at its peak support of \$708.8 million in FY08. Adjusting for inflation, an appropriation of \$708.8 million in FY08 would have the same buying power as \$817.0 million today, which is \$144.0 million more than the actual FY19 appropriation.

Internal Reallocation:

Every year President Kaler has incorporated some level of internal reallocation in his recommended operating budget: choosing to reduce spending in some areas in order to pay for cost increases and investments in other areas (dollars in millions).

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Framework Funds								
Reallocation	\$40.5	\$4.0	\$14.9	\$16.1	\$30.5	\$22.8	\$17.1	\$19.0
% of O&M/Tuition	3.1%	0.3%	1.1%	1.2%	2.1%	1.6%	1.1%	1.3%

Prior to FY14 the reallocations were largely driven by a reduction in state appropriations combined with annual cost increases and investment priorities. Beginning in FY14, those pressures on the budget were joined by concern over increasing tuition rates, and President Kaler introduced his goal to reduce administrative costs \$90 million over six years. The recommended budget for each year since then has included significant reallocations in the framework funds to reduce administrative costs and some reallocations to reduce spending on mission activities as well in order to balance the budget. FY19 will be the year in which the full \$90m will be achieved: based on the approved budget plans for FY19, the total will reach \$91.4 (actual implementation will be monitored with final results reported after the close of the fiscal year). Moreover, due to a flat state appropriation, increasing costs, and the desire to hold down resident tuition rates, the balanced budget plan also included mission related reallocations.

Tuition:

In developing the budget framework at the beginning of the process, tuition rate decisions are generally considered in three categories: resident undergraduate on each campus, nonresident/non-reciprocity (NRNR) undergraduate on each campus, and graduate/professional.

During the first decade of this century, tuition rates at the University increased in almost all categories significantly: partially in response to periodic reductions in state funding; partially to address cost increases for essential items in the budget; and partially to maintain excellence in academic programs and services. It is an annual decision that takes into consideration a variety of factors as part of a larger total budget package.

In two of the last three biennium, the University requested funding from the state specifically to take the place of increased resident tuition rates. The state approved that request in FY14-FY15 and partially in FY16-FY17. As a result of those increased dollars and University decisions to reallocate more internally (control costs), the resident undergraduate tuition rate on the Twin Cities campus has increased at an average annual rate of only 1.2 percent since FY13. On the other campuses, the increase has been even less, with an average annual rate increase of just

0.4 percent. This year (FY19) the Twin Cities campus resident undergraduate tuition rate ranks 7 out of 14 in the Big Ten. The other campuses remain at or near the top of their comparison groups.

If there is no increase in state funding for the next biennium, the decision on resident undergraduate rates will need to consider a variety of factors:

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

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

In June 2007 (for students entering fall 2008), the President recommended and the Board approved a plan to decrease the nonresident tuition differential on the Twin Cities campus significantly – to the bottom of the Big Ten – in order to improve recruitment potential and build pipe-lines of potential students from markets throughout the country. This happened at the same time the State of Minnesota changed the reciprocity agreement with Wisconsin in such a way that resulted in additional revenue for the University, so the small loss in nonresident tuition was offset by increased reciprocity tuition and minor changes in tuition discounting.

This strategy, combined with continued improvement in the academic profile of the University, has been successful in building strong demand for nonresident enrollment. Over the last three years, the University has increased the Twin Cities nonresident tuition rates at an annual average rate of 11.7 percent, and for FY19, that rate ranks 12th out of 14 schools in the Big Ten. The decision for this NRNR rate in FY20 and beyond will need to weigh the goal of setting a rate that recognizes demand and relative quality, and adds resources to maintain academic excellence, with the impact large increases might have on recruiting talented students from all economic backgrounds (see President's recommendation below).

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

Compensation:

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

- (a) *The University strives to achieve and maintain a compensation structure that, when combined with benefits and other rewards, is competitive relative to institutional peers and other appropriate labor markets and serves to attract and retain a high performance workforce.*
- (b) *The University seeks to reward meritorious performance and employee contribution to the success of the University through compensation and other forms of recognition.*
- (c) *In the setting of initial salaries and subsequent pay adjustments, the University considers the work responsibilities, market, internal equity, experience and expertise, performance, and other criteria as appropriate.*

Information collected by the Office of Human Resources from surveys of local and national industries, higher education institutions, and public sector employers for 2019 showed the University compensation increase in general to be lower than average:

	Local Industry	Nat'l Industry	Higher Education	Public Sector	University of MN
Avg. Increase Awarded	2.92%	2.88%	2.47%	2.82%	2.00%

In the last seven years, the approved University average compensation increases have been either 2.0 percent or 2.5 percent, delivered on a merit basis (not across the board) or through collective bargaining agreements. The decision for FY20 compensation increases should consider what is necessary to provide market competitive rates within the context of available resources. The University must provide competitive compensation rates to its talented faculty and staff for which it competes globally in some cases and with the best the Twin Cities and the region have to offer in others.

In addition to salary increases, the University's budget framework must include the projected impact of changes in fringe benefit rates charged to departments. If these rates are increasing overall, then there will be a budgetary cost to all University departments, regardless of whether or not there is a salary increase. For FY20 the required methodology for the calculation of fringe rates (which is designed to recover actual costs faced in FY18) is projected to result in an increase in the rates largely due to two factors:

- after years of extremely low increases in health care costs relative to the industry, the costs for FY18 increased by over 8 percent, closer to industry average; and
- the salary base on which the rates are calculated increased at a lower rate than the past and at a lower rate than the fringe costs.

In O&M and tuition alone for FY20 the additional fringe cost (with no salary increase) is estimated to be \$11.4 million. Each percentage increase in salaries then will have an additional impact on the budget, over and above that \$11.4 million.

Development of the budget plan for compensation represents an average increase for merit purposes across all employees and employee groups. The average increase is determined based on a number of factors including a comparison to what other employers are providing (both in the Twin Cities and more broadly across higher education markets), the inflation rates, and the University's ability to cover the costs. Units within the University make decisions on how to

deliver the merit increases at the employee level based on performance, managing the process so that the total cost increase remains equal to the general average. In a small number of cases each year units are faced with market concerns for some of their employees; situations in which the external market is paying significantly higher for like positions and the job has high turnover with difficulty in replacing those who leave. If that is the case and they have allowed for the necessary funding within their budget, units may choose to provide an additional increase (generally .5 percent or less) to retain high performers.

Other Costs and Investment:

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

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

The strategic investment category is included as a discretionary item each year in the framework. Academic and support units bring forward many proposals for funding during the budget development process – from expansion of programs and services, to general support for base operations. Maintaining excellence in University programs and services is a consistent priority, but available resources change as other revenue and spending components of the framework fluctuate. The challenge is often committing adequate funds to this category while providing a reasonable salary increase and covering required cost increases – all while balancing within constrained resource growth. For FY20, consideration must be given to the level of new investment funding to include in the budget, over and above the required amounts necessary to address the other categories of spending.

BACKGROUND INFORMATION

The President's recommended annual operating budget is submitted to the Board of Regents for review and action each year in late spring or early summer depending on the adjournment date of the Minnesota Legislature. Because the University's appropriation for the next biennium will not be known until late May 2019 at the earliest, it is anticipated that the President will provide recommendations on the FY20 annual operating budget for review at the June 2019 meeting and action at a special meeting held later in June.

In the last three years, discussion on the upcoming fiscal year budget assumptions were held in September or October (prior to the FY17, FY18 and FY19 budgets). Feedback from the Board of Regents has indicated discussion on the annual operating budget early in the process is beneficial to members in developing their thoughts regarding priorities and recommendations for future action.

PRESIDENT'S RECOMMENDATION

The President recommends a 10 percent increase in the Twin Cities' NRNR undergraduate tuition rate for FY20. The recommendation is coming forward at this time (with action anticipated in December) to provide the best opportunity for a positive impact on the fall 2019 recruitment cycle. This same timing occurred for the fall 2018 recruitment cycle and Admissions believes it was helpful in communicating definite cost information to prospective students and families. As previously described, this rate is currently very near the bottom of the Big Ten comparison group (12 out of 14) and is therefore not well aligned with the undergraduate resident tuition rate in a similar comparison (7 out of 14).

	Current Year FY19	Recommended FY20	\$ Increase	% Increase
Twin Cities				
NRNR Annual Tuition Rate	\$28,736	\$31,616	\$2,880	10%

This rate would apply to incoming students only. The recommendation for a 10 percent increase is not based on a specific calculation of how much additional revenue is needed to balance the budget. Instead, it is based on an analysis of comparative rates in the Big Ten, the quality experience offered to students, the potential impact different rate increases would have on recruitment, and the effectiveness of corresponding discounting strategies. Although the full proposed budget will not be presented to the Board for review and action until June, this recommendation includes a commitment to continue the practice of the last several years for continuing nonresident non-reciprocity students: holding their tuition rate increase to no more than 5.5 percent.

In conjunction with this recommendation, the President will incorporate additional investments to positively impact recruitment and retention of nonresident students in his recommended FY20 operating budget. The final recommendation will include increased funding for a discounting strategy targeted to address student financial need and exceptional merit.

Current estimates are that the proposed 10 percent increase in the NRNR tuition rate on the Twin Cities campus will result in a net revenue increase of roughly \$7 million (after increased discounting). If the FY20 budget process results in a recommendation to increase investment in recruiting staff or activities, the net gain will decrease and will be reflected in the final recommended budget framework for FY20.

Attachment 1 includes the recommended rates for review at this time.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

**FY 2020 Twin Cities Undergraduate
Nonresident/Non-reciprocity Tuition Rate**

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents approves the FY 2020 Twin Cities undergraduate nonresident/non-reciprocity tuition rate as stated in Attachment 1 - University of Minnesota 2019-20 Tuition Plan, with a commitment to hold the rate increases to no more than 5.5 percent for continuing nonresident/non-reciprocity students.

