

**BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 16, 2018**

TAB	DESCRIPTION	ACTION
1	AMENDMENT TO BOARD POLICY Section V.B. – Budget Policies – Second Reading	Motion to approve
2	AMENDMENT TO BOARD POLICY Section V.E. – Gifts and Affiliated Foundations – Second Reading	Motion to approve
3	UNIVERSITY of IDAHO WWAMI Medical Education Building Renovations Project	Motion to approve

THIS PAGE INTENTIONALLY LEFT BLANK

BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 15, 2018

SUBJECT

Policy V.B.—Second Reading

REFERENCE

October 2012	Idaho State Board of Education (Board) approved revisions to Occupancy Cost policy in Policy V.B.
December 2015	Board approved second reading of amendment to Policy V.B., revising Occupancy Cost request notification procedures
December 2017	Board approved first reading of amendment to Policy V.B.

APPLICABLE STATUTES, RULE OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.B.

ALIGNMENT WITH STRATEGIC PLAN

Goal 4 (“Effective and Efficient Educational System”) Objective C (“Productivity and Efficiency: Apply the principles of program prioritization for resource allocation and reallocation”).

BACKGROUND / DISCUSSION

This proposed amendment to Board Policy V.B. revises and clarifies the process for notification and verification of Occupancy Cost requests. The amendment also incorporates a new paragraph to place the Board’s earlier-approved guidelines on minimum institutional financial reserve targets within Board policy.

The proposed revisions to Paragraph 10 of the policy clarify that the Occupancy Cost formula for the custodial costs of newly eligible space is a linear formula based on one custodian per each 26,000 square feet. A hypothetical example is provided, illustrating the computation for an incremental increase of 13,000 square feet. This wording aligns the text of the policy with current practice and does not increase or decrease the computed costs for custodial support. Custodial cost computations may change from one year to another if the State’s pay grade for classified staff custodians are adjusted. The policy recognizes that eligible new space, regardless of size, requires custodial support, and this requires allocation of custodians’ time, regardless of whether new custodians are hired or if the incremental workload is distributed among an institution’s pool of custodial employees.

An additional revision is proposed to Paragraph 10 to provide guidance to institutions to facilitate timely and accurate “verification” reports on Occupancy Costs, once an institution occupies a facility. This change complements the recent initiative to standardize Occupancy Cost request “notification” reports to the Division of Financial Management (DFM) and the Legislative Services Office (LSO). The streamlined process should significantly improve verification reporting. A link is provided to a standardized data sheet (Attachment 2), developed by Board

BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 15, 2018

Staff in coordination with the institutions, for consistent reporting of both initial notification and final verification for Occupancy Cost requests.

A new Paragraph 12 on “Target Reserves” is proposed which captures the Board’s previous guidance (that affected institutions maintain at least 5% financial reserve levels, as computed by dividing available unrestricted funds by annual operating expenses) which is relocated from its previous location in an earlier version of the Board’s Strategic Plan.

IMPACT

Approval of the proposed amendments will clarify and streamline Occupancy Cost request procedures and will improve the associated notification and verification reports submitted to DFM and LSO. There should be no fiscal impact to current budgets as a result of the proposed changes, beyond improving the accuracy of estimates and final computations of Occupancy Costs. The amendments also incorporate the Board’s guidance on minimum financial reserve levels into Board policy, thereby documenting the earlier-established minimum reserve level for use by institutions as they develop and implement their strategic plans.

ATTACHMENTS

Attachment 1 – Amendment to Board policy V.B. – second reading	Page 3
Attachment 2 – Occupancy Cost notification/verification data sheet	Page 11

STAFF COMMENTS AND RECOMMENDATIONS

The proposed revisions to Board Policy V.B. were reviewed by the Business Affairs and Human Resources Committee and Financial Vice Presidents on December 8, 2017, and on February 2, 2018. The revisions will improve the Occupancy Cost request process and assist the institutions as they manage financial reserves. There have been no changes to the documents since the Board approved the first reading of the proposed amendment on December 21, 2017.

Staff recommends approval.

BOARD ACTION

I move to approve the second reading of the proposed amendments to Board policy V.B., Budget Policies, as presented in Attachment 1.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

1. Budget Requests

For purposes of Items 1. and 10., the College of Southern Idaho, College of Western Idaho, and North Idaho College are included.

a. Submission of Budget Requests

The Board is responsible for submission of budget request for the institutions and agencies under its governance to the executive and legislative branches of government. Only those budget requests which have been formally approved by the Board will be submitted by the office to the executive and legislative branches.

b. Direction by the Office of the State Board of Education

The preparation of all annual budget requests is to be directed by the Office of the State Board of Education which designates forms to be used in the process. The procedures for the preparation and submission of budget requests apply to operational and capital improvements budgets.

c. Preparation and Submission of Annual Budget Requests

Annual budget requests to be submitted to the Board by the institutions and agencies under Board governance are due in the Office of the State Board of Education on the date established by the Executive Director.

d. Presentation to the Board

Annual budget requests are formally presented to the designated committee by the chief executive officer of each institution or agency or his or her designee. The designated committee will review the requests and provide recommendations to the Board for Board action.

2. Budget Requests and Expenditure Authority

a. Budget requests must include projected student tuition and fee revenue based on the enrollment of the fiscal year just completed (e.g., the FY 2003 budget request, prepared in the summer of 2001, projected student tuition and fee revenue based on academic year 2001 enrollments which ended with the Spring 2001 semester).

b. Approval by the Executive Director, or his or her designee, as authorized, for all increases and decreases of spending authority caused by changes in student tuition and fee revenue is required.

c. Student tuition and fee revenue collected by an institution will not be allocated to another institution. The lump sum appropriation will not be affected by changes in student tuition and fee revenue.

3. Operating Budgets (Appropriated)

a. Availability of Appropriated Funds

- i. Funds appropriated by the legislature from the State General Fund for the operation of the institutions and agencies (exclusive of funds for construction appropriated to the Permanent Building Fund) become available at the beginning of the fiscal year following the session of the legislature during which the funds are appropriated, except when the appropriation contains an emergency clause.

b. Approval of Operating Budgets

- i. The appropriated funds operating budgets for the institutions and agencies under Board supervision are based on a fiscal year, beginning July 1 and ending on June 30 of the following year.
- ii. During the spring of each year, the chief executive officer of each institution or agency prepares an operating budget for the next fiscal year based upon guidelines adopted by the Board. Each budget is then submitted to the Board in a summary format prescribed by the Executive Director for review and formal approval before the beginning of the fiscal year.

c. Appropriation Transactions

i. Chief Executive Officer Approval

The chief executive officer of each institution, agency, office, or department is responsible for approving all appropriation transactions. Appropriation transactions include original yearly set up, object and program transfers, receipt to appropriation and non-cognizable funds.

ii. Institution Requests

Requests for appropriation transactions are submitted by the institutions to the Division of Financial Management and copies provided concurrently to the Office of the State Board of Education.

4. Operating Budgets (Non-appropriated -- Auxiliary Enterprises)

a. Auxiliary Enterprises Defined

An auxiliary enterprise directly or indirectly provides a service to students, faculty, or staff and charges a fee related to but not necessarily equal to the cost of services. The distinguishing characteristic of most auxiliary enterprises is that they are managed essentially as self-supporting activities, whose services are provided primarily to individuals in the institutional community rather than to departments of the institution, although a portion of student fees or other support is sometimes allocated to them. Auxiliary enterprises should contribute and relate directly to the mission, goals, and objectives of the college or university. Intercollegiate athletics and student health services should be included in the category of auxiliary enterprises if the activities are essentially self-supporting.

All operating costs, including personnel, utilities, maintenance, etc., for auxiliary enterprises are to be paid out of income from fees, charges, and sales of goods or services. No state appropriated funds may be allocated to cover any portion of the operating costs. However, rental charges for uses of the facilities or services provided by auxiliary enterprises may be assessed to departments or programs supported by state-appropriated funds.

b. Operating Budgets

Reports of revenues and expenditures must be submitted to the State Board of Education at the request of the Board.

5. Operating Budgets (Non-appropriated -- Local Service Operations)

a. Local Service Operations Defined

Local service operations provide a specific type of service to various institutional entities and are supported by charges for such services to the user. Such a service might be purchased from commercial sources, but for reasons of convenience, cost, or control, is provided more effectively through a unit of the institution. Examples are mailing services, duplicating services, office machine maintenance, motor pools, and central stores.

b. The policies and practices used for appropriated funds are used in the employment of personnel, use of facilities, and accounting for all expenditures and receipts.

c. Reports of revenues and expenditures must be submitted to the State Board of Education at the request of the Board.

6. Operating Budgets (Non-appropriated -- Other)
 - a. The policies and practices used for appropriated funds are used in the employment of personnel, use of facilities, and accounting for all expenditures and receipts.
 - b. Reports of revenues and expenditures must be submitted to the State Board of Education at the request of the Board.
7. Agency Funds
 - a. Agency funds are assets received and held by an institution or agency, as custodian or fiscal agent for other individuals or organizations, but over which the institution or agency exercises no fiscal control.
 - b. Agency funds may be expended for any legal purpose prescribed by the individual or organization depositing the funds with the institution or agency following established institutional disbursement procedures.

8. Major Capital Improvement Project -- Budget Requests

For purposes of Item 8 the community colleges (CSI, CWI and NIC) are included, except as noted in V.B.8.b.ii.

a. Definition

A major capital improvement is defined as the acquisition of an existing building, construction of a new building or an addition to an existing building, or a major renovation of an existing building. A major renovation provides for a substantial change to a building. The change may include a remodeled wing or floor of a building, or the remodeling of the majority of the building's net assignable square feet. An extensive upgrade of one (1) or more of the major building systems is generally considered to be a major renovation.

b. Preparation and Submission of Major Capital Improvement Requests

i. Permanent Building Fund Requests

Requests for approval of major capital improvement projects to be funded from the Permanent Building Fund are to be submitted to the Office of the State Board of Education on a date and in a format established by the Executive Director. Only technical revisions may be made to the request for a given fiscal year after the Board has made its recommendation for that fiscal year. Technical revisions must be made prior to November 1.

ii. Other Requests

Requests for approval of major capital improvement projects from other fund sources are to be submitted in a format established by the Executive Director. Substantive and fiscal revisions to a requested project are resubmitted to the Board for approval. This subsection shall not apply to the community colleges.

c. Submission of Approved Major Capital Budget Requests

The Board is responsible for the submission of major capital budget requests for the institutions and agencies under this subsection to the Division of Public Works. Only those budget requests which have been formally approved by the Board will be submitted by the office to the executive and legislative branches.

