
The University Senate

FACULTY · STUDENT · P&A · CIVIL SERVICE

UNIVERSITY OF MINNESOTA

Senate Committee on Finance and Planning (SCFP)

April 12, 2022

Minutes of the Meeting

These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions, or actions reported in these minutes represent the views of, nor are they binding on the senate, the administration, or the Board of Regents.

[In these minutes: M Health Updates; Gopher Athletics Budget Updates; Committee Discussion Follow-up: Century Bond and Related Financing Actions; Committee Discussion: Topics and Questions for April 26 Compensation Discussion with Office of Human Resources]

PRESENT: Liz Davis (chair), Chris Allen, Bart Finzel, Myron Frans, Tony Fussy, Frank Gigler, Robert Goldstein, Stephanie Heim, Justin Janke, Lincoln Kallsen, Mark Miazga, Amy O'Connor, Paul Olin, Jim Pankow, Scott Petty, Carl Rosen, Dalton Scharmer, Julie Tonneson, Bhaskar Upadhyay, Erik van Kujik, Mike Volna

REGRETS: Michael Berthelsen, Laura Kalabokidis, Jill Merriam, Angela Wong

GUESTS: Jakub Tolar, dean of medical school and vice president for clinical affairs; Mark Coyle, athletics director, Gopher Athletics, Tim McCleary, associate athletic director and chief financial officer, Gopher Athletics

OTHER: Jessica LeBlanc

Chair Liz Davis welcomed the committee and the members introduced themselves.

1. M Health Updates

Jakub Tolar, dean of medical school and vice president for clinical affairs, joined the committee and provided the following updates:

- Health sciences is currently focused on three issues: (1) faculty, staff, and student wellness as society emerges from a pandemic into an endemic time; (2) workforce development, particularly in light of staff shortages with relevant expertise, and (3) innovation in health sciences professions.
- Currently, 70% of physicians that practice in the State of Minnesota graduate from the University of Minnesota Medical School. There has been tremendous pressure on clinicians to practice medicine, care for COVID-19 patients, and teach medical students, and it has led to burnout.

- The University has requested funding from the state legislature for the following projects: the [Health Discovery Hub](#) and the [Academic Health Center in Duluth](#).

Committee members asked the following questions (answers provided by Dean Tolar are below each question):

- According to data collected from a [2019 UMN Public Opinion Survey](#), healthcare and sports remain the most common connections to the University. What do you think about the branding power that MHealth has over the University of Minnesota, as a whole?
 - I think about the brand often, and two things that I would like associated with the brand are quality and reliability. President Gabel has delegated to me, on behalf of the Board of Regents, the responsibility of the MHealth brand. I consider it my job, and the job of my team, to make sure that every single clinic and every single unit in every single hospital ensures quality, safety, and access under the MHealth brand.
- As we come out of the pandemic, are there plans to think creatively about healthcare worker retention, given the staffing issues that many have faced while working through staff shortages, COVID-19 challenges, etc.?
 - We have been working hard to retain healthcare workers at the University. I believe it is important and necessary to pay individuals competitively against the market, but the way we can distinguish ourselves from another employer is by making employees feel that the University cares about them and supports them in their personal and professional goals. I believe we have been more successful than our competitors because we pay attention to these other factors that our employees value.

2. Gopher Athletics Budget Updates

Mark Coyle, athletics director, Gopher Athletics, joined the committee and presented slides titled [Intercollegiate Athletics - Twin Cities](#) and provided information on the following topics related to Gopher Athletics:

- Recent financial history
- FY19 revenue and expenses by sport
- Current fiscal year (FY22), including projected revenue and expenses
- Financial planning for FY23 and beyond

Committee members asked Director Coyle his thoughts about how the [NCAA's name, image, and likeness policy](#) will impact Gopher Athletics. Director Coyle made the following remarks:

- Institutions cannot be involved in creating partnerships for student athletes under the name, image, and likeness (NIL) policy.
- If a student athlete enters a partnership through the NCAA, then that student is required to report the partnership to the compliance department so that the institution can ensure that the partnership is within compliance.
- There are currently 210 NIL contracts in place with 106 different student athletes among the 22 sports at the institution. Roughly 20-25% of the student athlete population are involved in a NIL partnership.
- The percentage of student athletes involved in these contracts is consistent with Big Ten peers, with our institution on the higher end in terms of the number of these contracts.

- The state of Minnesota does not have legislation regarding NIL agreements. For states that do not have legislation, the NCAA allowed each institution to draft their own policy.
- There is significant disruption in collegiate athletics right now, from the financial hardships that programs are experiencing due to COVID-19 to the litigation around the NIL policy. There is likely to be dramatic transformations in athletics as a result of these issues.