Attachment 1

University of Minnesota 2019-20 Tuition Plan: Tuition Rates

A		B		C		D		E		F	
2018-2019		2018-2019		2019-2020		2019-2020		2019-2020		2019-2020	
Semester Rates		Semester Rates		Semester Rates		Semester Rates		Semester Rates		Semester Rates	
Resident	Nonresident										
								% Increase	% Increase		

Twin Cities

Undergraduate

Per Credit	\$502.25	\$1,105.25	TBD	\$1,216.00	TBD	10.0%
13 Credits or more	\$6,529.00	\$14,368.00	TBD	\$15,808.00	TBD	10.0%
Carlson School of Management tuition surcharge (paid in addition to rates above; Fall, Spring & Summer)						
Per Credit (1-8 credits)	\$100.00	\$100.00	TBD	\$100.00	TBD	0.0%
9 Credits or more (full-time)	\$1,000.00	\$1,000.00	TBD	\$1,000.00	TBD	0.0%

FY 2020 Budget Variables and Levers

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

Finance & Operations Committee

October 11, 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University

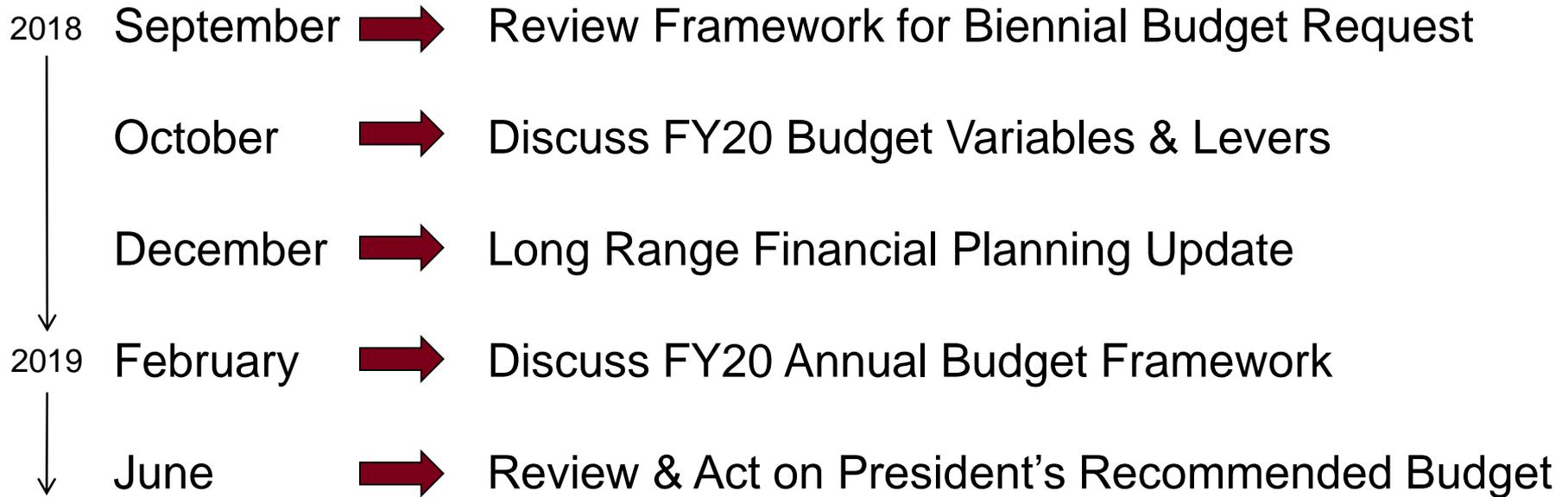


Today's Purpose:

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



Timeline – Annual Budget Items Before the Board



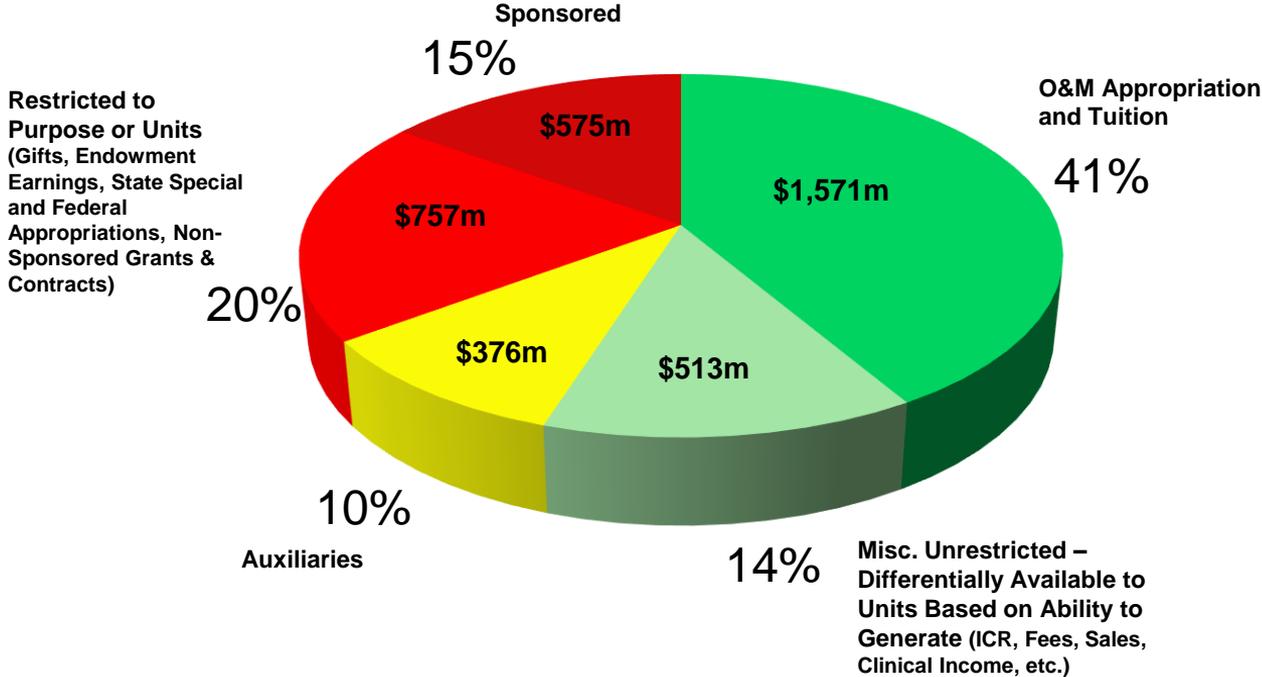
Supplemented by:

Oct. - TC Undergraduate Non-Resident/Non-Reciprocity Tuition Update

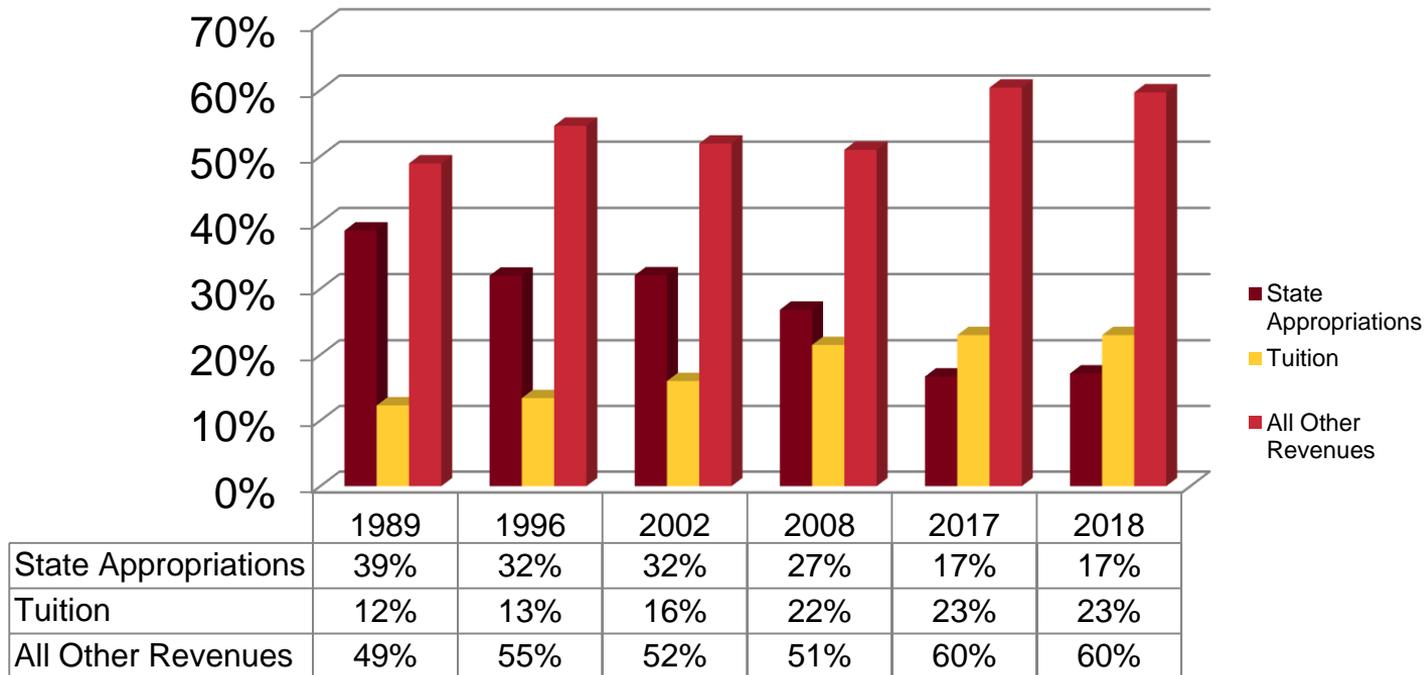
Feb. – Annual Report on Employee Compensation



Revenue Focus for Budget Framework: \$1.6B in Tuition and State Support



There has been a dramatic and permanent reset of the University's revenues - State Support vs. All Other Revenues



All Funds Budget Development

Major Revenue Sources

Tuition & O&M
Appropriation

For purposes of budget development:

revenue used to support costs of instruction,
some research & public service - plus overhead

