



DESTINATION MEDICAL CENTER CORPORATION (DMCC)

BOARD MEETING

2 P.M. FRIDAY, AUGUST 9, 2013

ROCHESTER CONVENTION CENTER



Destination Medical Center Corporation (DMCC)
Board Meeting
Friday, August 9, 2-4 p.m.
Rochester Convention Center Grand Ballroom
AGENDA

I. Call Meeting to Order/Welcome - Governor Mark Dayton

II. Official Welcome

- A. Mayor Ardele Brede, City of Rochester
- B. Jim Bier, Chairman, Olmsted County Board of Commissioners
- C. Dr. John H. Noseworthy, President and CEO, Mayo Clinic

III. Board Introductions

IV. Mayo Clinic/DMC Overview, Key Tasks

- A. Dr. John H. Noseworthy, President and CEO, Mayo Clinic
- B. Dr. Bradley Narr, Medical Director, DMC
- C. Lisa Clarke, Administrator, DMC

V. General Business

- A. Election of DMCC Board Chair
- B. DMCC Meeting Schedule
- C. Process/Timeline to Select Legal Counsel, Process/Timeline for Review and Approval of Articles of Incorporation and Bylaws
- D. Identify Process/Timing for Drafting Policies and Procedures

VI. Overview/Discussion of Open Meetings Law

- A. Terry Adkins, Rochester City Attorney

VII. Meeting Adjourn



Board Members



James Vincent (Jim) Bier
Chairman, Olmsted County Board of Commissioners

Jim Bier was born in Janesville, Wis. He has a B.S. in Plant Pathology from the University of Wisconsin-Madison. He is married with three children.

Mr. Bier has been a farmer since 1994 and a tax preparer since 2002 for Smith Schafer and Associates. From 1979-1991, he was Plant Superintendent for Seneca/Libby, managing daily operations for vegetable canning and freezing. From 1991-1994, he was a Commodity Buyer for Crenlo Manufacturing, purchasing contract material for tractor cab manufacturing and electronics.

Mr. Bier has served the community on the Olmsted County Planning Advisory Committee, the Olmsted County Board of Adjustment, and as a Township Supervisor. He has been an Olmsted County Commissioner since 2002 and is currently Chairman of the Board of Commissioners.

He has served on various community boards, including Channel One Food Shelf, Olmsted County Historical Society and Knights of Columbus.

Mr. Bier has also served as a youth hockey, soccer and softball coach and as an assistant high school softball coach.



**The Honorable Ardell F. Brede
Mayor of Rochester, Minnesota**

Ardell F. Brede has been Mayor of the City of Rochester, Minnesota since 2003. A native of Austin, Minn., he spent his career at Rochester Methodist Hospital and Mayo Clinic, serving the organization in numerous roles, including Admissions, Business Services, Systems and Information Support, and Finance Administration.

Mayor Brede has served his community in many ways, including Campaign Chair and President of United Way of Olmsted County, President of the Rochester Figure Skating Club, President of the Rochester Arts Council, President of Affiliated Credit Services, President of Rochester Civic Music, President of the RCTC Foundation, and President of RAAFUM.

He is a Rotarian, a member of the Charities Review Council of Minnesota, Rochester Quarterbacks Club, Rochester Area Chamber of Commerce, and Bethel Lutheran Church.

Mayor Brede has served in leadership roles with the League of Minnesota Cities, the U.S. Conference of Mayors and the University of Minnesota Center for Transportation Studies.

Mayor Brede and his wife, Judy, have three children and six grandchildren.



James R. Campbell
Retired, Group Executive Vice President
Wells Fargo and Company
Chairman and Chief Executive Officer
Wells Fargo Bank Minnesota, N.A.

Prior to his retirement on June 15, 2002, James R. Campbell was Group Executive Vice President for Wells Fargo and Company. He was also Chairman and Chief Executive Officer of Wells Fargo Bank Minnesota.

He was born on May 24, 1942 in Byron, Minn. He earned his bachelor's degree in business administration from the University of Minnesota.

Mr. Campbell began his 38-year financial services career with the Northwestern National Bank of Minneapolis in 1964 as a commercial lending trainee. In 1988, he became President and Chief Executive Officer of Norwest Bank Minnesota. The same year, he added the additional title of Executive Vice President of Norwest Corporation. On November 2, 1988, he became Group Executive Vice President for Wells Fargo and Company with the merger of Norwest Corporation and Wells Fargo.