Director Coyle also gave the following update regarding the loan to Gopher Athletics that was approved by the Board of Regents in light of the loss of revenue due to the COVID-19 pandemic:

- The athletics department has been working closely with the Office of the Senior Vice President for Finance and Operations to finalize the terms of the loan. It has been made very clear that Gopher Athletics will be responsible for paying the loan back, and that payment plan will be integrated into the operating budget.
- Gopher Athletics will be retiring some of its debt service this fiscal year to free up revenues.
- Gopher Athletics has also had to make some tough decisions regarding staffing and sports offerings in order to present a balanced budget to the Board of Regents.

Myron Frans, senior vice president, Finance and Operations, told members that the loan will be funded through a commercial paper instrument, and the athletics department will be given a year or so to determine future revenue streams as the pandemic and NIL litigation comes to a close.

3. Committee Discussion Follow-up: Century Bond and related financing actions

Senior Vice President Frans joined the committee and gave the following updates on the century bond financing:

- The University began considering century bonds in 2019. As part of the systemwide strategic plan, the decision was made to look comprehensively at how this type of financing would benefit the University.
- Further research showed that the University was not taking full advantage of its debt capacity.
- Generally, when the University makes a request to the legislature for a capital project, any approved state funding often covers roughly $\frac{2}{3}$ of a project, and the University is then responsible for the final $\frac{1}{3}$. In looking at the six year capital plan, it is clear that over the next 5+ years the University is going to need about 500 to 600 million dollars to support its $\frac{1}{3}$ portion of capital funding.
- There is also a concern that the legislature will not appropriately fund the University's capital improvement plans, which may leave the University to fund itself. If this does happen, then the University will need this additional financing.
- This type of financing allows the University to use the same funding over and over again. Loans can be given to colleges and units for specific projects, and then when those loans are paid back, the funds can be given out to another college or unit because the principal is not due for 100 years. At the same time, the interest from the loans given to the colleges and units can be invested in the endowment fund, and is anticipated to grow enough to pay off the principal in 100 years when it is due. The University will have to maintain payment on the interest on the century loan over the 100 years.

Frans told members that the decision to issue these bonds accelerated as the Federal Reserve raised interest rates this spring and the markets became more volatile due to the war in Ukraine. Recently, the decision was made to amend the original request to sell \$500 million in century-only bonds and allow for use of other instruments such as 30-year bonds.

Mike Volna, associate vice president and assistant chief operating officer, Finance and Operations, then gave the following updates about the recent amendments to this initiative:

- Given the rising interest rates, the strategy for these sales has shifted. The Board of Regents (BOR) amended their original resolution to allow for flexibility in the sales given the movement in the market.
- The BOR also endorsed additional flexibility in the duration of the loans.

Please see the BOR [Amendment to the Resolution Related to Issuance of Century Bond](#) for additional information about these changes.

- The University ultimately pivoted from the original plan to issue a century bond and instead marketed the bonds as 30-year interest only bullet payment bonds. The shorter timeline allowed for a lower interest rate on the loan than if the sale were a century bond.
- The University will now have 30 years to use the money rather than 100 years, and the goal will be to re-issue the bonds in 30 years and continue to grow the money set aside in the endowment fund to eventually pay off the loan. The adjusted sale will require additional transactions throughout the next 90 to 100 years, but the strategy that the University will employ to use the funding will remain the same.
- The interest rate for the 30 year loans was locked in at 4.08% for the next 30 years.
- The funding will allow the University to take on the projects outlined in the 6-year capital plan.

4. Committee Discussion: Topics and Questions for April 26 Compensation Discussion with Office of Human Resources

Davis announced that Ken Horstman, vice president, Office of Human Resources (OHR), will be joining the April 26 SCFP meeting, and asked members for topics to cover during the visit.

Committee members provided the following feedback:

- Will the upcoming compensation pool be distributed as merit pay, or will it be an across-the-board increase as was done last year? How will pay equity be factored into the decision?
- Has consideration been given to capping the highest salaries at the University for a few years while employee salaries catch up to the market?
- What role or oversight does OHR have in providing colleges and units with job family salary information? There is a perception that employees are too often hired below the midpoint range in their job families.
- What guidance or oversight does OHR provide to ensure pay equity across units?
- Is the administration having a larger conversation about the cost of employee turnover given the current environment?
- What are the short term and long term solutions for below market compensation?

- Has consideration been given to distributing compensation increases as a dollar amount rather than a percentage?
- Can a pool be established, above and beyond the merit increase pool, for faculty and staff retention? There are serious concerns about losing top performing faculty and staff.

With no further business, Davis adjourned the meeting.

Bobbie Erichsen
University Senate Office