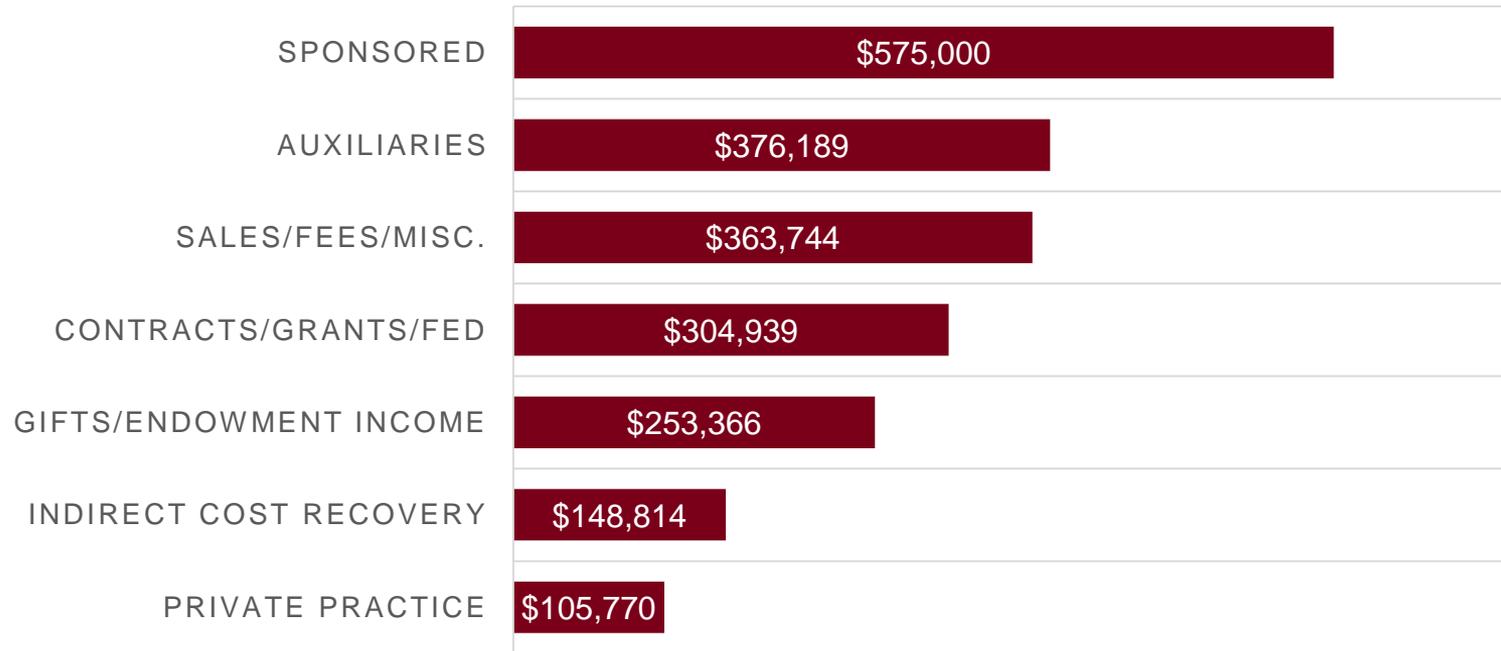
All “Other Revenues”

1. *Where possible, grow to cover all associated cost increases and allow for program growth*
2. *Reallocate within fund source as necessary if revenue growth does not cover cost increases*
3. *Move costs in from O&M when possible & appropriate*
4. *Move costs to O&M when absolutely necessary*

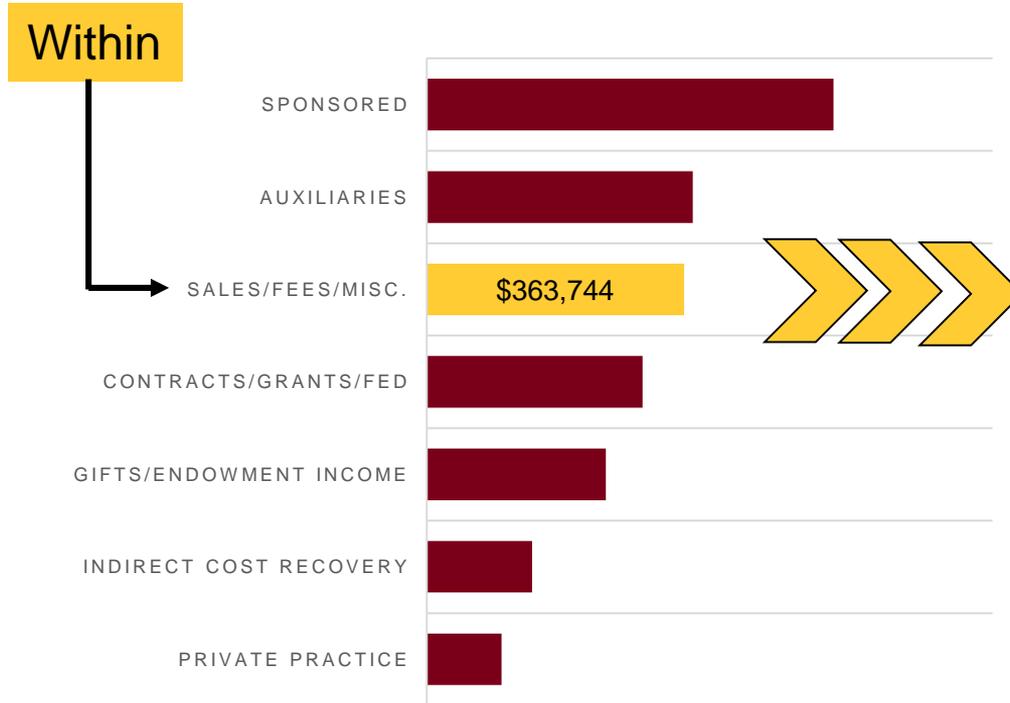


“All Other Revenues” includes a variety of restricted and unrestricted sources. For FY19 the total is \$2.1B (excluding ISOs):

(\$ in 000s)



Example: Royalty Income - \$16.0m



- Avg. annual revenue over the last five years of roughly \$18-20 million
- Distributed to inventor; college & department; VP for Research ~ \$4m for
- Costs of technology commercialization (otherwise supported by O&M)
 - represents 0.1% of total revenues
 - sustained growth of 20% would move that to 0.13% of total revenues
- U of MN TC is ranked nationally (14 of 225 by Milken Institute)



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

**Change in
Available
Resources**

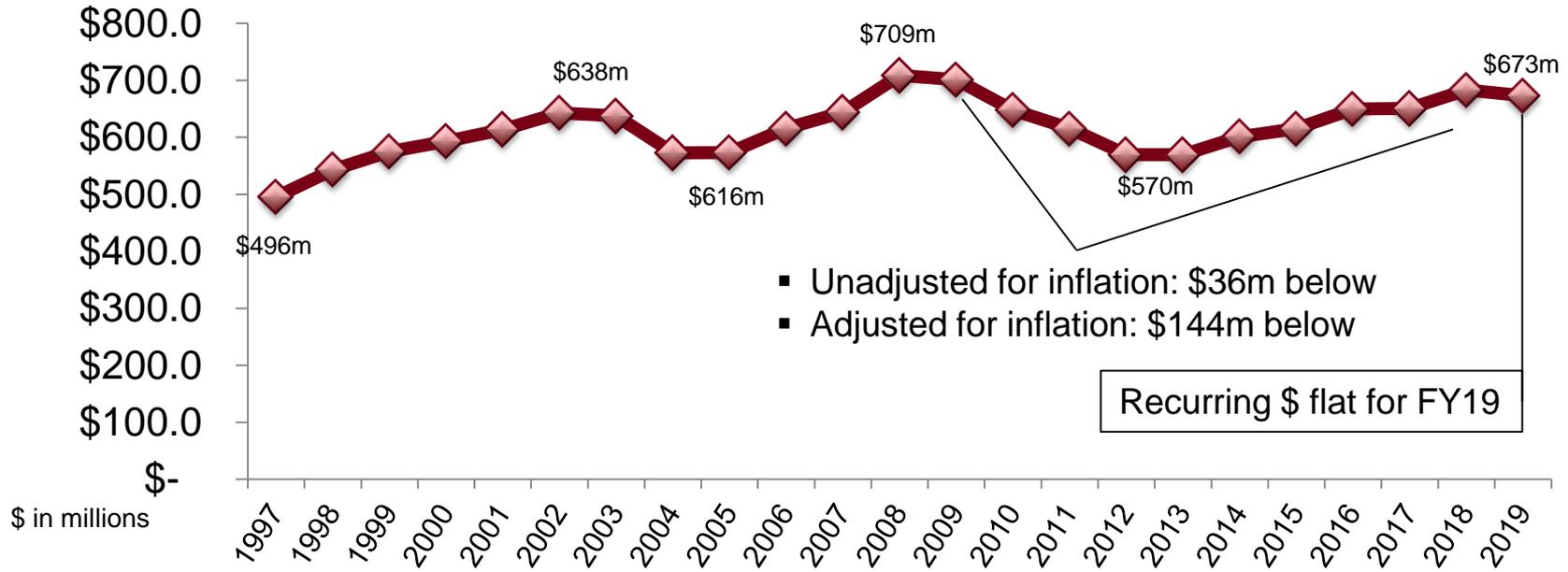
=
or
>

**Change in Costs
& Investments**



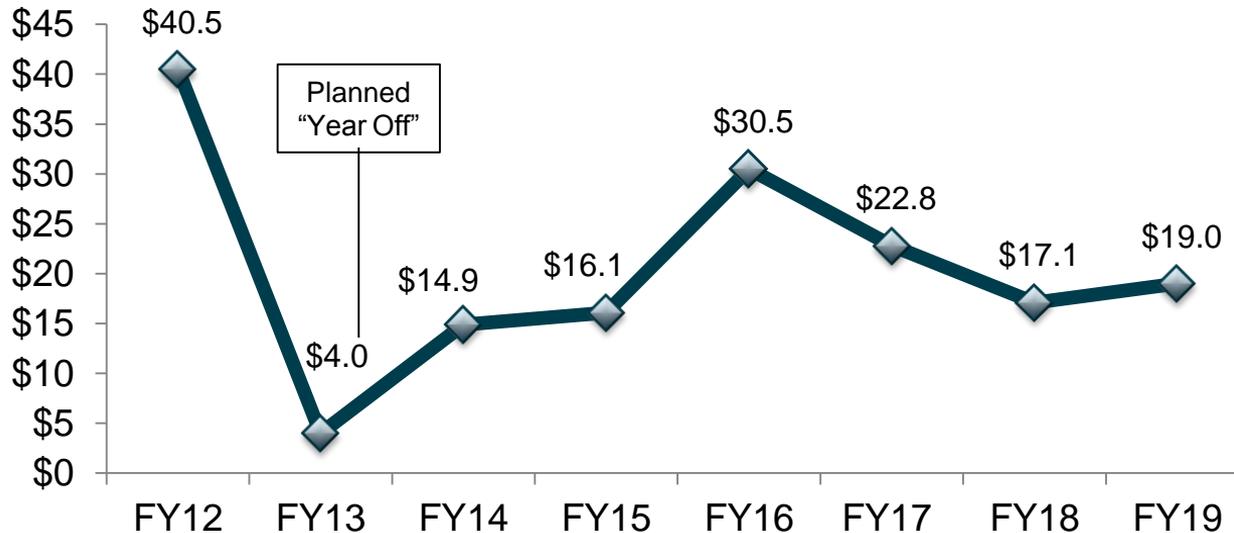
Framework Resource Changes

State Appropriations to the University rise and fall with the economy BUT the FY19 level remains below the pre great recession peak.