Recently he served as interim Dean of the Carlson School of Management at the University of Minnesota. He is a past chairman and member of the Carlson School's Board of Overseers.

He currently serves on the Board of Directors of the Marvin Companies, Lifetouch, Inc., and Forsythe Appraisals. He chairs the Board of the United Health Foundation and was the chair of the Itasca Project.

He has been extensively involved in many community, non-profit and educational organizations. He was the Chairman of the Board of the University of Minnesota Foundation and service on the Board for several years. Currently he is a Life Trustee. He chaired the boards of the Greater Twin Cities United Way and the Abbott-Northwestern Hospital. He has served on the boards of the Minneapolis Institute of Arts, Allina, Junior Achievement, the Minneapolis Foundation, Children's Home Society and Westminster Presbyterian Church.

He is the recipient of the Outstanding Achievement and Regents Awards and an Honorary Doctor of Laws Degree from the University of Minnesota, the Renaissance Award from the College of Saint Benedict, a Lifetime Achievement Award from the NAACP, the 2003 Executive of the Year Award from the Business Journal and the Humanitarian Award from Best Prep. In 2005, Mr. Campbell was inducted into the Minnesota Business and Junior Achievement Halls of Fame.

He and his wife, Carmen, have two children.



William (Bill) George
Professor of Management Practice, Harvard Business School
Former Chairman and Chief Executive Officer, Medtronic, Inc.

Bill George is professor of management practice at Harvard Business School, where he has taught leadership since 2004. He is the author of four best-selling books: *7 Lessons for Leading in Crisis*, *True North*, *Finding Your True North*, and *Authentic Leadership*. With co-author Doug Baker he recently published *True North Groups*.

Mr. George is the former chairman and chief executive officer of Medtronic. He joined Medtronic in 1989 as president and chief operating officer, was chief executive officer from 1991-2001, and board chair from 1996-2002. Earlier in his career, he was a senior executive with Honeywell and Litton Industries and served in the U.S. Department of Defense.

Mr. George currently serves as director of ExxonMobil, Goldman Sachs, and the Mayo Clinic and also served on the board of Novartis and Target Corporation. He is currently a trustee of the World Economic Forum USA and Guthrie Theater and a former Trustee of Carnegie Endowment for International Peace. He has served as board chair for Allina Health System, Abbott-Northwestern Hospital, United Way of the Greater Twin Cities, and Advamed.

He was elected to the National Academy of Engineering in 2012. He has been named one of "Top 25 Business Leaders of the Past 25 Years" by PBS; "Executive of the Year-2001" by the Academy of Management; and "Director of the Year-2001-02" by the National Association of Corporate Directors. Mr. George has made frequent appearances on television and radio and his articles have appeared in *Wall Street Journal*, *Business Week*, *Fortune*, *Harvard Business Review*, and numerous publications.

Mr. George received his BSIE with high honors from Georgia Tech, his MBA with high distinction from Harvard University, where he was a Baker Scholar, and honorary PhDs from Georgia Tech, Bryant University, and University of St. Thomas. During 2002-03 he was professor at IMD International and Ecole Polytechnique in Lausanne, Switzerland, and executive-in-residence at Yale School of Management.

He and his wife Penny reside in Minneapolis, Minnesota.



Ed Hruska
Rochester City Council

Ed Hruska was born and raised in Rochester where he has been involved in many aspects of the community from coaching youth football to chairing the high school booster club. He is the current Executive Director of the Rochester Amateur Sports Commission – a position he has held since 2003.

Mr. Hruska is a Certified Sports Events Executive and currently serves on the Board of Directors for both the Minnesota Amateur Sports Commission and the National Association of Sports Commissions. The Rochester Amateur Sports Commission was honored as National Member of the Year in 2010.

He has served on the Rochester City Council for 10 years and has participated in various board and committees during those years. He currently serves on the Board of the Rochester Area Economic Development (RAEDI), Rochester Downtown Alliance and serves as Chair of the Personnel Advisory Committee.