9. Approval by the Board

Requests for approval of major capital improvement projects must be submitted for Board action. Major capital improvement projects, which are approved by the Board and for which funds from the Permanent Building Fund are requested, are placed in priority order prior to the submission of major capital budget requests to the Division of Public Works.

10. Occupancy Costs.

a. Definitions.

- i. "Auxiliary Enterprise" is an entity that exists to furnish goods or services to students, faculty, or staff, and that charges a fee directly related to the cost of the goods or services.
- ii. "Eligible Space" means all owner-occupied space other than auxiliary enterprise space. Space owned by an institution but leased to another entity is not eligible space. Occupancy costs for "common use" space (i.e. space which shares eligible and auxiliary enterprise space) will be prorated based on its use. When funds are used to expand, remodel, or convert existing space, the eligible space shall be limited to the new, incremental square footage of the expanded, remodeled or converted space, only.
- iii. "Gross Square Feet" (GSF) means the sum of all areas on all floors of a building included within the outside faces of its exterior walls.
- iv. "Occupancy costs" means those costs associated with occupying eligible space including custodial, utility, maintenance and other costs as outlined in the occupancy costs formula.

- v. "Remodel" means the improvement, addition, or expansion of facilities by work performed to change the interior alignment of space or the physical characteristics of an existing facility.
- b. Notification of Eligible Space
- i. Prior written notification must be provided to the Division of Financial Management (DFM) and the Legislative Services Office Budget and Policy Analysis Division (LSO-BPA) before an institution requests funding for occupancy costs for eligible space in a capital improvement project in which the institution acquires, builds, takes possession of, expands, remodels, or converts facility space. This written notification to DFM and LSO-BPA will be provided following final approval of the project and not later than the first business day of September for occupancy cost requests which would take effect in the subsequent fiscal year. Written notification will be by one of the following entities, using the Occupancy Cost Notification data sheet provided at the Board website at <http://boardofed.idaho.gov>:
- 1) the State Board of Education or its executive director for projects approved by the Board;
 - 2) the community college board of trustees for projects approved under their authority; or
 - 3) the institution's financial vice president (or functional equivalent) for projects for which, by virtue of their smaller scope, approval authority has been delegated to the institution's chief executive.
- ii. Written notification shall include:
- a) description of the eligible space, its intended use, and how it relates to the mission of the institution;
 - b) estimated cost of the building or facility, and source(s) of funds;
 - c) estimated occupancy costs; and
 - d) estimated date of completion.
- iii. If an approving authority approves a project after the first business day of September, the notification and/or funding request shall be submitted the following September. If by error or oversight the approving authority fails to submit notification by the September deadline, there is a one-time, one-year grace period such that the approving authority may submit the notification as soon as possible, to be followed by a funding request not later than the first business day of the following September.
- c. Sources of Funds: Institutions may request occupancy costs regardless of the source(s) of funds used to acquire or construct eligible space.

- d. Required Information: Requests for occupancy costs shall include the following information: (i) projected date of occupancy of the eligible space; (ii) gross square feet of eligible space; and (iii) number of months of the fiscal year the eligible space will be occupied (i.e. identify occupancy of eligible space for a full or partial fiscal year).
- e. Once an institution has taken occupancy of a facility, or the remodeled or expanded area of a facility, the institution shall provide verification to DFM and LSO-BPA of the gross square footage, construction costs, current replacement value, and, if applicable, current or proposed lease space.
- f. Occupancy Costs Formula
- ~~i.~~ i. Custodial: ~~For the first 13,000 GSF and in 13,000 GSF increments thereafter, one-half (.50) custodial FTE~~Based on the personnel costs (including
 - ~~ii.~~ ii. ~~benefits) for one custodian, pro-rated for each 26,000 GSF [For example, a 13,000 GSF eligible facility would equate to one-half (.50) custodial FTE].~~ In addition, 10¢ per GSF may be requested for custodial supplies.
 - ~~iii.~~ iii. Utility Costs: \$1.75 per GSF.
 - ~~iv.~~ iv. Building Maintenance: 1.5% of the construction costs, excluding pre-construction costs (e.g. architectural/engineering fees, site work, etc.) and moveable equipment.
 - ~~v.~~ v. Other Costs:
 - 1) 77¢ per GSF for information technology maintenance, security, general safety, and research and scientific safety;
 - 2) .0005 current replacement value for insurance; and
 - 3) .0003 current replacement value for landscape maintenance.
 - ~~vi.~~ vi. The formula rates may be periodically reviewed against inflation.
 - ~~vii.~~ vii. Reversions:
 - 1) If eligible space which received occupancy costs is later:
 - a) razed and replaced with non-eligible space; or
 - b) converted to non-eligible space, then the institution shall revert back to the state the occupancy cost funding at the base level originally funded.
 - 2) If eligible space is razed and replaced with new eligible space, then the institution may retain the base occupancy costs, net the funded GSF against any additional GSF, and request funding for the difference.
- g. Unfunded Occupancy Costs: If occupancy costs for eligible space have been requested but not funded due to budgetary reasons, institutions may request

occupancy costs again in the following year. If, however, occupancy costs are denied for non-budgetary reasons, no further requests for occupancy costs related to the space in question will be considered.

11. Program Prioritization

- a. "Program Prioritization" is a process adopted by the Board in setting priorities and allocating resources among programs and services with a specific focus on Mission, Core Themes and Strategic Plans.
- b. Program Prioritization shall be incorporated in the colleges and universities' annual budgeting and program review process.
- c. Annual Program Prioritization updates are to be submitted to the Board by the colleges and universities on the date and in a format established by the Executive Director.

12. Target Reserves

The volatility of state funding, as well as fluctuations in enrollment and tuition revenue, necessitate that institutions maintain fund balances sufficient to stabilize their operating budgets. As such, the Board has set a minimum target reserve of 5%, defined as unrestricted funds available divided by operating expenditures, as defined in the institution's unrestricted net position report, which will be submitted to the Board each year in accordance with the timing and format established by the Executive Director.

IDAHO STATE BOARD OF EDUCATION

Occupancy Cost Notification and Verification Data Sheet

This data sheet is used to provide the Occupancy Cost information required by Board Policy (V.B.10.b—“Notification of Eligible Space”) in initial notifications to the Legislative Services Office-Budget & Policy Analysis (LSO-BPA) and to the Division of Financial Management (DFM); as well as to provide the verification information required in Board Policy (V.B.10.e) to confirm actual occupancy cost information after the institution has taken occupancy of a facility.

For initial notification of a request for occupancy costs, complete items 1-4, below, and any additional notification remarks. After taking occupancy of the facility, resubmit this data sheet (include the information previously provided in 1-4), completing items 5-8 to verify the final occupancy information.

Facility/Building:

Institution:

Point of contact at the institution (in the event of questions on the notification package):

- **Name and Title:**
- **Office:**
- **Phone:**
- **Email:**

Required information for initial notification:

1. **Description of the eligible space, its intended use, and how it relates to the mission of the institution** [note: “eligible space” for Occupancy Costs is defined in Board Policy V.B.10.a as *“all owner-occupied space other than auxiliary enterprise space. Space owned by an institution but leased to another entity is not eligible space. Occupancy costs for ‘common use’ space (i.e., space which shares eligible and auxiliary enterprise space) will be prorated based on its use. When funds are used to expand, remodel, or convert existing space, the eligible space shall be limited to the new, incremental square footage of the expanded, remodeled or converted space, only.*]:
 - a. **Number of new eligible gross square feet:** _____ gsf.
 - b. **Description:**
2. **Estimated cost of the building or facility, and source(s) of funds:**
 - a. **Estimated Cost:** Value of construction for this space is _____.
 - b. **Source(s) of Funds:**
3. **Estimated Occupancy Costs:**
4. **Estimated Date of Completion:**

Additional notes/remarks/information [If applicable, briefly summarize any other special factors related to this notification. If any additional documents or exhibits accompany this notification, list them below]:

Post-Construction Verification

The following information is to be provided upon taking occupancy of the facility. Leave the sections below blank for initial notification to DFM and LSO.

- 5. Actual gross square footage:**
- 6. Actual construction cost:**
- 7. Current replacement value:**
- 8. Square footage of any current/proposed lease space or other non-eligible space:**

Additional notes/remarks/information [If applicable, briefly summarize any other special factors related to this verification report. If any additional documents or exhibits accompany this verification report, list them below]:

BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 15, 2018

SUBJECT

Policy V.E. – Second Reading

REFERENCE

February 2006	Idaho State Board of Education (Board) approved the second reading of amendment to Board policy V.E.
December 2017	Board approved first reading of proposed amendment to Board policy V.E.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.E.

ALIGNMENT WITH STRATEGIC PLAN

Goal 4 (“Effective and Efficient Educational System”) Objective C (“Productivity and Efficiency: Apply the principles of program prioritization for resource allocation and reallocation”).

BACKGROUND/DISCUSSION

Board Policy V.E. provides guidance on institutions’ relationships with their affiliated foundations and the Board’s role in approving institution-foundation operating agreements. Affiliated foundations operate as Idaho nonprofit organizations that are legally separate from the institutions and are recognized as 501(c)(3) public charities by the Internal Revenue Service. The institution is required to enter into a written operating agreement with each of its affiliated foundations.

Current practice, in place since the main provisions of Policy V.E. were established, is that in cases where an affiliated foundation routes all donations, gifts, monies, properties, etc., to the host institution through another recognized foundation (e.g., if a booster organization routes all funds to the institution through the institution’s primary foundation), the Board must periodically approve the institution-operating agreement only for the foundation which transfers funds directly to the institution. The proposed amendment clarifies policy to conform to current practice, and provides a template for use by institutions and the Board in developing and updating operating agreements submitted to the Board for approval.

IMPACT

Under the proposed amendment, institutions and their affiliated foundations will continue to have the option to provide foundation-raised funding directly to the institution, on the basis of Board-approved operating agreements. Affiliated foundations that prefer to route all funds/gifts to the institution through another Board-approved foundation, could do so, and recurring approval of their operating agreements would not be required. This arrangement ensures continued Board oversight over resources provided to institutions under its authority, while

BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 15, 2018

maintaining a degree of flexibility in the operation of various foundations which support the institutions. This clarification to policy should have no direct financial impact on the institution's finances/budget.