Planned Reallocations Over Time

Framework Reallocations Included in President's Recommended Operating Budget
(\$ in million) – Range from 1-3% of State/Tuition Revenues

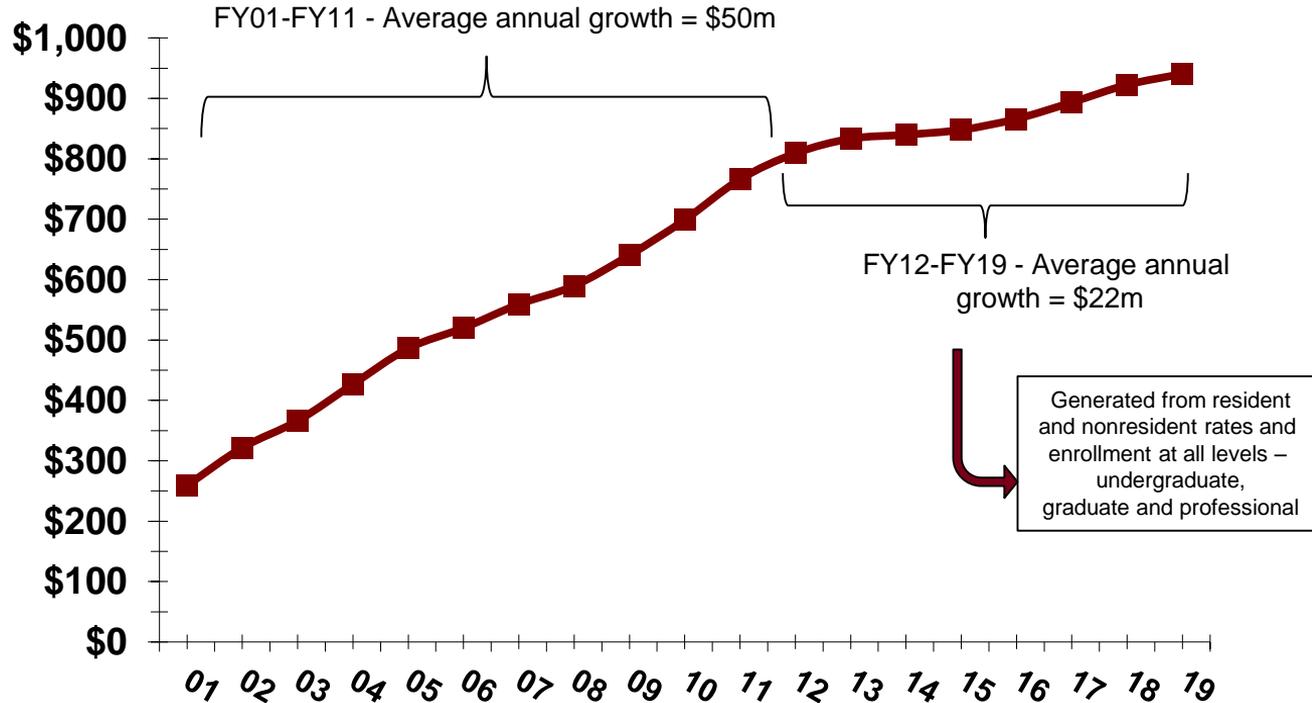


* Note – excludes reallocations required in other “non-framework” funds.



Trend in Total Tuition Revenue 2001 to 2019

(growth generated by changes in enrollment & rates)



Undergraduate Resident Tuition Rates Have Been Relatively Stable

Campus	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Average annual increase
	—————	Flat	—————	1.5%	2.5%	2.0%/1.0%	2.0%/1.0%/0.0%	
Twin Cities	\$12,060	\$12,060	\$12,060	\$12,240	\$12,546	\$12,800	\$13,058	1.2%
Duluth	\$11,720	\$11,720	\$11,720	\$11,896	\$11,896	\$12,016	\$12,016	0.4%
Morris	\$11,720	\$11,720	\$11,720	\$11,896	\$11,896	\$12,016	\$12,142	0.4%
Rochester	\$11,720	\$11,720	\$11,720	\$11,896	\$11,896	\$12,016	\$12,016	0.4%
Crookston	\$10,030	\$10,030	\$10,030	\$10,180	\$10,180	\$10,282	\$10,282	0.4%



Framework Cost & Investment Changes

Incremental Salary and Fringe Costs Planned in the Annual Framework (\$ for St. Appropriations & Tuition only)

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Annual Increase	Freeze	2.0%	Freeze	2.5%	2.5%	2.5%	2.0%	2.5%	2.0%	2.0%
\$ in millions	\$20.9	\$31.5	\$16.6	\$15.6	\$13.2	\$15.0	\$23.0	\$13.6	\$34.0	\$31.7



Factors Considered When We BUDGET for a Merit Increase Pool:

Actions of organizations we compete with for talent - average merit increase pool projected by others in our comparison markets:

- Twin Cities All Industry %
- National Higher Education %

Inflation – for employees and for the University

- Consumer Price Index, August 2017-2018 = 2.7%
- Personal Consumption Index, August 2017-2018 = 2.2%
- Higher Education Price Index, 2017 = 3.7%

The University's ability to pay

- Each 1% increase = \$18 million (salary only – all funds)



Factors Considered in DELIVERY of Compensation:

Consideration / Interest	Program	Administrative Details
<p>Moving existing salaries at a rate that approximates the movement of salaries at other organizations</p>	<p>Merit Increase Pool</p>	<p>Administered at local college / unit / department level</p> <p>Increases provided to faculty and staff varies based on individual performance</p>
<p>Providing additional increases (.25-.5%) for a <u>small</u> number of jobs where:</p> <ul style="list-style-type: none"> • Market for the job has moved significantly • The gap between our pay for high-performing individuals and the market rate of pay is considerable • Job has high turnover, is difficult-to-fill and is mission critical 	<p>Market Adjustment Pool</p>	<p>Job selection occurs each fiscal year at the central or college / unit level</p> <p>Increases provided varies based on individual performance</p>



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

Facilities

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

Operations

- Technology Licensing
- Library Inflation/Licensing
- Infrastructure

Strategic Choices

- Campus & Collegiate Academic Support
- Academic Initiatives
- Mission Support Services



President's Recommendation NRNR Tuition

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

Campus	2016-17	2017-18	2018-19	2019-20
Twin Cities	\$22,210	\$24,986	\$28,736	\$31,616
Dollar change	+\$1,550	+\$2,766	+\$3,750	+\$2,880
% change	+7.5%	+12.5%*	+15.0%*	+10.0%*

*Students paying the non-resident rate and enrolled in fall 2015, 2016, 2017 and 2018 experience no more than a 5.5% rate increase.



The FY20 budget will include a net revenue gain of \$6.8 million with this recommendation:

Entering Freshmen*	5.5%	10.0%	15.0%	
Gross Revenue	\$ 157.0	\$ 158.5	\$ 160.1	
Enrollment Change	\$ (1.2)	\$ (1.2)	\$ (1.2)	→ Total enrollment down 60
Discounting	\$ (20.2)	\$ (20.7)	\$ (21.2)	→ Add \$500k in each scenario
Recruitment Cost	\$ (1.5)	\$ (1.5)	\$ (1.5)	→ Review during budget process
Net Revenue	\$ 134.1	\$ 135.1	\$ 136.2	
Net Gain over FY19	\$ 5.80	\$ 6.80	\$ 7.90	
Revenue Per Student	\$ 21,437	\$ 21,597	\$ 21,773	→ Based on enrollment goals/estimates

*Planned – continuing students experience no more than a 5.5% increase



Questions and Discussion

Resources – Major Decision Categories

Resident Undergrad Tuition

Nonresident Undergrad Tuition

Graduate & Professional Tuition

Reallocation

State Appropriation - Allocation

Expenses – Major Decision Categories

Compensation

Strategic Initiatives – Academic

Strategic Initiatives – Support

R & R



UNIVERSITY OF MINNESOTA

Driven to Discover[®]

Crookston Duluth Morris Rochester Twin Cities

The University of Minnesota is an equal opportunity educator and employer.

BACKGROUND INFORMATION

Negotiations began on March 13, 2018 and a tentative agreement was reached on September 17, 2018. The Union's contract ratification process was completed on October 1, 2018. Board approval is required before this CBA can be implemented.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the resolution related to the proposed labor agreement with Law Enforcement Labor Services.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

**The Proposed Labor Agreement with
Law Enforcement Labor Services (LELS)**

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

WHEREAS, Law Enforcement Labor Services (LELS) has ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for October 11, 2018.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the resolution related to the proposed labor agreement with International Brotherhood of Electrical Workers Local 292.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

**The Proposed Labor Agreement with
International Brotherhood of Electrical Workers Local 292**

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

WHEREAS, The International Brotherhood of Electrical Workers Local 292 has ratified acceptance of this agreement; and

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

NOW, THEREFORE, BE IT RESOLVED that on the recommendation of the President, the Board of Regents approves this labor agreement as outlined in the docket for October 11, 2018.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: Capital Budget Amendment: HVAC Upgrade/Refrigerant Replacement – Sports and Health Center (Duluth campus)

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Bruce Gritters, Assistant Vice President, Capital Project Management
Stephen Keto, Vice Chancellor for Finance and Operations, Duluth campus

PURPOSE & KEY POINTS

The purpose of this item is to act on an amendment to the FY 2019 Annual Capital Improvement Budget for the following project:

- HVAC Upgrade/Refrigerant Replacement – Sports and Health Center (Duluth campus)

A project data sheet is included in the docket materials and addresses the basis for request, project scope, cost estimate, funding, and schedule for this project. A site map locating the project on the Duluth campus is also included.

BACKGROUND INFORMATION

This project consists of removal and replacement of the existing HVAC system and all structural modifications required to accommodate the new air handling equipment. In addition, with the production of R-22 coming to an end in 2020, the University will replace the existing refrigeration system for the ice rink.

