

**UNIVERSITY OF MINNESOTA ALUMNI ASSOCIATION**  
**BOARD OF DIRECTORS MEETING**  
**Saturday, April 14, 2018**  
**Via Conference Call**

Board Members Participating

Brotten, Eric  
Cardwell, Rachel  
Duncanson, Patrick  
Friemark, Natasha  
French, Catherine  
Haldeman, Chad  
Huebsch, Doug  
Jessen, Mark  
Kostial, Maureen  
Kramer, Matt  
Lewis, Lisa  
Lewis, Quincy  
Martin, Peter  
McDonald, Dan  
Moret, Laura  
Nakamura, Akira  
Rajkumar, Roshini  
Walker, Myah  
Wallace, Scott  
Wiese, Sandra Ulsaker

Board Members Unable to Participate

Palmero, Trish  
Schaff, Clint  
Schmidlkofer, Kathy  
Wagner, Tony

UMAA Staff Participating

Garry, Dan  
Huber, Lisa  
Huerta, Sarah  
Massaglia, Sam  
Palermo, Trish  
Rusek, Jon  
Yust, Adam

Chair Sandy Wiese convened the meeting, which was held via conference call due to the weather. She explained that the committee will not discuss the strategic plan today. Another meeting will be scheduled before the June board meeting to discuss.

Weise provided an update on the Regent selection process. UMAA has been advocating for the three principles. She noted that she, Lisa Lewis, UMAA President and CEO, and Adam Yust, Director of Alumni Advocacy, had met with a number of legislators and testified before the Legislature. UMAA members have received two notices related to this process asking for their feedback. Lewis thanked Weise for her leadership and insights navigating this difficult issue. UMAA has walked a strong middle path of advocating for principles but leaving the decisions to the legislature.

Wiese noted that some members feel UMAA doesn't advocate enough for RCAC, but may not be aware of the full legislative context.

### **CONSENT AGENDA**

Chair Sandy Wiese directed board members' attention to the consent agenda.

MOTION: Approve January 27, 2018 Board Minutes  
*APPROVED UNANIMOUSLY*

MOTION: Approve FY17 Tax Return  
*APPROVED UNANIMOUSLY*

MOTION: Approval of the FY Nomination Board Development & Committee Membership:  
Dan McDonald, Chair  
Sandy Wiese, board member  
Doug Huebsch, board member, chair-elect  
Myah Walker, board member  
Jim duBois, board member  
Janice Linster, former board member  
*APPROVED UNANIMOUSLY*

### **REPORTS**

Chair Sandy Weise encouraged everyone to review the reports included in the mailing:

- Internal Financial Statements, February 28, 2018
- Investment Report, December 31, 2017
- Revenue Analysis, March 31, 2018
- FY18 Goals/Status, March 31, 2018

There was no discussion related to these reports.

### **LEGISLATIVE UPDATE/ECONOMIC IMPACT REPORT**

Matt Kramer, Vice President of University Relations, noted that the legislative session will end on May 21. The University is focusing on five principal areas - federal conformity, bonding, elder abuse, opioids and MNLARS (State IT System) . The U has requested bonding dollars for HEAPR and a \$10M supplemental budget to the bottom line to hold tuition flat across the system. In the last five years, tuition has increased 1% on the Twin Cities campus and .4% on the system campuses.

## **ECONOMIC IMPACT REPORT**

Matt Kramer, Vice President of University Relations, explained that the study was last done in 2011. Most large businesses conduct one every 5-10 years. In 2017, the University's economic impact to the State was \$8.6M. Each year University graduates join the workforce and add \$189M to the economy (\$15,000 per graduate).

The University pays approximately \$470M in state taxes each year. We are the 5<sup>th</sup> largest employer in Minnesota, employing 26,000 people statewide. The Board members discussed the report and how it will be used to share the impact of the University. Kramer responded that University Relations is developing a communications plan to share with key stakeholders.

## **RESOURCE DISCUSSION**

Chair Sandy Weise reminded the board that this is a confidential topic and all materials should be kept confidential.