ATTACHMENTS

Attachment 1: V.E. Gifts and Affiliated Foundations Page 3
Attachment 2: Affiliated Foundation Agreement Template Page 15

STAFF COMMENTS AND RECOMMENDATIONS

The proposed amendment brings the text of the policy into conformance with current practice and the stated intent of the Board at the time the applicable sections of policy V.E. were established in 2006. The updated policy enables continued close oversight of funds/gifts/properties being conveyed between an institution and an affiliated foundation. The amendment also incorporates a number of minor technical revisions and a reorganization of material to improve clarity and user-friendliness. A standard template for foundation operating agreements has been developed in order to streamline the current review and approval process, and is provided as Attachment 2.

The Business Affairs and Human Resources Committee reviewed the proposed amendment on December 8, 2017 and February 2, 2018. There have been no changes to the associated documents since the Board approved the first reading of the proposed amendment on December 21, 2017.

Staff recommends approval.

BOARD ACTION

I move to approve the second reading of the revisions to Board policy V.E. and use of the associated affiliated foundation agreement template, as presented in Attachments 1 and 2, respectively.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

1. Purpose of the Policy

- a. The Board recognizes the importance of voluntary private support and encourages grants and contributions for the benefit of the institutions and agencies under its governance. Private support for public education is an accepted and firmly established practice throughout the United States. Tax-exempt foundations are one means of providing this valuable support to help the institutions and agencies under the Board's governance raise money through private contributions. Foundations are separate, legal entities, tax-exempt under Section 501(c) of the United States Internal Revenue Code of 1986, as amended, associated with the institutions and agencies under the Board's governance. Foundations are established for the purpose of raising, receiving, holding, and/or using funds from the private sector for charitable, scientific, cultural, educational, athletic, or related endeavors that support, enrich, and improve the institutions or agencies. The Board wishes to encourage a broad base of support from many sources, particularly increased levels of voluntary support. To achieve this goal, the Board will cooperate in every way possible with the work and mission of recognized affiliated foundations
- b. The Board recognizes that foundations:
 - i. Provide an opportunity for private individuals and organizations to contribute to the institutions and agencies under the Board's governance with the assurance that the benefits of their gifts supplement, not supplant, state appropriations to the institutions and agencies;
 - ii. Provide assurance to donors that their contributions will be received, distributed, and utilized as requested for specified purposes, to the extent legally permissible, and that donor records will be kept confidential to the extent requested by the donor and as allowed by law;
 - iii. Provide an instrument through which alumni and community leaders can help strengthen the institutions and agencies through participation in the solicitation, management, and distribution of private gifts; and
 - iv. Aid and assist the Board in attaining its approved educational, research, public service, student loan and financial assistance, alumni relations, and financial development program objectives.
- c. The Board, aware of the value of tax-exempt foundations to the well being of the institutions and agencies under the Board's governance, adopts this policy with the following objectives:

- i. To preserve and encourage the operation of recognized foundations associated with the institutions and agencies under the Board's governance; and
- ii. To ensure that the institutions and agencies under the Board's governance work with their respective affiliated foundations to make certain that business is conducted responsibly and according to applicable laws, rules, regulations, and policies, and that such foundations fulfill their obligations to contributors, to those who benefit from their programs, and to the general public.

2. Institutional Foundations

~~The foregoing provisions are designed to promote and strengthen the operations of foundations that have been, and may be, established for the benefit of the public colleges and universities in Idaho. The intent of this policy is to describe general principles that will govern institutional relationships with their affiliated foundations. It is intended that a more detailed and specific description of the particular relationship between an institution and its affiliated foundation will be developed and committed to a written operating agreement, which must be approved by the Board. For application of this policy to affiliated research foundations and technology transfer organizations, including the Idaho Research Foundation, see paragraph 6 below.~~

~~a. Board Recognition of Affiliated Foundations~~

~~The Board may recognize an entity as an affiliated foundation if it meets and maintains the requirements of this policy. The chief executive officer of each institution must ensure that any affiliated foundation recognized by the Board ascribes to these policies. The Board acknowledges that it cannot and should not have direct control over affiliated foundations. These foundations must be governed separately to protect their private, independent status. However, because the Board is responsible for ensuring the integrity and reputation of the institutions and their campuses and programs, the Board must be assured that any affiliated foundation adheres to sound business practices and ethical standards appropriate to such organizations in order to assure the public that the foundation is conducting its mission with honesty and integrity.\~~

~~ba. General Provisions Applicable to all Affiliated Foundations recognized by the Board~~

- i. All private support of an institution not provided directly to such institution shall be through a Board approved recognized affiliated foundation. While an institution may accept gifts made directly to the institution or directly to the Board, absent unique circumstances making a direct gift to the institution more appropriate, donors shall be requested to make gifts to the Board approved affiliated foundations.

- ii. Each affiliated foundation shall operate as an Idaho nonprofit corporation that is legally separate from the institution and is recognized as a 501(c)(3) public charity by the Internal Revenue Service. The management and control of a foundation shall rest with its governing board. All correspondence, solicitations, activities, and advertisements concerning a particular foundation shall be clearly discernible as from that foundation, and not the institution.
- iii. The institutions and foundations are independent entities and neither will be liable for any of the other's contracts, torts, or other acts or omissions, or those of the other's trustees, directors, officers, members, or staff.
- iv. It is the responsibility of the foundation to support the institution at all times in a cooperative, ethical, and collaborative manner; to engage in activities in support of the institution; and, where appropriate, to assist in securing resources, to administer assets and property in accordance with donor intent, and to manage its assets and resources.
- v. Foundation funds shall be kept separate from institution funds. No institutional funds, assets, or liabilities may be transferred directly or indirectly to a foundation without the prior approval of the Board except as provided herein. Funds may be transferred from an institution to a foundation without prior Board approval when:
 - 1) A donor inadvertently directs a contribution to an institution that is intended for the foundation. If an affiliated foundation is the intended recipient of funds made payable to the Board or to an institution, then such funds may be deposited with or transferred to the affiliated foundation, provided that accompanying documents demonstrate that the foundation is the intended recipient. Otherwise, the funds shall be deposited in an institutional account, and Board approval will be required prior to transfer to an affiliated foundation; or
 - 2) The institution has gift funds that were transferred from and originated in an affiliated foundation, and the institution wishes to return a portion of funds to the foundation for reinvestment consistent with the original intent of the gift.
 - 3. The transfer is of a *de minimis* amount not to exceed \$10,000 from the Institution to the Foundation and the transferred funds are for investment by the Foundation for scholarship or other general Institution/Agency support purposes.

- vi. Transactions between an institution and an affiliated foundation shall meet the normal tests for ordinary business transactions, including proper documentation and approvals. Special attention shall be given to avoiding direct or indirect conflicts of interest between the institution and the affiliated foundation and those with whom the foundation does business. Under no circumstances shall an institution employee represent both the institution and foundation in any negotiation, sign for both the institution and foundation in a particular transaction, or direct any other institution employee under their immediate supervision to sign for the related party in a transaction between the institution and the foundation.
- vii. Prior to the start of each fiscal year, an affiliated foundation must provide the institution chief executive officer with the foundation's proposed annual budget, as approved by the foundation's governing board.
- viii. Each foundation shall conduct its fiscal operations to conform to the institution's fiscal year. Each foundation shall prepare its annual financial statements in accordance with Government Accounting Standards Board (GASB) or Financial Accounting Standards Board (FASB) principles, as appropriate.
- ix. Institution chief executive officers shall be invited to attend all meetings of an affiliated foundation's governing board in an advisory role. On a case by case basis, other institution employees may also serve as advisors to an affiliated foundation's governing board, as described in the written foundation operating agreement approved by the Board.
- x. The foundation, while protecting personal and private information related to private individuals, is encouraged, to the extent possible or reasonable, to be open to public inquiries related to revenue, expenditure policies, investment performance and/or other information that would normally be open in the conduct of institution affairs.
- xi. A foundation's enabling documents (e.g., articles of incorporation and bylaws) and any amendments are to be provided to the institution. These documents must include a clause requiring that in the event of the dissolution of a foundation, its assets and records will be distributed to its affiliated institution, provided the affiliated institution is a qualified charitable organization under relevant state and federal income tax laws. To the extent practicable, the foundation shall provide the institution with an advance copy of any proposed amendments, additions, or deletions to its articles of incorporation or bylaws. The institution shall be responsible for providing all of the foregoing documents to the Board.

- xii. Foundations may not engage in activities that conflict with federal or state laws, rules and regulations; the policies of the Board; or the role and mission of the institutions. Foundations shall comply with applicable Internal Revenue Code provisions and regulations and all other applicable policies and guidelines.
- xiii. Fund-raising campaigns and solicitations of major gifts for the benefit of an institution by its affiliated foundation shall be developed cooperatively between the institution and its affiliated foundation. Before accepting contributions or grants for restricted or designated purposes that may require administration or direct expenditure by an institution, a foundation will obtain the prior approval of the institution chief executive officer or a designee.
- xiv. Foundations shall obtain prior approval in writing from the institution chief executive officer or a designee if gifts, grants, or contracts include a financial or contractual obligation binding upon the institution.
- xv. Foundations shall make clear to prospective donors that:
 - 1) The foundation is a separate legal and tax entity organized for the purpose of encouraging voluntary, private gifts, trusts, and bequests for the benefit of the institution; and
 - 2) Responsibility for the governance of the foundation, including investment of gifts and endowments, resides in the foundation's governing board.
- xvi. Institutions shall ensure that foundation-controlled resources are not used to acquire or develop real estate or to build facilities for the institution's use without prior Board approval. The institution shall notify the Board, at the earliest possible date, of any proposed purchase of real estate for such purposes, and in such event should ensure that the foundation coordinates its efforts with those of the institution. Such notification to the Board may be through the institution's chief executive officer in executive session pursuant to Idaho Code-, Section 74-206(1)(c).67-2345 (1) (c).

eb. Foundation Operating Agreements

Each institution shall enter into a written operating agreement with each of its recognized-affiliated foundations that ensures compliance with this Policy. ~~that is affiliated with the institution.~~

Board approval of affiliated foundation operating agreements is required if an affiliated foundation will receive donations, membership dues, gifts or other funds (collectively "funds") and delivers those funds directly to the institution. If an

affiliated foundation will not receive or maintain funds, or if it routes all funds received to the institution through another Board-approved affiliated foundation, Board approval of the operating agreement is not required. In such cases, the institution shall ensure that services provided by a Board approved affiliated foundation to another affiliated foundation are provided pursuant to a service agreement between the affiliated foundations which complies with Board policy, a copy of which is available to the institution and to the Board.