PRESIDENT’S RECOMMENDATION

The President recommends approval of an amendment to the FY 2019 Annual Capital Improvement Budget for the project listed below and of the appropriate administrative officers proceeding with the construction for this project:

- HVAC Upgrade/Refrigerant Replacement – Sports and Health Center (Duluth campus)

**Capital Budget Amendment: HVAC Upgrade and Refrigerant Replacement
Sports and Health Center Ice Rink
Duluth Campus
Project No. 03-521-18-1718**

1. Basis for Request:

The existing heating, ventilation, and air conditioning system (HVAC) in the ice rink area of Sports and Health Center building is inadequate to support the space and its current use. The result of this was significant mold growth in the building structure and ceiling areas of the space. The ice rink has since been closed down, the mold abated, and the space repainted. The elevated running track has now been reopened but the ice can't be reinstalled until the HVAC system is upgraded to prevent recurrence of mold due to high humidity.

A Capital Budget Amendment for this project is requested so that the HVAC upgrade project may proceed in conjunction with the ice refrigerant replacement, as additional funding has now been identified. The Ice Rink Refrigerant Replacement portion of this project was originally included in the FY2019 Capital Budget at \$1,200,000 while efforts continued to identify funding for the HVAC upgrade.

2. Scope of Project:

The project consists of removal and replacement of the existing HVAC system and all structural modifications required to accommodate the new air handling equipment. In addition, with the production of R-22 coming to an end in 2020, the University will replace the existing refrigeration system for the ice rink.

3. Master Plan or Precinct/District Plan:

This project is in compliance with the UMD Master Plan.

4. Environmental Issues:

All existing mold has been abated from the space. Any asbestos or lead encountered during construction will be abated as needed during the construction project.

5. Cost Estimate:

Construction Cost	\$ 3,200,000
Non Construction Cost	\$400,000
Total Project Cost	\$ 3,600,000

6. Capital Funding:

UMD funds	\$ 1,200,000
University Debt	2,400,000
Total Capital Funding	\$ 3,600,000

7. Capital Budget Approvals:

The Ice Rink Refrigerant Replacement portion of this project was originally included in the FY2019 Capital Budget at \$1,200,000 while efforts continued to identify funding for the HVAC upgrade.

Since that time, additional funding has been identified to address the HVAC upgrade. A Capital Budget Amendment for this project is requested so that the project may proceed.

8. Schedule:

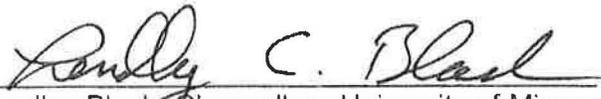
Proposed Design Completion (HVAC Upgrade)	Complete
Proposed Design Completion (Refrigerant)	December 2018
Proposed Construction Completion	July 2019

9. Project Team

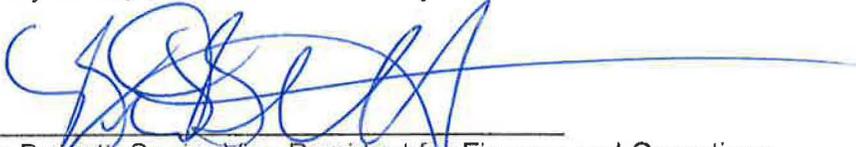
Design Firm:	Dunham and Associates
Contractor:	TBD

10. Recommendation:

The above described project scope of work, cost, funding, and schedule is appropriate:



Lendley Black, Chancellor - University of Minnesota Duluth



Brian Burnett, Senior Vice President for Finance and Operations



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: Real Estate Transaction

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

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

PURPOSE & KEY POINTS

The purpose of this item is to review following real estate transaction:

- A. Sale of 24.17 acres, Aurora Oregon Research Station (University of Minnesota Landscape Arboretum)

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 ten (10) acres,” and “leases of real property, easements, and other interests in real property if the initial term amount to be paid by or to the University exceeds \$1,000,000.”

PRESIDENT’S RECOMMENDATION

The President recommends approval of the sale of 24.17 acres, Aurora Oregon Research Station (University of Minnesota Landscape Arboretum).

SALE OF 24.17 ACRES, AURORA OREGON RESEARCH STATION (UNIVERSITY OF MINNESOTA LANDSCAPE ARBORETUM)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to sell 24.17 acres in Aurora, Oregon.

2. Location and Description of the Property

The subject property is located at 11225 Ehlen Road NE, Aurora, Oregon (see attached location map), in a mainly agricultural area, and consists of 24.17 acres improved with 3 buildings totaling 2,760 square feet:

Main shop and office building constructed in 1998;
Additional shop building constructed in 2004; and
Greenhouse constructed in 2004.

The legal description of the property:

Part of Section 8, Township 4 South, Range 1 West of the Willamette Meridian, Marion County, Oregon.

3. Basis for Request

The sale of this property is an opportunity sale. After the University of Minnesota Landscape Arboretum determined the property was no longer needed for research on plant breeding and the effects of Oregon's milder climate, the property was deemed excess and surplus, and was listed with a local realtor.

4. Details of Transaction

On September 12, 2013, the Board of Regents approved the acceptance of this property from the Landscape Plant Development Center, for \$10.00 Statutory Bargain and Sale Deed. The property was appraised at \$320,000 on June 11, 2013 and \$505,000 on May 9, 2018. The property was subsequently listed for \$515,000. The buyer, Brock M. Ludlow, has made a full price offer of \$515,000 with a closing scheduled on / before December 28, 2018.

Prior to close, the University will be transporting a tractor, some implements, and yet to be determined "intellectual properties" to the University Landscape Arboretum in Carver County.

Prior to or at close, the University will resolve a title defect issue involving Oregon State University Foundation for a yet to be determined amount. A 6% listing commission will be paid at close.

5. Use of Properties

It is unknown, how the buyer, Brock M. Ludlow, intends to use the property. The zoning designation is EFU – Exclusive Farm Use.

6. Environmental

The property is being sold "as is / where is".

7. Uses of Funding

The net proceeds from the sale of the property will be deposited in the University of Minnesota Landscape Arboretum's account for future plant and tree research.

8. Recommendations

The above-described real estate transaction is appropriate:



Karen Hanson, Executive Vice President and Provost



Brian Burnett, Senior Vice President for Finance and Operations



Sale of Oregon Research Station (24.170 Acres)

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
 Marion County Assessor 9/11/2018

Sale of 24.17 Acres Aurora Oregon Research Station

University of Minnesota Landscape Arboretum

Assistant Vice President Leslie Krueger

Board of Regents Finance and Operations Committee

11 October 2018

SENIOR VICE PRESIDENT FOR FINANCE AND OPERATIONS

World Class Services for a World Class University



University Services

Stewardship • Integrity
Respect • Innovation • Safety

Property Overview

- 11225 Ehlen Road NE
Aurora, Oregon
- 24.17 Acres
- Improved with 3 buildings
(2,760 square feet)
- University accepted this
property from Landscape
Development Center in 2013
for \$10.00
- Landscape Arboretum has
determined property is no
longer needed for research



Transaction Overview

- Sale Price: \$515,000
(*full price offer*)
- Buyer: Brock Ludlow
- Close: On/before 12.28.18
- Terms: University will retain some equipment and intellectual properties
- University will resolve title defect involving Oregon State University Foundation for a yet to be disclosed amount at close
- Commission: 6% to be paid at close





UNIVERSITY OF MINNESOTA

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: Consent Report – **REVISED VERSION 2**

Review **Review + Action** Action Discussion

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

General Contingency

The purpose of this item is to seek approval for allocations from General Contingency greater than \$250,000. Spending approval is requested for up to \$350,000 to support the University President search activities.

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 Blue Cross and Blue Shield of Minnesota (BCBSMN) for an estimated \$6,300,000 for administrative services and stop loss coverage for the partially self-funded Student Health Benefit Plan (SHBP), Graduate Assistant Health Plan (GAHP) and Resident Fellows and Interns Health Plan (RFIHP) for eligible students, and their dependents, systemwide administered through Boynton Health Service for the period of July 1, 2019 through August 31, 2021 with possible contract extensions through August 31, 2025 for an estimated additional \$15,400,000. Total value of the contract if all options are exercised would be an estimated \$21,700,000. The programs have financial reserves to meet all obligations for the next two years of partial self-funding and provide the same level of coverage to eligible students for the upcoming year. The cost of the SHBP plan is borne entirely by students purchasing the plan. The cost of the GAHP and RFIHP is borne by departments in addition to students contributions for the coverage. Supplier was selected through a competitive process.
- To Egan, Nasseff, Northern Air Corporation, and Metropolitan Mechanical Contractors, Inc. for an estimated \$2,000,000 for providing contract mechanical and electrical maintenance support services and supplemental facilities management

construction services as needed for Facilities Management for the period of November 1, 2018 through October 31, 2023. Contract mechanical and electrical maintenance support services and supplemental facilities management construction services is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget. Suppliers were selected through a competitive process.

- To Fidelity Workplace Services LLC, a Delaware limited liability company (“Fidelity”) for an estimated \$7,100,000 over a six year period with an estimated start of May 1, 2019 and concluding April 30, 2025, for recordkeeping services supporting the University of Minnesota Faculty Retirement Plan, the University of Minnesota Optional Retirement Plan, the University of Minnesota Section 457 Deferred Compensation Plan, and the University of Minnesota 415 (m) Retirement Plan. Recordkeeper fees are paid by plan participants. Supplier was selected through a competitive process.

Resolution Related to Settlement of CUHCC/DHS Arbitration

The purpose of this item is to review and act on the resolution related to the settlement of CUHCC/DHS Arbitration. The resolution is included in the docket materials.

Employment Agreements

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

- Professor Christopher J. Cramer as Vice President for Research.
- Amendment to employment agreement – Director of Intercollegiate Athletics, Twin Cities campus

BACKGROUND INFORMATION

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

- General Contingency: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 1.
- Purchase of Goods and Services \$1,000,000 and Over: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 6.
- Legal Settlements: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 1 and *Central Reserves Fund*, Section II, Subd. 3.
- Employment agreements: *Reservation and Delegation of Authority*, Article I, Section IV, Subd. 1.

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Consent Report.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: Consent Report - **REVISED**

Review **Review + Action** Action Discussion

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

General Contingency

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- Legal Settlements: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 1 and *Central Reserves Fund*, Section II, Subd. 3.
- Employment agreements: *Reservation and Delegation of Authority*, Article I, Section IV, Subd. 1.