Susan Park Rani
Founder, Rani Engineering

Susan Park Rani is an entrepreneur, shareholder and founder of Rani Engineering, Inc., a Minneapolis based firm with offices in California and North Dakota. Ms. Park Rani received a Bachelor of Civil Engineering and an MBA from the University of Minnesota – Twin Cities.

She is a registered Professional Engineer with more than 30 years of experience in planning, designing, and construction of buildings, industrial facilities, highways, railroads, airports, waterways, and water and wastewater treatment plants.

Her nonprofit experience includes serving on the boards of American Consulting Engineering Companies Minnesota (ACEC MN), St. Paul Area Chamber of Commerce (SPACC), Mounds Park Academy (prekindergarten to 12), Association of Women Contractors and National Association of Minority Contractors Upper Midwest (NAMC UM).

Susan Park Rani is a 53 year-old Korean-born Minnesotan. She lives in Minneapolis and has two daughters, Sonia and Sylvia.



The Honorable R.T. Rybak Mayor of Minneapolis, Minnesota

R.T. Rybak, a Minneapolis native, was elected Mayor of Minneapolis in 2001, in his first run for public office, and was overwhelmingly reelected in 2005 and 2009. Since then, he has gotten strong results for Minneapolis in:

- **Growth.** Mayor Rybak has led a multi-pronged approach to growing jobs and the economy through, among other strategies, growing the high-tech and green-economy sectors, helping small business succeed, fostering innovation, increasing regional cooperation and training displaced and hard-to-employ workers in fast-growing sectors. He is focused on closing racial disparities in employment and entrepreneurship, and is pursuing the goal of adding 65,000 residents by 2025, primarily along transit corridors.
- **Transit and livability.** Under Mayor Rybak's leadership, options for transit and non-motorized transportation have expanded greatly: Minneapolis is now served by light rail and bus rapid transit, and has been named the #1 bike city in America as well as one of the greenest cities in America. Mayor Rybak is also putting in place a plan to add a network of modern streetcars. He has also focused on building and promoting the amenities that attract talent. In the last 10 years, Minneapolis has topped multiple national lists of the best cities to live, work, visit and do business.
- **Future workforce.** Mayor Rybak founded the Minneapolis Promise, which provides young people with free college and career counseling, free and low-cost access to college, and high-quality summer jobs. Since 2004, the STEP-UP summer jobs program has placed 16,000 youth — 86% of whom are youth of color — in real-life jobs with Minneapolis' best private, public and nonprofit employers.
- **Fiscal responsibility and reform.** Under Mayor Rybak's leadership, the City of Minneapolis has paid down or avoided \$241 million in debt, cut spending by 16%, reformed pensions and restored its AAA credit rating. Mayor Rybak instituted results-based management, Minneapolis 311 and Wireless Minneapolis, which made Minneapolis the nation's first fully wireless city.

Mayor Rybak is married to Rochester native Megan O'Hara, a healthy-food advocate and public-relations consultant; they have two adult children, Charlie and Grace. Mayor Rybak is not seeking a fourth term in office and will retire as mayor at the end of 2013.



Tina Smith
Chief of Staff to Governor Mark Dayton and
Lt. Governor Yvonne Prettner Solon

Tina Smith serves as Chief of Staff to Governor Dayton and Lt. Governor Yvonne Prettner Solon.

Ms. Smith previously served as Chief of Staff to Minneapolis Mayor R.T. Rybak and has diverse experience in the business and nonprofit sectors. Ms. Smith started her career at General Mills, founded a marketing and communications firm that served foundations and businesses in Minnesota and across the country, led Planned Parenthood's public affairs, marketing and education programs in this region, and is a veteran of dozens of local, state and national political campaigns.

Ms. Smith earned a BA from Stanford University and an MBA from the Tuck School at Dartmouth. She lives with her husband Archie Smith in Minneapolis.



DMC Overview



Destination Medical Center

Creating the World's Leading Center for
Excellence in Health, Wellness and Medical Innovation

DMC BRIEFING DOCUMENT

August 9, 2013



DMC OVERVIEW

DMC MISSION STATEMENT & OBJECTIVES

The Destination Medical Center (DMC) is a strategic initiative. The success of this project depends not only on the public investment, but also on the ability of the DMCC and its stakeholders to plan and execute a comprehensive strategy that will attract more than \$5 billion of private investment to the market.