Operating agreements must be signed by the chairman or president of the foundation's governing board, and by the institution chief executive officer. ~~The e~~Operating agreements requiring Board approval must be approved by the Board prior to execution and must be re-submitted to the Board for re-approval every three (3) years, or as otherwise requested by the Board, ~~for review and re-approval.~~ Operating agreements shall follow the operating agreement template approved by the Board and found at <http://boardofed.idaho.gov/>. When an operating agreement is presented to the Board for review, an institution must include a redline to the Board's operating agreement template, as well as a redline to the previously Board approved version of the operating agreement, if there is one.

Foundation operating agreements shall establish the operating relationship between the parties, and shall, at a minimum, address the following topics:

i. Institution Resources and Services.

- 1) Whether, and how, an institution intends to provide contract administrative and/or support staff services to an affiliated foundation. When it is determined that best practices call for an institution employee to serve in a capacity that serves both the institution and an affiliated foundation, then the operating agreement must clearly define the authority and responsibilities of this position within the foundation. Notwithstanding, no employee of an institution who functions in a key administrative or policy making capacity (including, but not limited to, any institution vice-president or equivalent position) shall be permitted to have responsibility or authority for foundation policy making, financial oversight, spending authority, investment decisions, or the supervision of foundation employees. The responsibility of this position within the foundation that is performed by an institution employee in a key administrative or policy making capacity shall be limited to the coordination of institution and affiliated foundation fundraising efforts, and the provision of administrative support to foundation fundraising activities.
- 2) Whether, and how, an institution intends to provide other resources and services to an affiliated foundation, which are permitted to include:

- a) Access to the institution's financial systems to receive, disburse, and account for funds held (with respect to transactions processed through the institution's financial system, the foundation shall comply with the institution's financial and administrative policies and procedures manuals);
 - b) Accounting services, to include cash disbursements and receipts, accounts receivable and payable, bank reconciliation, reporting and analysis, auditing, payroll, and budgeting;
 - c) Investment, management, insurance, benefits administration, and similar services; and
 - d) Development services, encompassing research, information systems, donor records, communications, and special events.
- 3) Whether the foundation will be permitted to use any of the institution's facilities and/or equipment, and if so, the details of such arrangements.
- 4) Whether the institution intends to recover its costs incurred for personnel, use of facilities or equipment, or other services provided to the foundation. If so, then payments for such costs shall be made directly to the institution. No payments shall be made directly from a foundation to institution employees in connection with resources or services provided to a foundation pursuant to this policy.
- ii. Management and Operation of Foundations.
- 1) Guidelines for receiving, depositing, disbursing and accounting for all funds, assets, or liabilities of a foundation, including any disbursements/transfers of funds to an institution from an affiliated foundation. Institution officials into whose department or program foundation funds are transferred shall be informed by the foundation of the restrictions, if any, on such funds and shall be responsible both to account for them in accordance with institution policies and procedures, and to notify the foundation on a timely basis regarding the use of such funds.
 - 2) Procedures with respect to foundation expenditures and financial transactions, which must ensure that no person with signature authority shall be an institution employee in a key administrative or policy making capacity (including, but not limited to, an institution vice-president or equivalent position).

- 3) The liability insurance coverage the foundation will have in effect to cover its operations and the activities of its directors, officers, and employees.
 - 4) Description of the investment policies to be utilized by the foundation, which shall be conducted in accordance with prudent, sound practice to ensure that gift assets are protected and enhanced, and that a reasonable return is achieved, with due regard for the fiduciary responsibilities of the foundation's governing board. Moreover, such investments must be consistent with the terms of the gift instrument.
 - 5) Procedures that will be utilized to ensure that institution and foundation funds are kept separate.
 - 6) Detailed description of the organization structure of the foundation, which addresses conflict of interest in management of funds and any foundation data.
- iii. Foundation Relationships with the Institutions
- 1) The institution's ability to access foundation books and records.
 - 2) The process by which the institution chief executive officer, or designee, shall interact with the foundation's board regarding the proposed annual operating budget and capital expenditure plan prior to approval by the foundation's governing board.
 - 3) Whether, and how, supplemental compensation from the foundation may be made to institutional employees. Any such payments must have prior Board approval, and shall be paid by the foundations to the institutions, which in turn will make payments to the employee in accordance with normal practice. Employees shall not receive any payments or other benefits directly from the foundations.
- iv. Audits and Reporting Requirements.
- 1) The procedure foundations will utilize for ensuring that regular audits are conducted and reported to the Board. Unless provided for otherwise in the written operating agreement, such audits must be conducted by an independent certified public accountant, who is not a director or officer of the foundation. The independent audit shall be a full scope audit, performed in accordance with generally accepted auditing standards.
 - 2) The procedure foundations will use for reporting to the institution chief executive officer the following items:

- a) Regular financial audit report;
 - b) Annual report of transfers made to the institution, summarized by department;
 - c) Annual report of unrestricted funds received, and of unrestricted funds available for use in that fiscal year;
 - d) A list of foundation officers, directors, and employees;
 - e) A list of institution employees for whom the foundation made payments to the institution for supplemental compensation or any other approved purpose during the fiscal year, and the amount and nature of that payment;
 - f) A list of all state and federal contracts and grants managed by the foundation; and
 - g) An annual report of the foundation's major activities;
 - h) An annual report of each real estate purchase or material capital lease, investment, or financing arrangement entered into during the preceding foundation fiscal year for the benefit of the institution; and
 - i) An annual report of any actual litigation involving the foundation during its fiscal year, as well as legal counsel used by the foundation for any purpose during such year. This report should also discuss any potential or threatened litigation involving the foundation.
- v. Conflict of Interest and Code of Ethics and Conduct.

A description of the foundation's conflict of interest policy approved by the foundation's governing board and applicable to all foundation directors, officers, and staff members, and which shall also include a code of ethics and conduct. Such policy must assure that transactions involving the foundation and the personal or business affairs of a trustee, director, officer, or staff member should be approved in advance by the foundation's governing board. In addition, such policy must provide that directors, officers, and staff members of a foundation disqualify themselves from making, participating, or influencing a decision in which they have or would have a financial interest. Finally, such policy must assure that no director, trustee, officer, or staff member of a foundation shall accept from any source any material gift or gratuity in excess

of fifty dollars (\$50.00) that is offered, or reasonably appears to be offered, because of the position held with the foundation; nor should an offer of a prohibited gift or gratuity be extended by such an individual on a similar basis.

vi. Affiliated Research Foundations and Technology Transfer Organization for Institutions of Higher Education

The Board wishes to encourage research and technology transfer and the corresponding economic development potential for the state of Idaho. The Board acknowledges that independent, affiliated foundations operating to support an institution's research and technology transfer efforts can be useful tools to provide institutions with avenues for engagement with the private sector as well as with public and private entities interested in funding research, funding technology transfer and promoting spin-off enterprises arising from institutional intellectual property and technology. Such affiliated foundations should operate substantially within the framework for affiliated foundations set out in paragraph 1 and 2 of this policy, with such variances as are reasonable based on the nature of the anticipated function of the specific foundation.

a. The institutions under the Board's governance may affiliate with non-profit entities which generally meet the criteria set forth in paragraph 2.b. of this policy and which operate for the purpose of supporting the research and technology transfer efforts of one or more of the institutions.

b. Research and Technology Transfer Foundation Operating Agreements. The requirement of a foundation operating agreement under paragraph 2.c. of this policy shall also apply to foundations supporting research and technology transfer. Institutions proposing to affiliate with a particular foundation may propose reasonable variances from specific requirements under paragraph 2.c. based upon the anticipated function of the foundation, provided that any such variances are specifically identified by the institution in materials presented to the Board when requesting approval of the foundation.

3. Foundations for Other Agencies

Other agencies under the Board's jurisdiction may establish foundations to accept gifts made for the benefit of the agencies' operating purposes. These agencies are subject to the same policies as the institutional foundations. However, agency foundations with annual revenues less than \$100,000 are not required to obtain an independent audit. These agencies must instead submit an annual report to the Board of gifts received and the disposition of such gifts.

4. Idaho Educational Public Broadcasting System Foundations and Friends Groups

Foundations and Friends groups that exist for the benefit of the Idaho Educational Public Broadcasting System (IEPBS) are required by Federal Communications Commission (FCC) regulations to have specific spending authority designated by the Board. Audits of the IEPBS Foundation and Friends groups will be conducted by the State Legislative Auditor.

- a. By action of the Board, the Idaho Educational Public Broadcasting System Foundation, Inc., has been designated to accept gifts made for the benefit of public television in the state of Idaho. The Foundation will conduct its activities in a manner consistent with the Federal Communications Commission (FCC) regulations and the FCC license held by the Board.
- b. By action of the Board, the Friends of Channel 4, Inc., has been designated to accept gifts made for the Benefit of KAID TV, Channel 4. The Friends of Channel 4, Inc., will conduct its activities in a manner consistent with the Federal Communications Commission (FCC) regulations and the FCC license held by the Board.
- c. By action of the Board, the Friends of Channel 10, Inc., has been designated to accept gifts made for the benefit of KISU TV, Channel 10. The Friends of Channel 10, Inc., will conduct its activities in a manner consistent with the Federal Communications Commission (FCC) regulations and the FCC license held by the Board.
- d. By action of the Board, the Friends of KUID, Inc., has been designated to accept gifts made for the benefit of KUID TV, Channel 12. The Friends of Channel 12, Inc., will conduct its activities in a manner consistent with the Federal Communications Commission (FCC) regulations and the FCC license held by the Board.