PRESIDENT’S RECOMMENDATION

The President recommends approval of the Consent Report.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: Consent Report

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

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- Legal Settlements: *Reservation and Delegation of Authority*, Article I, Section VII, Subd. 1 and *Central Reserves Fund*, Section II, Subd. 3.

PRESIDENT’S RECOMMENDATION

The President recommends approval of the Consent Report.

General Contingency

Fiscal Year 2019

(7/1/2018-6/30/2019)

Current Activity:

Recipient	Amount	Balance	Purpose
1 FY19 General Contingency		1,000,000	
2 Carryforward from FY18 to FY19	913,210	1,913,210	
3 New items this reporting period:			
4 n/a		1,913,210	
5 Current Balance		1,913,210	

Proposed Activity - Submitted for Board Approval:

Recipient	Amount	Purpose
7 Office of the Board of Regents	350,000	Spending approval is requested for up to \$350,000 to support University President search activities

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

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

To Blue Cross and Blue Shield of Minnesota (BCBSMN) for an estimated \$6,300,000 for administrative services and stop loss coverage for the partially self-funded Student Health Benefit Plan (SHBP), Graduate Assistant Health Plan (GAHP) and Resident Fellows and Interns Health Plan (RFIHP) for eligible students, and their dependents, system wide administered through Boynton Health Service for the period of July 1, 2019 through August 31, 2021 with possible contract extensions through August 31, 2025 for an additional \$15,400,000. Total value of the contract if all options are exercised would be an estimated \$21,700,000.

This estimate is based on a projection of 16,757 covered students, their spouses, and children as covered dependents.

The University of Minnesota issued a Request for Proposal in June 2018 to obtain administrative services and stop loss coverage for all three student plans. After evaluating proposals from three different managed care/insurance organizations, the contract was awarded to Blue Cross and Blue Shield of Minnesota.

Negotiations with Blue Cross and Blue Shield of Minnesota resulted in a first year reduction of 15% (\$487,680) in the cost of administrative services and stop loss coverage compared to the 2018-2019 plan year. The overall cost decrease to the combined three health plans over 6 years is projected to be 11.2% (\$2,687,334).

There are several components to this program that determine the cost of coverage for the students. Claims for medical services provided at Boynton and the cost of Boynton administration of the plans is not included in this contract. The projected claims for these programs to be processed through BCBSMN for the 2019-2020 plan year is \$36,197,797. The increase in the cost of coverage to students and the University for the 2019-20 Plan Year is anticipated to be less than 5%.

The programs have financial reserves to meet all obligations for the next two years of partial self-funding and provide the same level of coverage to eligible students for the upcoming year. The cost of the SHBP plan is borne entirely by students purchasing the plan. The cost of the GAHP and RFIHP is borne by departments in addition to student contributions for the coverage.

Submitted by: Carl Anderson
Vice Provost, Student Affairs
Director and Chief Health Officer, Boynton Health Service
Boynton Health Service
Phone: 612-624-9485

Approval for this item requested by:



Karen Hanson, Executive Vice President & Provost

18 Sept 18

Date

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

To Egan, Nasseff, NAC Mechanical and Electrical, and Metropolitan Mechanical Contractors, Inc. for an estimated \$2,000,000 for providing contract mechanical and electrical maintenance support services and supplemental facilities management construction services as needed for Facilities Management for the period of November 1, 2018 through October 31, 2023.

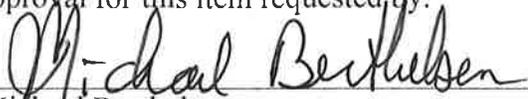
Maintenance and repair of mechanical and electrical systems is vital for providing safe, reliable and efficient buildings for the University community and to maximize the useful life span of said equipment. In recent years contract mechanical and electrical maintenance support services and supplemental facilities management construction services has been provided through various contract methods that led to varying levels of service delivery and an inefficient approach to asset management. Having contract mechanical and electrical maintenance support services and supplemental facilities management construction services allows the University to efficiently manage its preventive maintenance program and construction service delivery in the most cost effective way possible.

In August 2018, a competitive RFP process was completed and four suppliers were selected who provided the best value (combination of price, work plan, and staffing). The overall level of anticipated spending will be consistent with prior years but the contracts will better manage costs by providing a more efficient process and fixed labor rates over the five years of the contract.

Contract mechanical and electrical maintenance support services and supplemental facilities management construction services is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget.

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

Approval for this item requested by:



Michael Berthelsen
Vice President of University Services

9-20-18

Date

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

To Fidelity Workplace Services LLC, a Delaware limited liability company (“Fidelity”) for an estimated \$7,100,000 over a six year period with an estimated start of May 1, 2019 and concluding April 30, 2025, for recordkeeping services supporting the University of Minnesota Faculty Retirement Plan, the University of Minnesota Optional Retirement Plan, the University of Minnesota Section 457 Deferred Compensation Plan, and the University of Minnesota 415(m) Retirement Plan. Total value of the contract would be an estimated \$7,100,000.

The Retirement Plan Governance Committee, with support from the Office of Human Resources (OHR) and the Office of Investment and Banking (OIB), have engaged in a request for proposal (RFP) to select a single recordkeeper for the University of Minnesota defined contribution plans. A single recordkeeper will insure plan compliance, a more streamlined participant experience, a more complete participant education experience, and provide a new platform consisting of a recommended core fund line-up with lower fees, while still maintaining participant access to additional funds through a brokerage window.

The Retirement Plan Governance Committee supported by OHR and OIB issued the RFP in early 2018 with evaluation of completed vendor proposals in May and June of 2018. Through that process Fidelity was the successful respondent to the RFP process.

Recordkeeper fees are paid by plan participants.

Submitted by: Ken Horstman
Office of Human Resources
Director of Total Compensation
Phone: 612-626-7393

Approval for this item requested by:



Kathy Brown, Vice President for Human Resources



Date



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Settlement of CUHCC/DHS Arbitration

WHEREAS, on July 12, 2018, the Litigation Review Committee (LRC) of the Board of Regents (Board) approved the settlement of the arbitration between the State of Minnesota, Department of Health and Services (DHS) and the Community University Health Care Center (CUHCC), a unit of the University of Minnesota, (Settlement); and

WHEREAS, the Settlement required payment by DHS to CUHCC of one million, one hundred thousand dollars (\$1,100,000), and DHS subsequently made the payment to CUHCC; and

WHEREAS, DHS administers Minnesota's Medicaid program, referred to as Medical Assistance (MA); and

WHEREAS, CUHCC operates a Federally Qualified Health Center (FQHC) in Minnesota that participates in the MA program and receives payments for its reasonable costs as described in 42 U.S.C. section 1396a(bb). This includes supplemental payments by DHS as described in 42 U.S.C. section 1396a(bb)(5); and

WHEREAS, Minnesota law required CUHCC to identify no later than January 1, 2017 any issues relating to supplemental payments for services performed prior to January 1, 2015; and

WHEREAS, CUHCC electronically submitted a spreadsheet identifying sixteen issues and the parties resolved, prior to the Settlement, resolution of all but two of the issues, specifically reimbursement for non-covered Medicare services for dual eligible patients and incentive payments for completed Child & Teen Checkups under procedure code S0302; and

WHEREAS, pursuant to Minnesota Statutes section 256B.0625, subdivision 30(i) the parties submitted their dispute for the two remaining issues to arbitration; and

WHEREAS, the Settlement represented a full, final, and complete settlement of all disputes concerning the FQHC supplemental payments under Minnesota Statutes section 256B.0625, subdivision 30(i) at issue in the arbitration; and

WHEREAS, under the Settlement, DHS agreed to make a payment to CUHCC of a total sum of one million, one hundred thousand dollars (\$1,100,000) using the usual claims payment process in place for CUHCC via a gross adjustment; and

WHEREAS, CUHCC receives a bi-weekly warrant from DHS in the ordinary course of business. The warrant received on September 6, 2018, included the \$1.1 million payment relating to the Settlement. In the ordinary course, the proceeds of the warrant, were sent to the CUHCC lockbox at US Bank for processing, and deposited into the University's treasury funding bank account on September 7, 2018. The University, recognizing these monies as a legal settlement, has recorded the monies to the Central Reserves general ledger account; and

WHEREAS, in order to be consistent with both the Settlement and with federal regulations that require the University and CUHCC to use reimbursement payments, that are directly related to Medicaid services, to further the purposes of CUHCC as a federally funded FQHC, the monies need to be transferred to an appropriate CUHCC general ledger account.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby authorizes the transfer of the Settlement proceeds from the Central Reserves general ledger account to a CUHCC general ledger account.

**Finance & Operations Committee
Consent Report
October 12, 2018**

Personnel Appointment

Pending approval by the Board of Regents, **Professor Christopher J. Cramer** will be appointed as Vice President for Research at the University of Minnesota, effective November 12, 2018, and continuing through November 12, 2020.

Position Overview

The *Vice President for Research* is responsible for providing vision and leadership to the University's research programs, providing institutional research support, and representing the University's interests on its campuses and to external constituencies. The person in this position serves as the institution's chief research officer overseeing research support and services at the University's five campuses, providing guidance to individual researchers, and managing the systemwide research enterprise.

The Vice President for Research will explore and support new areas for research and oversee systemwide planning efforts for research facilities and support services in collaboration with the Executive Vice President and Provost and the Vice President for Clinical Affairs. The person in this role will help develop innovative approaches to enhance research productivity and encourage university-industry partnerships; coordinate multidisciplinary research programs; and represent the University of Minnesota to local, regional, national, and international constituencies, as well as to federal and other funding agencies. This position oversees the responsible planning, stewardship, management, and accountability of all fiscal, capital, and human resources of the units that report to the Office of the Vice President for Research. As leader of the Office of the Vice President for Research, the Vice President for Research bears ultimate responsibility for policies and procedures regarding intellectual property, technology transfer, commercialization, research ethics and regulatory compliance, especially as it pertains to animal research subjects, human research participants, and clinical research activities.