Lisa Lewis, UMAA President and CEO, provided the Board with the background on the credit card agreement and the proposed changes to school and college support. She noted:

- Bank of America contract ends December 31, 2018
- Ten-year deal for \$4,750,000
- The U of M portfolio is young; bank switched in last contract
- Credit card industry changed significantly in that time (Federal Card Act)
- Fewer competitors in affinity market
- Trend: Banks relying more on royalties than guarantees
- New financial categories become available to us in 2019 with end of contract
- RFP process ongoing; quiet phase

She commented that the UMAA must adapt to new credit card market reality. Most peers made this adjustment over the last five years, so the UMAA has been fortunate to go this long. In the short run, that means the UMAA needs to prioritize and align resources with goals.

She reported that the Executive Committee discussed this and is recommending changing school and college support to an enhanced services model from direct grant funding.

The key drivers of this recommendation are:

- End of Bank of America contract 12/31/18
- Unusual model of financial support to schools/colleges; services model more common
- Need to focus on strategic priorities for UMAA that serve all alumni
- Goal is to decrease reliance on additional reserve draw (\$350,000), not increase it.
- UMAA will manage its budget to absorb impact

UMAA staff has been watching the credit card affinity market for the last few years and talking with peer schools. In anticipation of this situation, there was a discussion with each dean over the summer noting that the Bank of America contract is ending and the marketplace has

changed. It was noted that this could potentially impact the UMAA's ability to fund them and they would be given as much notice as possible.

The school and college relationships are very important to the UMAA. New programs and services have been developed for them and we anticipate doing more. In turn, they have supported UMAA's efforts. There are compacts in place and plans are to continue them. However, instead of cash, the UMAA would spell out the services and put a financial value on them. How this decision is communicated with the deans, the alumni relations officers and the collegiate boards is critical. Gretchen Ambrosier, Vice President of Alumni Engagement, and Dan Garry, Vice President of Operations & CFO, have developed a plan to communicate and follow up.

The Board members discussed the impact of the relationships with the schools and colleges, what the money currently funds, how the decision would financially impact the schools and colleges, how it would be communicated, how other universities relate to their schools/colleges, the impact of the decision on UMAA finances and what would happen to UMAA reserves if we continued funding.

Lewis noted that the UMAA overdraw of investments went from \$440K in 2013 to \$350K in 2017 while the organization was growing. The UMAA focused on ROI and reduced administrative costs, but it cannot cut its way out of the \$350K overdraw. The UMAA needs growth instead. This will take time and the UMAA does not always take the full draw. It is budgeted, but only taken when needed.

If the UMAA doesn't go further into reserves and maintains college support, the UMAA would take the entire hit: It would probably end up laying off another 3-4 staff members and cutting 7 or 8 programs. It would be an entirely different organization. The other factor is that it would be almost impossible for us to do that quickly because of the HR rules and who you are laying off. An employee with 5 years or more gets a 6 months' notice and 10 years or more is a one-year notice. HR rules do not allow you to adapt quickly to financial situations.

Board members noted that the compact agreement approach should remain in place and instead of showing the amount of dollars, show the value of the new central services like the Maroon & Gold Network. This is a way to demonstrate to the colleges the added value beyond the dollar amounts.

There was a question about the alumni-related activity at each of these schools and what percentage of spending these dollars represent. If it's a small percentage, it's easier to get behind. If it's larger, the impact will be greater. Lewis replied that the compacts require each school use the funding for alumni-related activities; how they do that varies. Some help fund the salary of the ARO and some use it for alumni programming. They do not provide us with their overall budget.

The Board inquired about the history of the distributions and genesis for creating them. It's a model that has been around for a while. There was an old model of giving cash to geographic networks and the UMAA Board at the time pulled back on that, but not on college funding.

MOTION: UMAA move to enhanced central services model and move away from direct grant funding.  
*APPROVED UNANIMOUSLY*

**STRATEGIC PLANNING DISCUSSION**

This topic is postponed and will be discussed at a meeting to be scheduled.

The meeting was adjourned.