5. Acceptance of Direct Gifts

Notwithstanding the Board's desire to encourage the solicitation and acceptance of gifts through affiliated foundations, the Board may accept donations of gifts, legacies, and devises (hereinafter "gifts") of real and personal property on behalf of the state of Idaho that are made directly to the Board or to an institution or agency under its governance. Gifts worth more than \$250,000 must be reported to and approved by the executive director of the Board before such gift may be expended or otherwise used by the institution or agency. Gifts worth more than \$500,000 must be approved by the Board. The chief executive officer of any institution or agency is authorized to receive, on behalf of the Board, gifts that do not require prior approval by the executive director or the Board and that are of a routine nature. This provision does not apply

to transfers of gifts to an institution or agency from an affiliated foundation (such transfers shall be in accordance with the written operating agreement between the institution or agency and an affiliated foundation, as described more fully herein).

~~6. Affiliated Research Foundations and Technology Transfer Organization for Institutions of Higher Education~~

~~The Board wishes to encourage research and technology transfer and the corresponding economic development potential for the state of Idaho. The Board acknowledges that independent, affiliated foundations operating to support an institution's research and technology transfer efforts can be useful tools to provide institutions with avenues for engagement with the private sector as well as with public and private entities interested in funding research, funding technology transfer and promoting spin-off enterprises arising from institutional intellectual property and technology. Such affiliated foundations should operate substantially within the framework for philanthropic affiliated foundations set out in paragraph 1 and 2 of this policy, with such variances as are reasonable based on the nature of the anticipated function of the specific foundation.~~

~~a. The public college and universities may affiliate with non-profit entities which generally meet the criteria set forth in paragraph 2.b. of this policy and which operate for the purpose of supporting the research and technology transfer efforts of one or more of the institutions.~~

~~b. Research and Technology Transfer Foundation Operating Agreements. The requirement of a foundation operating agreement under paragraph 2.c. of this policy shall also apply to foundations supporting research and technology transfer. Institutions proposing to affiliate with a particular foundation may propose reasonable variances from specific requirements under paragraph 2.c. based upon the anticipated function of the foundation, provided that any such variances are specifically identified by the institution in materials presented to the Board when requesting approval of the foundation.~~

**OPERATING AGREEMENT
BETWEEN
FOUNDATION, INC.
AND
INSTITUTION/AGENCY**

This Operating Agreement between Foundation, Inc. and Institution/Agency (“Operating Agreement”) is entered into as of this ____ day of _____, 201_, by and between Institution, herein known as “Institution/Agency” and the Foundation, Inc., herein known as “Foundation”.

WHEREAS, the Foundation was organized and incorporated in ____ for the purpose of stimulating voluntary private support from _____, _____, friends, corporations, foundations, and others for the benefit of the Institution/Agency.

WHEREAS, the Foundation exists to raise and manage private resources supporting the mission and priorities of the Institution/Agency, and provide opportunities for _____ (e.g. students) and a degree of institutional excellence unavailable with state funding levels.

WHEREAS, the Foundation is dedicated to assisting the Institution/Agency in the building of the endowment to address, through financial support, the long-term academic and other priorities of the Institution/Agency.

WHEREAS, as stated in its articles of incorporation, the Foundation is a separately incorporated 501(c)(3) organization and is responsible for identifying and nurturing relationships with potential donors and other friends of the Institution/Agency; soliciting cash, securities, real and intellectual property, and other private resources for the support of the Institution/Agency; and acknowledging and stewarding such gifts in accordance with donor intent and its fiduciary responsibilities.

WHEREAS, furthermore, in connection with its fund-raising and asset-management activities, the Foundation utilizes, in accordance with this Operating Agreement, personnel experienced in planning for and managing private support.

WHEREAS, the mission of the Foundation is to secure, manage and distribute private contributions and support the growth and development of the Institution/Agency.

WHEREAS, the Institution/Agency desire to set forth in writing various aspects of their relationship with respect to matters such as the solicitation, receipt, management, transfer and expenditure of funds.

WHEREAS, the parties hereby acknowledge that they will at all times conform to and abide by, the Idaho State Board of Education's Governing Policies and Procedures, Gifts and Affiliated Foundations Policy V.E., and that they will submit this Operating Agreement for initial State Board of Education ("State Board") approval, and thereafter every three (3) years, or as otherwise requested by the State Board, for review and re-approval.

WHEREAS, the Foundation and the Institution/Agency intend for this Operating Agreement to be the written operating agreement required by Board Policy V.E.2.c. of the State Board's Policies and Procedures.

NOW THEREFORE, in consideration of the mutual commitments herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

ARTICLE I
Foundation's Purposes

The Foundation is the primary affiliated foundation responsible for securing, managing and distributing private support for the Institution/Agency. Accordingly, to the extent consistent with the Foundation's Articles of Incorporation and Bylaws, and the State Board's Policies and Procedures, the Foundation shall: (1) solicit, receive and accept gifts, devises, bequests and other direct or indirect contributions of money and other property made for the benefit of the Institution/Agency from the general public (including individuals, corporations, other entities and other sources); (2) manage and invest the money and property it receives for the benefit of the Institution/Agency; and (3) support and assist the Institution/Agency in fundraising and donor relations.

In carrying out its purposes, the Foundation shall not engage in activities that conflict with (1) federal or state laws, rules and regulations (including, but not limited to all applicable provisions of the Internal Revenue Code and corresponding Federal Treasury Regulations); (2) applicable polices of the State Board; or (3) the role and mission of the Institution/Agency.

ARTICLE II
Foundation's Organizational Documents

The Foundation shall provide copies of its current Articles of Incorporation and Bylaws to the Institution/Agency. The Foundation, to the extent practicable, also shall provide the Institution/Agency with an advance copy of any proposed amendments to the Foundation's Articles of Incorporation and Bylaws. The Institution/Agency shall provide all such documents to the State Board.

ARTICLE III
Institution/Agency Resources and Services

1. Institution/Agency Employees.

a. *Institution/Agency/Foundation Liaison:* The Institution/Agency's Vice President for Institution/Agency Advancement shall serve as the Institution/Agency's Liaison to the Foundation.

i. The Institution/Agency's Vice President for Institution/Agency Advancement shall be responsible for coordinating the Institution/Agency's and the Foundation's fundraising efforts and for supervising and coordinating the administrative support provided by the Institution/Agency to the Foundation.

- ii. The Vice President for Institution/Agency Advancement or her/his designee shall attend each meeting of the Foundation's Board of Directors and shall report on behalf of the Institution/Agency to the the Foundation's Board of Directors regarding the Institution/Agency's coordination with the Foundation's fundraising efforts.

b. *Managing Director*: The *Managing Director* of the Foundation is an employee of the Institution/Agency loaned to the Foundation. All of the *Managing Director's* services shall be provided directly to the Foundation as follows:

- i. The *Managing Director* shall be responsible for the supervision and control of the day-to-day operations of the Foundation. More specific duties of the *Managing Director* may be set forth in a written job description prepared by the Foundation and attached to the Loaned Employee Agreement described in paragraph (iii) below. The *Managing Director* shall be subject to the control and direction of the Foundation.
- ii. The *Managing Director* shall be an employee of the Institution/Agency and entitled to Institution/Agency benefits to the same extent and on the same terms as other full-time Institution/Agency employees of the same classification as the *Managing Director*. The Foundation shall reimburse the Institution/Agency for all costs incurred by the Institution/Agency in connection with the Institution/Agency's employment of the *Managing Director* including such expenses as salary, payroll taxes, and benefits.
- iii. The Foundation and the Institution/Agency shall enter into a written agreement, in the form of Exhibit "A" hereto, establishing that the *Managing Director* is an employee of the Institution/Agency but subject to the direction and control of the Foundation (generally a "Loaned Employee Agreement"). The Loaned Employee Agreement shall also set forth the relative rights and responsibilities of the Foundation and the Institution/Agency with respect to the *Managing Director*, including the following:
 - 1. The Foundation shall have the right to choose to terminate the Loaned Employee Agreement in accordance with Foundation Procedures and applicable law, such termination may include election by the Foundation for non-renewal of the Loaned Employee Agreement.
 - 2. Termination of the Loaned Employee Agreement in accordance with the Foundation procedures and applicable law shall constitute grounds for a termination proceeding by the

Institution/Agency or for non-renewal of any obligation of the Institution/Agency to employ the Loaned Employee, subject to applicable legal and procedural requirements of the State of Idaho and the Institution/Agency.

3. The Loaned Employee shall be subject to the supervision, direction and control of the Foundation Board of Directors and shall report directly to the Foundation president or her/his designee.

c. *Other Loaned Employees.* Other loaned employees providing services pursuant to this Operating Agreement shall also serve pursuant to a Loaned Employee Agreement which shall set forth their particular responsibilities and duties.

d. *Other Institution/Agency Employees Holding Key Foundation or Administrative or Policy Positions:* In the event the Institution/Agency and the Foundation determine it is appropriate for one or more additional Institution/Agency employees who function in a key administrative or policy making capacity for the Institution/Agency (including, but not limited to, any Institution/Agency Vice-President or equivalent position) to serve both the Institution/Agency and the Foundation, then, pursuant to Board Policy V.E., this Operating Agreement shall be amended to clearly set forth the authority and responsibilities of the position of any such Institution/Agency employee.

e. *Limited Authority of Institution/Agency Employees.* Notwithstanding the foregoing provisions, no Institution/Agency employee who functions in a key administrative or policy making capacity for the Institution/Agency (including, but not limited to, any Institution/Agency Vice-President or equivalent position) shall be permitted to have responsibility or authority for Foundation policy making, financial oversight, spending authority, investment decisions, or the supervision of Foundation employees.

2. Support Services. The Institution/Agency shall provide administrative, financial, accounting, investment, and development services to the Foundation, as set forth in the Service Agreement attached hereto as Exhibit "B" ("Service Agreement"). All Institution/Agency employees who provide support services to the Foundation shall remain Institution/Agency employees under the direction and control of the Institution/Agency, unless agreed that the direction and control of any such employee will be vested with the Foundation in a written Loaned Employee Agreement. The Foundation will pay directly to the Institution/Agency the portion of the overhead costs associated with the services provided to the Foundation pursuant to the Service Agreement. The portion of such costs shall be determined by the agreement of the Parties.

3. Institution/Agency Facilities and Equipment. The Institution/Agency shall provide the use of the Institution/Agency's office space and equipment to the Foundation upon the terms agreed to by the Institution/Agency and the Foundation. The terms of use (including amount of

rent) of the Institution/Agency's office space and equipment shall be as set forth in the Service Agreement.