Appointees Background and Qualifications

Professor Cramer earned his A.B. from Washington University in St. Louis and his Ph.D. from the University of Illinois. His professional career began with four years of service as an officer in the United States Army, including combat duty in Operation Desert Storm. He joined the University of Minnesota in 1992 and he is now a Distinguished McKnight University Professor in the Department of Chemistry. He has served as the director of both undergraduate and graduate studies for the Chemistry program, and he has received both the University's Morse-Alumni Undergraduate and the Postbaccalaureate, Graduate, and Professional Education teaching awards. Since 2013, he has served as associate dean for academic affairs, and then associate dean for research and planning, in the College of

Science and Engineering. Professor Cramer also chaired the Faculty Consultative Committee (FCC) in 2011-2012.

From 1992-2018, Professor Cramer was awarded as principal or co-principal investigator approximately \$14 million in individual and small-team grant support from such agencies as the U.S. Army Research Office, the National Science Foundation, the Department of Energy, and the U.S. Environmental Protection Agency, among several others. From 2012 to 2017 he served as director of a multi-institutional Department of Energy center focused on scientific discovery through advanced computing. He has been recognized as a fellow by the American Chemical Society, as well as by the Alfred P. Sloan and John Simon Guggenheim foundations, and he is author of the textbook *Essentials of Computational Chemistry* in addition to a popular massive open online course, *Statistical Molecular Thermodynamics*.

Recommended Salary and Appointment Type

Professor Cramer's annual salary for 2018-19 is \$325,000. His appointment as Vice President for Research is a 100%-time, A-term (12 month), L-type (limited) appointment, reporting to and serving at the pleasure of the president. His two-year term appointment will commence November 12, 2018, and continue up to November 12, 2020. The full employment agreement between the University of Minnesota and Professor Cramer is attached as an exhibit.

Individually Negotiated Terms of Employment or Separation Agreements

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

Comparable Market Data

Benchmarking with the *Annual Review of Senior Leader Compensation*, which was presented to the Board of Regents in December 2017, shows comparative base salary data* among University of Minnesota peers for the position of Vice President for Research.

25th percentile – \$318,500

50th percentile – \$339,100

75th percentile – \$394,400

President's Recommendation

The president recommends the appointment of Professor Cramer to the position of Vice President for Research.

*Salary data aged to July 1, 2018.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of this fifth day of October, 2018, by and between Regents of the University of Minnesota, a Minnesota constitutional educational corporation (the "University"), and Christopher J. Cramer ("Christopher J. Cramer," "you").

WHEREAS, the University wishes to employ Christopher J. Cramer as the Vice President for Research and Christopher J. Cramer wishes to accept employment as Vice President for Research;

WHEREAS, this Employment Agreement is subject to the approval of the Board of Regents of the University of Minnesota and the completion of a background check satisfactory to the University;

THEREFORE, the University and Christopher J. Cramer agree as follows, subject to the approval of the Board of Regents:

I. EMPLOYMENT TERM AND DUTIES

Subject to the terms and conditions of this Agreement and University Policies and Procedures, the University appoints Christopher J. Cramer as the Vice President for Research and he agrees to be so employed by the University for a term commencing on November 12, 2018, and continuing up to November 12, 2020. The Vice President for Research is a 100 percent time, 12-month, L appointment in the professional and academic personnel classification who serves as an at will employee at the pleasure of the President. As such, you report to and serve at the pleasure of the President and your appointment may be terminated at any time without advance notification.

II. DUTIES

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

- A. Provide vision and leadership to the University's research programs, providing institutional research support, and representing the University's interests on its five campuses;
- B. Serve as the University's chief research officer overseeing research support and services at the University's campuses;

- C. Work with academic leaders, deans, and faculty across the campuses to explore and support new areas for research;
- D. Leads systemwide planning efforts for research facilities and support services in collaboration with the Executive Vice President and Provost and the Vice President for Clinical Affairs;
- E. Supervise the responsible planning, stewardship, management, and accountability of all fiscal, capital, and human resources of the units that report to the Office of the Vice President for Research;
- F. Oversee and bear ultimate responsibility for policies and procedures regarding intellectual property, technology transfer, commercialization, research ethics, and regulatory compliance, especially as it pertains to animal research subjects, human research participants, and clinical research activities; and
- G. Perform such other duties as related to your employment position and assigned to you by your appointing authority.

III. PERFORMANCE

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

IV. COMPENSATION

- A. Subject to the terms of this Agreement for all services provided by you on behalf of the University, the University shall pay you an annual salary of Three Hundred Twenty-Five Thousand and No/100 Dollars (\$325,000).
- B. All base salary shall be paid in accordance with the University's regular payroll procedures for Professional and Administrative employees and shall be subject to withholding for applicable federal and state income taxes, federal social security taxes, and other applicable taxes and deductions.
- C. In accordance with University Policies and Procedures, you shall be eligible for salary increases on an annual basis based upon the evaluation of the appointing authority or his/her designee.
- D. The base salary is subject to furloughs, pay freezes, salary reductions or other adjustments to the same extent they are required of other employees of the University.

V. BENEFITS

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

VI. SEPARATION

- A. Your appointment as Vice President for Research is an L appointment which means you serve at the pleasure of your appointing authority. Your appointment may be terminated without any required notice period.
- B. In the event you are separated from your administrative position, you may be eligible for certain benefits provided by the University, in accordance with University policy. Any exception from or waiver of University policy related to your separation must be approved by the Board of Regents.

VII. UNIVERSITY POLICIES AND GENERAL CONDITIONS

- A. Your appointment is subject to the University's policies and procedures that govern your position (<http://policy.umn.edu/>), which may be amended from time to time.
- B. **Amendment.** Any amendment to this Agreement shall be in a writing executed and delivered by the parties.
- C. **Parties In Interest/Assignment.** This Agreement shall be binding upon and the benefits and obligations provided for herein shall inure to the parties hereto and their respective heirs, legal representatives, successors, assigns, transferees or donees, as the case may be. No portion of this Agreement shall be assignable without the prior written consent of the other party.
- D. **Effect of Prior Agreements.** This Agreement is intended by the parties as the final and binding expression of their contract and agreement and as the complete and exclusive statement of the terms thereof. This Agreement supersedes and revokes all prior negotiations, representations, and agreements, whether oral or written, relating to the subject matter hereof.
- E. **Enforceability.** If any provision contained herein shall be deemed or declared unenforceable, invalid, or void, the same shall not impair any of the other

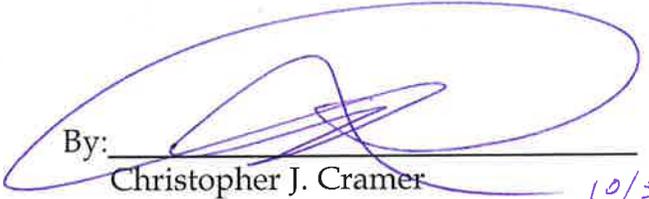
provisions contained herein, which shall be enforced in accordance with their respective terms.

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

VIII. BOARD OF REGENTS APPROVAL

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

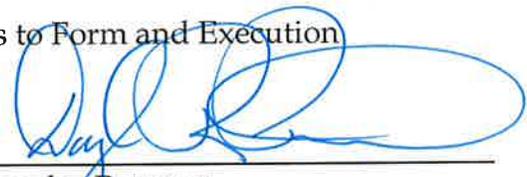
IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first shown above.

By: 
Christopher J. Cramer 10/5/18

REGENTS OF THE UNIVERSITY OF MINNESOTA

By: 
Eric W. Kaler
President

Approved as to Form and Execution

By: 
Douglas Peterson
General Counsel

**Finance & Operations Committee
Consent Report
October 11, 2018**

Amendment to Employment Agreement

Pending approval by the Board of Regents, Mark Coyle's employment agreement as Athletics Director, University of Minnesota, Twin Cities, will be amended.

Position Overview

The athletics director is the chief executive officer of Gopher Athletics and reports to the President, serving on his senior leadership team. Among the Athletics Director's primary responsibilities are to: supervise all head coaches, staff and administrative personnel; develop and implement an ongoing strategic plan; develop and administer the annual budget for the department; ensure the department's compliance with rules and regulations of the University and the rules and regulations of any designated governing association; ensure the commitment to academic integrity and the timely graduation of student athletes; ensure the department's compliance with Title IX; demonstrate a commitment to diversity in the recruitment, retention and representation of staff and student athletes; direct and lead the department's fund raising efforts; conduct and supervise the department's media and public relations efforts; lead efforts to improve University athletic facilities; and serve and represent the University on all appropriate athletic governing or oversight bodies and any governing associations.

Appointee Background and Qualifications

Mark Coyle was named director of athletics on May 11, 2016. Coyle, who was an administrator at Minnesota from 2001 to 2005, returned to Gopher Athletics after serving as athletics director at Syracuse University and Boise State University and as deputy athletics director at the University of Kentucky.

During his first two years leading Gopher Athletics, Minnesota's student-athletes recorded the highest grade-point average in school history, set new program records for Academic All-Big Ten honorees (351 in 2017-18), and remained one of the top public institution in the country with respect to NCAA Academic Progress Rate (APR) Public Recognition Awards.

While setting new marks for academic success, Minnesota has also experienced broad-based athletic success under Coyle. In the past two years, the Gophers have won 11 conference titles, one of the highest totals in the Big Ten.

In 2016-17, Minnesota won five Big Ten titles and had two teams (volleyball and women's hockey) advance to the Final Four. Additionally, men's hockey won its sixth straight regular season conference title, a Division I men's ice hockey record, and men's basketball engineered the largest turnaround in Division I for that season and returned to the NCAA men's basketball tournament.

Following up that performance in 2017-18, the Gophers added six more conference titles, five in the Big Ten and a women's hockey WCHA Final Five championship. The women's track and field program swept the Big Ten's indoor and outdoor titles for the first time in program history, baseball claimed both the regular season and postseason Big Ten championships, softball won its third straight Big Ten tournament. Volleyball and men's tennis both reached the NCAA Sweet Sixteen, baseball reached its first-ever NCAA Super Regional, and three Gophers won individual national championships. The Athletics Department finished the 2017-18 season in 19th place in the Learfield Directors' Cup standings, which measures athletics success across all sports for more than 300 schools.

Coyle has hired six new Gopher head coaches during his first 24 months at Minnesota (Brandon Eggum, wrestling; P.J. Fleck, football; Catrina Thompson, women's tennis; Jamie Trachsel, softball; Bob Motzko, men's hockey; Lindsay Whalen, women's basketball) and helped his Golden Gopher Fund staff secure major gifts to support construction of the new Athletes Village, which opened up in January 2018.

Coyle oversaw a banner year for fundraising in 2017-18. Since July 2017, Gopher Athletics has secured more than \$25 million in gifts to support the Nothing Short of Greatness campaign, providing resources for Athletes Village, along with full funding to construct new wrestling and golf development facilities.

Prior to returning to Minnesota, Coyle guided Syracuse during a year in which both the field hockey and men's cross country programs won national titles, the men's soccer team qualified for the College Cup, and both the men's and women's basketball teams competed in the Final Four. The Orange also won five Atlantic Coast Conference titles under Coyle's watch during 2015-16 season.

While at Boise State, Bronco Athletics' teams posted the highest grade-point average in school history, with 18 teams setting team GPA records and more than 72 percent of student-athletes maintaining a 3.0-plus GPA. Four Boise State teams (football, women's golf, women's tennis and volleyball) earned Public Recognition Awards from the NCAA in 2015 for their multi-year APR scores.

Athletically, Boise State won 12 conference championships under Coyle's leadership, including football, men's basketball, women's basketball, women's gymnastics, women's swimming and diving and men's tennis. During the 2014-15 academic year, Boise State was the only Football Bowl Subdivision school in the country to win football, men's basketball and women's basketball conference championships.

A former football student-athlete, Coyle graduated from Drake University with his bachelor degree in English in 1991. He earned his master's degree in teaching from Drake University in 1992 and a master's degree in sports administration from Florida State University in 1993.

Background Information

Mark Coyle's initial employment agreement as athletics director went into effect on June 1, 2016. This proposed amendment would be the first amendment to that initial employment agreement.

Summary of Amendment to the Employment Agreement

This amendment would add three years to Athletics Director Mark Coyle's existing employment agreement with the University. Salary considerations in this amendment reflect those from the initial agreement. The revisions are summarized as follows:

Term: The term of employment is extended until June 30, 2024.

Supplemental Retirement: The initial employment agreement included payments of \$100,000 in supplemental retirement funds for each year of the contract. The amendment includes payments of \$100,000 for each of the three additional years of the agreement.

Incentive Compensation: The amendment changes the annual date by which the payment must be made from June 30 of each year to July 31 of each year.

Travel/Tickets: The amendment clarifies the types of expenditures allowed as part of the \$25,000 provided to the Athletics Director for University-related personal event travel and tickets.

Athletics Director's Right to Terminate: The amendment changes the financial terms if the Athletics Director terminates the employment agreement.

Recommendation

The president recommends approval of the amendment to the employment agreement for Mark Coyle as Athletics Director, University of Minnesota, Twin Cities.

AMENDMENT TO EMPLOYMENT AGREEMENT

This is a contractual amendment to the Employment Agreement between the University of Minnesota (“the University”), on behalf of its Department of Intercollegiate Athletics on the Twin Cities campus (“the Department”), and Mark Coyle (“Athletic Director”), entered into effective May 11, 2016 (“Employment Agreement”). The University and Athletic Director do now mutually desire to amend certain terms of the Employment Agreement by entering into this amendment to the Employment Agreement (“Amendment”), effective October 1, 2018.

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

1. Paragraph 1.1 is deleted and replaced with the following:

1.1. Term. Subject to the terms and conditions of this Agreement, the University hereby employs Athletic Director as the Director of the Department, and Athletic Director agrees to be so employed by the University for a term commencing on June 1, 2016, and ending on June 30, 2024 (the “Term of Employment”). For purposes of this Agreement, the term “Year 1” shall mean the period during the Term of Employment commencing on June 1, 2016, and ending on June 30, 2017. Each successive and remaining Year of the Agreement shall begin on July 1 of a calendar year and end on June 30 of the following calendar year.

2. Paragraph 2.5 is deleted and replaced with the following:

2.5 Supplemental Retirement. The University shall, on behalf of the Athletic Director, pay to the University of Minnesota Optional Retirement Plan, or to the extent such payment exceeds the contribution limits for such plan to the University of Minnesota 415(m) Retirement Plan (or appropriate successor plans), the following amounts:

- a. \$100,000 for 2017;
- b. \$100,000 for 2018;
- c. \$100,000 for 2019;
- d. \$100,000 for 2020;
- e. \$100,000 for 2021;
- f. \$100,000 for 2022;
- g. \$100,000 for 2023;
- h. \$100,000 for 2024.

Payments a. through d. will be made on September 20, 2020, provided Athletic Director is employed by the University as its Athletic Director on that date. Payments e. through h. will be made on June 30 of each subsequent Year, provided Athletic Director is employed by the University as its Athletic Director on that date.

3. **Paragraph 2.4 is deleted and replaced with the following:**

2.4 Incentive Compensation. Each Year, Athletic Director shall be eligible for incentive compensation based on a plan to be agreed between the Athletic Director and the President in an amount not to exceed \$150,000 per year if all the milestones in the plan are achieved. The plan shall address but not be limited to academic success, competitive success, compliance achievement, and management achievements. The University shall deliver to Athletic Director a single payment for all incentive compensation earned for a Year after the University has determined the amount of such payment and that the conditions for such payment have been met, including Athletic Director's compliance with Sections 1.4 of this Agreement. Once incentives are determined, such incentives shall be paid to Athletic Director no later than July 31 of each Year, provided Athletic Director remains employed by the University on that date, i.e., incentive compensation does not vest and is not earned unless Athletic Director remains employed by the University on that date.

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

2.6 Travel/Tickets. For each Year of the Term of Employment, the University shall make available to Athletic Director a maximum of Twenty-five Thousand Dollars (\$25,000.00) for University-related personal event tickets, home or away, and travel for Athletic Director's family, friends, and business associates to and from University intercollegiate athletic events, as well as conference meetings. All expenses charged against this fund shall be documented. Athletic Director has no right to any unused portion of the fund at the end of any Year, and unused amounts do not carry over to the following year. In addition to the \$25,000 amount described above, the University shall also provide Athletic Director with travel at no charge for up to four (4) people on any Intercollegiate Athletic Team charter flight, subject to seat availability. The benefit received by the Athletic Director pursuant to this travel/tickets provision will be treated as taxable compensation unless appropriate use for business purposes is documented according to applicable University policies.

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

3.3 Athletic Director's Right to Terminate. Athletic Director may terminate this Agreement at any time upon ninety (90) days written notice to the University. If such termination occurs at any time through June 30, 2020, Athletic Director shall pay the University a termination fee equal to the amount of base salary that would have been paid under Section 2.1.1 of this Agreement if the Agreement had continued through the full Term of Employment, subject to the provisions of Section 4.1 of this Agreement. If such termination occurs during the period of July 1, 2020, through June 30, 2022, Athletic Director shall pay the University a termination fee equal to fifty percent (50%) of the base salary amount that would have been paid under Section 2.1.1 of this Agreement if the Agreement had continued through the full Term of Employment, subject to the provisions of Section 4.1 of this Agreement. If such termination occurs during the period of July 1, 2022, through June 30, 2023, Athletic Director shall pay the University a termination fee equal to twenty-five percent (25%) of the base salary amount that would have been paid under Section 2.1.1 of this Agreement if the Agreement had continued through the full Term of Employment, subject to the provisions of Section 4.1 of this Agreement. After June 30, 2023, Athletic Director may terminate this Agreement at any time upon ninety (90) days written notice to the University, with no termination payment.

6. Except as expressly provided in this Amendment, each and every term and condition of the Employment Agreement, as previously amended, shall remain unchanged.
7. The parties acknowledge and agree that this Amendment is subject to formal approval by the University's Board of Regents (BOR). This Amendment shall not be final or binding until formally approved by the BOR.

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

Date: 10/9/18

Mark Coyle
Mark Coyle
Athletic Director

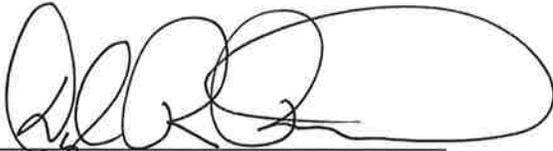
**REGENTS OF THE UNIVERSITY OF
MINNESOTA**

Date: 10-9-18

By: 
Eric Kaler
President

Reviewed and Approved by:

Date: October 9, 2018

By: 
Douglas Peterson
General Counsel



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance & Operations

October 11, 2018

AGENDA ITEM: Information Items

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President

PURPOSE & KEY POINTS

FY 2018 Real Estate Report

The FY 2018 Real Estate Report summarizes the real estate transactions that were approved by the Board in FY 2018.

Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board 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.

The Board reserves to itself authority to approve 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.

PLANNING, SPACE,
AND REAL ESTATE

UNIVERSITY OF MINNESOTA

**FY2018 Real Property Transactions Meeting Board of Regents Thresholds
(Over \$1,000,000 and/or over 10 acres and/or within 2 miles of a University campus)**

Board of Regents Policy: *Reservation and Delegation of Authority* reserves to the Board 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. Subd. 2. The Board reserves to itself authority to approve 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.

The following real estate transactions were approved by the Board of Regents in FY2018.

Real Estate Transaction	Amount received or to be received	Amount paid or to be paid	Regents Approval Date
Purchase of 63.14 Acres, Clearwater County (Itasca Biological Station and Laboratories)		\$104,250	September 2017
Purchase of 614 Huron Boulevard SE, Minneapolis (Twin Cities Campus)		\$3,593,695	September 2017
Purchase of 16-24 Sixth Street SW, Rochester (Rochester Campus)		\$2,665,000	October 2017
Purchase of 317-331 Seventeenth Avenue SE (Keeler Apartment Building), Minneapolis (Twin Cities Campus)		\$12,000,000 <i>(building only)</i>	February 2018
Sale of 2642 University Avenue, St. Paul (Twin Cities Campus)	\$2,150,000 <i>(sale fell through)</i>		May 2018
Sale of 0.19 acres of isolate property in the northwest corner of the University of Minnesota Morris (Morris Campus)	\$4,888.20		May 2018
Lease of 9,383 rentable square feet of collaborative classroom and laboratory space located within the Destination Medical Center, Rochester (Rochester Campus)		\$3,600,000 <i>(leasehold improvements)</i> up to \$17,000,000 <i>(est. total value through 2049 - includes renewal options)</i>	May 2018
Amendment to University Square Lease, 111 South Broadway, Rochester (Rochester Campus)		up to \$23,600,000 <i>(est. total value through 2032 - includes renewal options)</i>	June 2018
Sale of 435.546 acres at UMore Park for residential, commercial, and mixed use development, Dakota County	\$13,000,000		June 2018