4. No Foundation Payments to Institution/Agency Employees. Notwithstanding any provision of this Operating Agreement to the contrary, the Foundation shall not make any payments directly to an Institution/Agency employee in connection with any resources or services provided to the Foundation pursuant to this Operating Agreement.

ARTICLE IV
Management and Operation of Foundation

The management and control of the Foundation shall rest with its Board of Directors.

1. Gift Solicitation.

Authority of Vice President for Institution/Agency Advancement. All Foundation gift solicitations shall be subject to the direction and control of the Vice President for Institution/Agency Advancement.

a. *Form of Solicitation.* Any and all Foundation gift solicitations shall make clear to prospective donors that (1) the Foundation is a separate legal and tax entity organized for the purpose of encouraging voluntary, private gifts, trusts, and bequests for the benefit of the Institution/Agency; and (2) responsibility for the governance of the Foundation, including the investment of gifts and endowments, resides in the Foundation's Board of Directors.

b. *Foundation is Primary Donee.* Absent unique circumstances, prospective donors shall be requested to make gifts directly to the Foundation rather than to the Institution/Agency.

2. Acceptance of Gifts.

a. *Approval Required Before Acceptance of Certain Gifts.* Before accepting contributions or grants for restricted or designated purposes that may require administration or direct expenditure by the Institution/Agency, the Foundation shall obtain the prior written approval of the Institution/Agency. Similarly, the Foundation shall also obtain the prior written approval of the Institution/Agency of the acceptance of any gift or grant that would impose a binding financial or contractual obligation on the Institution/Agency.

b. *Acceptance of Gifts of Real Property.* The Foundation shall conduct adequate due diligence on all gifts of real property that it receives. All gifts of real property intended to be held and used by the Institution/Agency shall be approved by the State Board before acceptance by the Institution/Agency and the Foundation. In cases where the real property is intended to be used by the Institution/Agency in connection with carrying out its proper functions, the real property may be conveyed directly to the Institution/Agency, in which case the

Institution/Agency and not the Foundation shall be responsible for the due diligence obligations for such property.

c. *Processing of Accepted Gifts.* All gifts received by the Institution/Agency or the Foundation shall be delivered (if cash) or reported (if any other type of property) to the Foundation's designated gift administration office (a unit of the Foundation) in accordance with the Service Agreement.

3. Fund Transfers. The Foundation agrees to transfer funds, both current gifts and income from endowments, to the Institution/Agency on a regular basis as agreed to by the Parties. The Foundation's Treasurer or other individual to whom such authority has been delegated by the Foundation's Board of Directors shall be responsible for transferring funds as authorized by the Foundation's Board of Directors.

a. *Restricted Gift Transfers.* The Foundation shall inform the Institution/Agency officials into whose program or department funds are transferred of any restrictions on the use of such funds and provide such officials with access to any relevant documentation concerning such restrictions. Such Institution/Agency officials shall account for such restricted funds separate from other program and department funds in accordance with applicable Institution/Agency policies and shall notify the Foundation on a timely basis regarding the uses of such restricted funds.

b. *Unrestricted Gift Transfers.* The Foundation may utilize any unrestricted gifts it receives for any use consistent with the Foundation's purposes as generally summarized in Article I of this Operating Agreement. If the Foundation elects to use unrestricted gifts to make grants to the Institution/Agency, such grants shall be made at such times and in such amounts as the Foundation's Board of Directors may determine in the Board's sole discretion.

4. Foundation Expenditures and Financial Transactions.

a. *Signature Authority.* The Foundation designates the Foundation Treasurer as the individual with signature authority for the Foundation in all financial transactions. The Foundation may supplement or change this designation with written notice to the Institution/Agency; provided, however, in no event may the person with Foundation signature authority for financial transactions be an Institution/Agency employee.

b. *Expenditures.* All expenditures of the Foundation shall be (1) consistent with the charitable purposes of the Foundation, and (2) not violate restrictions imposed by the donor or the Foundation as to the use or purpose of the specific funds.

5. Institution/Agency Report on Distributed Funds. On a regular basis, which shall not be less than annually, the Institution/Agency shall report to the Foundation on the use of restricted and unrestricted funds transferred to the Institution/Agency. This report shall specify the restrictions on any restricted funds and the uses of such funds.

6. Transfer of Institution/Agency Assets to the Foundation. No Institution/Agency funds, assets, or liabilities may be transferred directly or indirectly to the Foundation without the prior approval of the State Board except when:

- a. A donor inadvertently directs a contribution to the Institution/Agency that is intended for the Foundation in which case such funds may be transferred to the Foundation so long as the documents associated with the gift indicate the Foundation was the intended recipient of the gift. In the absence of any such indication of donor intent, such funds shall be deposited in an institutional account, and State Board approval will be required prior to the Institution/Agency's transfer of such funds to the Foundation.
- b. The Institution/Agency has gift funds that were originally transferred to the Institution/Agency from the Foundation and the Institution/Agency wishes to return a portion of those funds to the Foundation for reinvestment consistent with the original intent of the gift.
- c. Transfers of a *de minimis* amount not to exceed \$10,000 from the Institution to the Foundation provided such funds are for investment by the Foundation for scholarship or other general Institution/Agency support purposes. This exception shall not apply to payments by the Institution to the Foundation for obligations of the Institution to the Foundation, operating expenses of the Foundation or other costs of the Foundation.

7. Separation of Funds. All Foundation assets (including bank and investment accounts) shall be held in separate accounts in the name of the Foundation using Foundation's Federal Employer Identification Number. The financial records of the Foundation shall be kept using a separate chart of accounts. For convenience purposes, some Foundation expenses may be paid through the Institution/Agency such as payroll and campus charges. These expenses will be paid through accounts clearly titled as belonging to the Foundation and shall be reimbursed by the Foundation on a regular basis.

8. Insurance. To the extent that the Foundation is not covered by the State of Idaho Retained Risk program, the Foundation shall maintain insurance to cover the operations and activities of its directors, officers and employees. The Foundation shall also maintain general liability coverage.

9. Investment Policies. All funds held by the Foundation, except those intended for short term expenditures, shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act, Idaho Code Sections 33-5001 to 33-5010, and the Foundation's investment policy which is attached hereto as Exhibit "C"; provided, however, the Foundation shall not invest any funds in a manner that would violate the applicable terms of any restricted

gifts. The Foundation shall provide to the Institution/Agency any updates to such investment policy which updates shall also be attached hereto as Exhibit "C". Further, the Parties expressly acknowledge the Indenture, attached hereto as Exhibit "E", between the Institution/Agency and Foundation, dated May 20, 1975, transferring the assets of certain funds, trusts and endowments from the Institution/Agency to the Foundation and further acknowledge such shall be invested pursuant to the terms of this paragraph of this Operating Agreement.

10. Organization Structure of the Foundation. The organizational structure of the Foundation is set forth in the Foundation's Articles of Incorporation which are attached hereto as Exhibit "D" and the Foundation's Amended and Restated Bylaws which are attached as Exhibit "F." The Foundation agrees to provide copies of such Articles and Bylaws as well as any subsequent amendments to such documents to both the Institution/Agency and the State Board. Any such amendments to the Articles and By-Laws shall be attached hereto as additions to Exhibit "F", respectively.

ARTICLE V
Foundation Relationships with the Institution/Agency

At all times and for all purposes of this Operating Agreement, the Institution and the Foundation shall act in an independent capacity and not as an agent or representative of the other party, provided, however, the Institution and the Foundation acknowledge that the Association carries out functions for the benefit of the Institution. As such, the parties shall share certain information as provided below.

1. Access to Records. Subject to recognized legal privileges, each Party shall have the right to access the other Party's financial, audit, donor and related books and records as needed to properly conduct its operations.

2. Record Management.

a. The Parties recognize that the records of the Foundation relating to actual or potential donors contain confidential information. Such records shall be kept by the Foundation in such a manner as to protect donor confidentiality to the fullest extent allowed by law. Notwithstanding the access to records permitted above, access to such confidential information by the Institution/Agency shall be limited to the Institution/Agency's President and any designee of the Institution/Agency's President.

b. The Foundation shall be responsible for maintaining all permanent records of the Foundation including but not limited to the Foundation's Articles, Bylaws and other governing documents, all necessary documents for compliance with IRS regulations, all gift instruments, and all other Foundation records as required by applicable laws.

c. Except to the extent that records are confidential (including confidential donor information), the Foundation agrees to be open to public inquiries for information that would normally be open in the conduct of Institution/Agency affairs and to provide such information in a manner consistent with the Idaho Public Records Law, set forth in Idaho Code Title 74, Chapter 1, except where otherwise required by state and federal law.

3. Name and Marks. Consistent with its mission to help to advance the plans and objectives of the Institution, the Institution grants the Association the limited, non-exclusive use of the name Institution, for use in its support of the Institution. The Association shall operate under the Institution's logotype in support of its organizational business and activities. Any use by the Association of the Institution's logotypes or other trademarks must be with prior approval of the Institution through the Office of Trademark Licensing and Enforcement.

4.

5. Identification of Source. The Foundation shall be clearly identified as the source of any correspondence, activities and advertisements emanating from the Foundation.

6. Establishing the Foundation's Annual Budget. The Foundation shall provide the Institution/Agency with the Foundation's proposed annual operating budget and capital expenditure plan (if any) prior to the date the Foundation's Board of Directors meeting at which the Foundation's Board of Directors will vote to accept such operating budget. Any of the Institution/Agency's funding requests to the Foundation shall be communicated in writing to the Foundation's Treasurer and Assistant Treasurer by April 1 of each year.

7. Attendance of Institution/Agency's President at Foundation's Board of Director Meetings. The Institution/Agency's President shall be invited to attend all meetings of the Foundation's Board of Directors and may act in an advisory capacity in such meetings.

8. Supplemental Compensation of Institution/Agency Employees. Any supplemental compensation of Institution/Agency employees by the Foundation must be preapproved by the State Board. Any such supplemental payment or benefits must be paid by the Foundation to the Institution/Agency, and the Institution/Agency shall then pay compensation to the employee in accordance with the Institution/Agency's normal practice. No Institution/Agency employee shall receive any payments or other benefits directly from the Foundation.

ARTICLE VI
Audits and Reporting Requirements

1. Fiscal Year. The Foundation and the Institution/Agency shall have the same fiscal year.

2. Annual Audit. On an annual basis, the Foundation shall have an audit conducted by a qualified, independent certified public accountant who is not a director or officer of the Foundation. The annual audit will be provided on a timely basis to the Institution/Agency's

President and the Board, in accordance with the Board's schedule for receipt of said annual audit. The Foundation's Annual Statements will be presented in accordance with standards promulgated by the Financial Accounting Standards Board (FASB). The Foundation is a component unit of the Institution/Agency as defined by the Government Accounting Standards Board (GASB). Accordingly, the Institution/Agency is required to include the Foundation in its Financial Statements which follow a GASB format. Therefore, the Foundation will include in its audited Financial Statement, schedules reconciling the FASB Statements to GASB standards in the detail required by GASB Standards. The annual audited Financial Statements, including the auditor's independent opinion regarding such financial statements, and schedules shall be submitted to the Institution/Agency Office of Finance and Administration in sufficient time to incorporate the same into the Institution/Agency's statements. All such reports and any accompanying documentation shall protect donor privacy to the extent allowable by law.

3. Separate Audit Rights. The Institution/Agency agrees that the Foundation, at its own expense, may at any time during normal business hours conduct or request additional audits or reviews of the Institution/Agency's books and records pertinent to the expenditure of donated funds. The Foundation agrees that the Institution/Agency and the State Board, at its own expense, may, at reasonable times, inspect and audit the Foundation's books and accounting records.

4. Annual Reports to Institution/Agency President. On a regular basis, which shall not be less than annually, the Foundation shall provide a written report to the Institution/Agency President setting forth the following items:

- a. the annual financial audit report;
- b. an annual report of Foundation transfers made to the Institution/Agency, summarized by Institution/Agency department;
- c. an annual report of unrestricted funds received by the Foundation;
- d. an annual report of unrestricted funds available for use during the current fiscal year;
- e. a list of all of the Foundation's officers, directors, and employees;
- f. a list of Institution/Agency employees for whom the Foundation made payments to the Institution/Agency for supplemental compensation or any other approved purpose during the fiscal year, and the amount and nature of that payment;
- g. a list of all state and federal contracts and grants managed by the Foundation;
- h. an annual report of the Foundation's major activities;

- i. an annual report of each real estate purchase or material capital lease, investment, or financing arrangement entered into during the preceding Foundation fiscal year for the benefit of the Institution/Agency; and
- j. an annual report of (1) any actual litigation involving the Foundation during its fiscal year; (2) identification of legal counsel used by the Foundation for any purpose during such year; and (3) identification of any potential or threatened litigation involving the Foundation.

ARTICLE VII

Conflict of Interest and Code of Ethics and Conduct

1. Conflicts of Interest Policy and Code of Ethics and Conduct. The Foundation's Conflict of Interest Policy is attached as Exhibit "G", and its Code of Ethical Conduct is set forth as Exhibit "H".

2. Dual Representation. Under no circumstances may an Institution/Agency employee represent both the Institution/Agency and the Foundation in any negotiation, sign for both entities in transactions, or direct any other institution employee under their immediate supervision to sign for the related party in a transaction between the Institution/Agency and the Foundation. This shall not prohibit Institution/Agency employees from drafting transactional documents that are subsequently provided to the Foundation for its independent review, approval and use.

3. Contractual Obligation of Institution/Agency. The Foundation shall not enter into any contract that would impose a financial or contractual obligation on the Institution/Agency without first obtaining the prior written approval of the Institution/Agency. Institution/Agency approval of any such contract shall comply with policies of the State Board of Education with respect to Board approval of Institution/Agency contracts.

4. Acquisition or Development of Real Estate. The Foundation shall not acquire or develop real estate or otherwise build facilities for the Institution/Agency's use without first obtaining approval of the State Board. In the event of a proposed purchase of real estate for such purposes by the Foundation, the Institution/Agency shall notify the State Board and where appropriate, the Idaho Legislature, at the earliest possible date, of such proposed purchase for such purposes. Furthermore, any such proposed purchase of real estate for the Institution/Agency's use shall be a coordinated effort of the Institution/Agency and the Foundation. Any notification to the State Board required pursuant to this paragraph may be made through the State Board's chief executive officer in executive session pursuant to Idaho Code Section 67-2345(1)(c).

ARTICLE VIII

General Terms

1. Effective Date. This Operating Agreement shall be effective on the date set forth above.

2. Right to Terminate. This Operating Agreement shall terminate upon the mutual written agreement of both parties. In addition, either party may, upon 90 days prior written notice to the other, terminate this Operating Agreement, and either party may terminate this Operating Agreement in the event the other party defaults in the performance of its obligations and fails to cure the default within 30 days after receiving written notice from the non-defaulting party specifying the nature of the default. Should the Institution/Agency choose to terminate this Operating Agreement by providing 90 days written notice or in the event of a default by the Foundation that is not cured within the time frame set forth above, the Foundation may require the Institution/Agency to pay, within 180 days of written notice, all debt incurred by the Foundation on the Institution/Agency's behalf including, but not limited to, lease payments, advanced funds, and funds borrowed for specific initiatives. Should the Foundation choose to terminate this Operating Agreement by providing 90 days written notice or in the event of a default by the Institution/Agency that is not cured within the time frame set forth above, the Institution/Agency may require the Foundation to pay any debt it holds on behalf of the Foundation in like manner. The parties agree that in the event this Operating Agreement shall terminate, they shall cooperate with one another in good faith to negotiate a new agreement within six (6) months. In the event negotiations fail, the parties will initiate the Dispute Resolution mechanism described below (through reference to the Foundation Chair and the State Board) to further attempt to negotiate a new agreement within the time period specified herein, they will refer the matter to the State Board for resolution. Termination of this Operating Agreement shall not constitute or cause dissolution of the Foundation.

3. Dispute Resolution. The parties agree that in the event of any dispute arising from this Operating Agreement, they shall first attempt to resolve the dispute by working together with the appropriate staff members of each of the parties. If the staff cannot resolve the dispute, then the dispute will be referred to the Chair of the Board of the Foundation and the Institution/Agency President. If the Board Chair and Institution/Agency President cannot resolve the dispute, then the dispute will be referred to the Foundation Chair and the State Board for resolution. If they are unable to resolve the dispute, the parties shall submit the dispute to mediation by an impartial third party or professional mediator mutually acceptable to the parties. If and only if all the above mandatory steps are followed in sequence and the dispute remains unresolved, then, in such case, either party shall have the right to initiate litigation arising from this Operating Agreement. In the event of litigation, the prevailing party shall be entitled, in addition to any other rights and remedies it may have, to reimbursement for its expenses, including court costs, attorney fees, and other professional expenses.

4. Dissolution of Foundation. Consistent with provisions appearing in the Foundation's bylaws and its articles of incorporation, should the Foundation cease to exist or cease to be an Internal Revenue Code §501(c) (3) organization, the Foundation shall transfer to the State Board the balance of all property and assets of the Foundation from any source, after the payment of all debts and obligations of the Foundation, shall and such property shall be vested in the State Board in trust for the use and benefit of the Institution/Agency. Any such assets not so disposed of shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3)

of the Internal Revenue Code, or shall be distributed to the federal government, or to a state or local government, for a public purpose.

5. Board Approval of Operating Agreement. Prior to the Parties' execution of this Operating Agreement, an unexecuted copy of this Operating Agreement must be approved to the State Board. Furthermore, this Operating Agreement, including any subsequent modifications and restatements of this Operating Agreement, shall be submitted to the State Board for review and approval no less frequently than once every three (3) years or more frequently if otherwise requested by the State Board

6. Modification. Any modification to the Operating Agreement or Exhibits hereto shall be in writing and signed by both Parties.

7. Providing Document to and Obtaining Approval from the Institution/Agency. Unless otherwise indicated herein, any time documents are to be provided to the Institution/Agency or any time the Institution/Agency's approval of any action is required, such documents shall be provided to, or such approval shall be obtained from, the Institution/Agency's President or an individual to whom such authority has been properly delegated by the Institution/Agency's President.

8. Providing Documents to and Obtaining Approval from the Foundation. Unless otherwise indicated herein, any time documents are to be provided to the Foundation or any time the Foundation's approval of any action is required, such document shall be provided to, or such approval shall be obtained from, the Foundation's Board of Directors or an individual to whom such authority has been properly delegated by the Foundation's Board of Directors.

9. Notices. Any notices required under this Operating Agreement may be mailed or delivered as follows:

To the Institution/Agency:

President
Institution/Agency
Street Address
City, State and Zip

To the Foundation:

Managing Director
Foundation, Inc.
Street Address
City, State and Zip

10. No Joint Venture. At all times and for all purposes of this Memorandum of Understanding, the Institution/Agency and the Foundation shall act in an independent capacity and not as an agent or representative of the other party.

11. Liability. The Institution/Agency and Foundation are independent entities and neither shall be liable for any of the other's contracts, torts, or other acts or omissions, or those of the other's trustees, directors, officers, members or employees.

12. Indemnification. The Institution/Agency and the Foundation each agree to indemnify, defend and hold the other party, their officers, directors, agents and employees harmless from and against any and all losses, liabilities, and claims, including reasonable attorney's fees arising out of or resulting from the willful act, fault, omission, or negligence of the party, its employees, contractors, or agents in performing its obligations under this Operating Agreement. This indemnification shall include, but not be limited to, any and all claims arising from an employee of one party who is working for the benefit of the other party. Nothing in this Operating Agreement shall be construed to extend to the Institution/Agency's liability beyond the limits of the Idaho Tort Claims Act, Idaho Code §6-901 et seq.

13. Assignment. This Operating Agreement is not assignable by either party, in whole or in part.

14. Governing Law. This Operating Agreement shall be governed by the laws of the State of Idaho.

15. Severability. If any provision of this Operating Agreement is held invalid or unenforceable to any extent, the remainder of this Operating Agreement is not affected thereby and that provision shall be enforced to the greatest extent permitted by law.

16. Entire Agreement. This Operating Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof, and supersedes all prior agreements and understandings pertaining thereto.

IN WITNESS WHEREOF, the Institution/Agency and the Foundation have executed this Operating Agreement on the above specified date.

Institution/Agency

By: _____
Its: President

Institution/Agency Foundation, Inc.

By: _____
Its: Chairman

EXHIBIT "A"

Loaned Employee Agreement

EXHIBIT "B"

Service Agreement

EXHIBIT "C"

Investment Policy

EXHIBIT "D"

Articles of Incorporation

EXHIBIT "E"

Indenture Dated May 20, 1975

EXHIBIT "F"

Amended and Restated Bylaws

EXHIBIT "G"

Conflict of Interest Policy

EXHIBIT "H"
Code of Ethical Conduct

BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 15, 2018

UNIVERSITY OF IDAHO

SUBJECT

Request for authorization to enter bidding and construction phases for the Washington, Wyoming, Alaska, Montana and Idaho (WWAMI) medical education building expansion project

REFERENCE

August 2016	Idaho State Board of Education (Board) approved Capital Budget request in University of Idaho (UI) six-year plan
April 2017	Board approved lease agreement with Gritman Medical Park
August 2017	Board authorized Planning and Design Phases for WWAMI facility expansion project

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedure, Section V.K.1, and Section V.K.3.a

ALIGNMENT WITH STRATEGIC PLAN

This item aligns with the following goals and objectives of the State Board of Education Strategic Plan:

- Goal 1, Objectives A, C, and D: The WWAMI Medical Education Program provides access to high quality medical education opportunities for the citizens of Idaho. WWAMI has served the State in this capacity since 1971. The program recently expanded the number of seats available, thus providing greater access to Idahoans seeking to further their education and serve the State as medical professionals.
- Goal 2, Objectives A, C, and D: The WWAMI Medical Education Program supports workforce readiness by providing the educational foundation requisite to develop the medical professionals necessary to serve Idaho's expanding population and workforce, key to the State's economic growth and prosperity.

BACKGROUND/DISCUSSION

This agenda item requests Board authorization for UI to proceed with the bidding and construction phases of a capital project to renovate and expand an existing building on the Moscow, Idaho campus—the former Business Technology Incubator (BTI) building—and to convert it for uses supporting the WWAMI Medical Education program at UI. This agenda item also requests Board approval for a cumulative increase of \$1,720,000 in the originally-approved cost for the project. This cost increase is the result of refinement of the scope, design detail, and project estimates developed through the course of planning and design. The revised total project cost is \$4,120,000.

BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 15, 2018

Planning Background

Idaho's WWAMI Medical Education Program is a partnership with the University of Washington School of Medicine and the states of Washington, Wyoming, Alaska, Montana, and Idaho. Students who enter the program are dual enrolled at UI and the University of Washington School of Medicine and complete their foundations phase of medical school at UI. Begun in 1971, WWAMI is a nationally accredited medical school program, not a premedical program. Through WWAMI, Idaho medical students complete their first and second year of medical training in Idaho.

The state of Idaho has supported the growth of the program over the last few years, doubling the annual student pipeline from 20 seats to 40 seats. The new curriculum now requires each cohort to spend 18 months on campus (previously 12 months), resulting in an overlap of student cohorts from one year to the next. Changing pedagogy and accreditation requirements result in the need for more collaborative, active learning spaces. Thus, program space needs are growing rapidly, with a need to accommodate 80 students at a time, compared to only 20 students previously.

The WWAMI program has operated out of the third floor of the UI Student Health Center for many years supported by anatomy lab space at nearby Washington State University (WSU) and a dedicated classroom elsewhere on the UI campus. The standup of WSU's new medical school will reduce access to anatomy lab space for UI WWAMI students. This construction project is part of a UI plan to meet all of these space needs for the expanded medical student cohorts, and to leverage collaborative operations with the medical community in Moscow.

UI has identified an opportunity to lease space in a new medical office building recently constructed by Gritman Medical Center of Moscow. UI received authorization to commission Gritman Medical Center to construct a Morgue and Anatomy Lab facility in the leased space via a tenant improvement process funded as part of the lease expenses. This will place the WWAMI Anatomy Lab and an associated Active Learning Classroom within the Gritman Medical Center Campus in downtown Moscow, and it will provide WWAMI the opportunity take part in collaborative learning efforts and programs in conjunction with the resources and staff of the Gritman Medical Center. Construction of the Gritman facility began in late September 2017, and is due to be complete in April 2018.

In parallel, UI has identified the existing Business and Technology Incubator (BTI) facility to be reconfigured to serve as the new home base for the WWAMI program. The existing, one story building is located on the east edge of campus and is adjacent to, and within visual and walking distance of, the city's medical complex and the Gritman Medical Center. This location is ideal and supports opportunities for further collaboration with the local medical community.

BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 15, 2018

Project Description

Fully converting the existing floor space of the BTI building will still fall short of fully meeting WWAMI's space needs, so this project includes an addition of approximately 4,000 square feet on the north side of the existing building. Small exam rooms will be provided to support the existing active learning classrooms, enabling interactive group instruction for the students in conducting medical examinations, patient interview skills, and in developing 'bedside' manners. The expanded space will provide both private and group student study spaces required under medical instruction accreditation requirements. The new facility will also house faculty office and administrative support functions. The project is on schedule to go out to bid in March 2018 with a completion date the following spring.

FLAD Architects have designed the project. The firm's current construction cost estimate is \$3,075,000 which falls within the revised project construction budget of \$3,100,000. The total project effort is currently estimated at \$4,120,000, including design and construction costs and contingency allowances.

IMPACT

The fiscal impact of this effort will be \$4,120,000 in total expenditures, broken out as follows:

Overall Project

Funding

State	\$ 2,400,000
Federal (Grant):	
Other (UI)	
Central University	1,720,000
Gifted Funds	<u> </u>

Estimate Budget

A/E & Consultant Fees	\$ 375,100
Construction	3,100,000
Construction Cont.	310,000
Misc. Owner Costs	57,410
Project Cont.	<u>277,490</u>

Total	\$ 4,120,000
-------	--------------

Total	\$ 4,120,000
-------	--------------

ATTACHMENTS

Attachment 1 – Capital Project Tracking Sheet

Page 5

STAFF COMMENTS AND RECOMMENDATIONS

The Board originally approved the project with an estimated cost of \$2.4 million, sourced from the Permanent Building Fund (PBF). In August 2017, following preliminary design work, the Board approved a cost increase of \$1.22 million for the project. The new cost estimate for the expanded project has increased by an additional \$500,000 to a total of \$4.12 million. Per Board Policy V.K.1., Board approval is required when a project's cumulative cost increases by more than \$1,000,000. The University will cover the increased cost of the project with \$1.72 million in institutional funds.

The University has worked closely with the Division of Public Works to develop the expanded design for the project. This project leverages the institution's resources

BUSINESS AFFAIRS AND HUMAN RESOURCES
FEBRUARY 15, 2018

with funding already provided by the Governor and Legislature to address a critical need for Idaho's medical education capabilities and to provide access to high quality health services to Idahoans. The project will also enhance collaboration and synergy with community healthcare providers.

Staff recommends approval.

BOARD ACTION

I move to approve the request by the University of Idaho to implement the bidding and construction phases of the capital project to improve and expand the former Business Technology Incubator facility in support of the WWAMI Medical Education Program, for a total cost of \$4,120,000 as described in the materials presented. Approval includes the authority for the Vice President for Finance and Administration to execute all necessary and requisite consulting and vendor contracts to implement the project.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

Office of the Idaho State Board of Education
 Capital Project Tracking Sheet
 As of February, 2018

History Narrative

- 1 **Institution/Agency:** University of Idaho **Project:** Additional Capital Project Authorization Request, Bidding and Construction Phases, WWAMI Medical Education Building Improvements and Expansion, University of Idaho, Moscow, Idaho.
- 2 **Project Description:** a Capital Project to provide for the planning, programming and design of project to renovate and expand the an existing building on campus, the Business Technology Incubator (BTI) building and convert it for use supporting the Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) Medical Education program at the University of Idaho
- 3 **Project Use:** The existing Business Technology Incubator (BTI) building is to be renovated in support of the programmatic needs of the WWAMI Medical Education Program. The renovations will provide flexible, active learning classrooms. Other renovated spaces will include faculty offices, updated conference space, and student study and support space. Additional space will need to be created to fully support the needs of the growing WWAMI program.
- The expansion space will provide student clinical lab space and associated small exam rooms. Such spaces support interactive group instruction for the students in conducting medical examinations, patient interview skills, and in developing 'bedside' manners. Additional space will support both private and group student study spaces dictated under medical instruction accreditation requirements.
- 4 **Project Size:** The existing BTI building is approximately 17,000 sf. An expansion/addition of 4,000 is part of the project scope.

Project Cost History:	Sources of Funds				Use of Funds*			
	PBF	ISBA	Other	Total Sources	Planning	Use of Funds Const	Other**	Total Uses
Initial Cost of Project. Planning, Programming and Design Phase Authorization request. August 2017	\$ 2,400,000	\$ -	\$ 1,220,000	\$ 3,620,000	\$ 330,000	\$ 2,739,000	\$ 551,000	\$ 3,620,000
History of Revisions:								
Revised and Refined Cost of Project. Bidding and Construction Phase Authorization request. February 2018	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 45,100	\$ 361,000	\$ 93,900	\$ 500,000
Total Project Costs	\$ 2,400,000	\$ -	\$ 1,720,000	\$ 4,120,000	\$ 375,100	\$ 3,100,000	\$ 644,900	\$ 4,120,000

* Figures quoted are for the Total Project Cost.
 ** Misc. Owner Costs, Construction Contingency & Project Contingency.

History of Funding:	PBF	ISBA	Other Sources of Funds			Total Other	Total Funding
			Institutional Funds (Gifts/Grants)	Student Revenue	Other***		
Initial Project funding via the FY2018 PBF Process. Funds will be available 1 July 2017.	\$ 2,400,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,400,000
Initial Cost of Project. Planning, Programming and Design Phase Authorization request. August 2017	\$ -	\$ -	\$ -	\$ -	\$ 1,220,000	\$ 1,220,000	\$ 1,220,000
Revised and Refined Cost of Project. Bidding and Construction Phase Authorization request. February 2018	\$ -	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 500,000
Total	\$ 2,400,000	\$ -	\$ -	\$ -	\$ 1,720,000	\$ 1,720,000	\$ 4,120,000

*** UI Central Strategic Investment Reserves

THIS PAGE INTENTIONALLY LEFT BLANK