DMC Mission Statement:

To secure Rochester's and Minnesota's status as the world's premiere destination medical center to attract and retain patients, visitors, employees, residents and businesses within the region and throughout the State of Minnesota.

DMC Objectives:

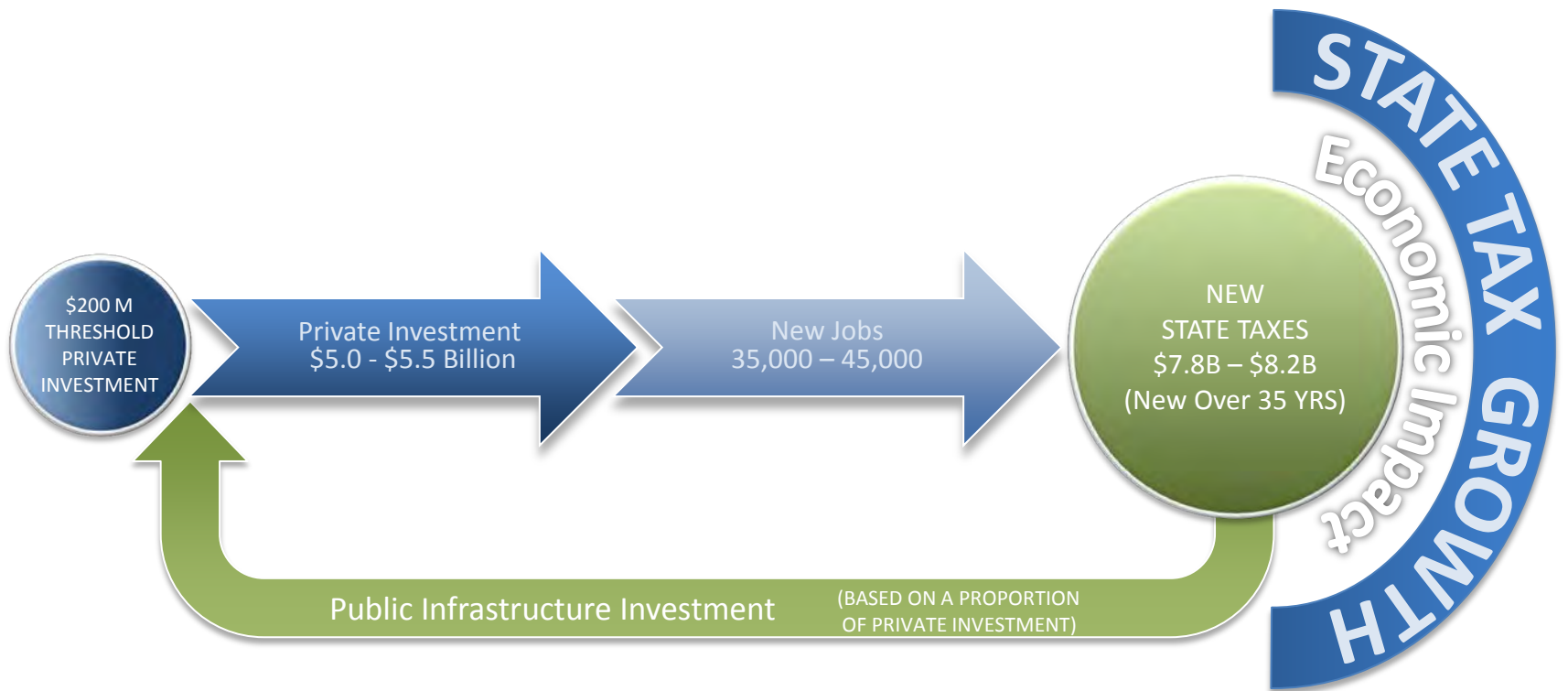
- To make strategic public investments to support the extraordinary costs associated with sustaining Rochester as a global medical destination
- To leverage the public investment to attract more than \$5 billion in private investment by Mayo Clinic and other private investors in Rochester
- To create approximately 35,000 – 45,000 new jobs
- To generate approximately \$7 - \$8 billion in fiscal impacts over the 35 year period for Rochester and the entire State of Minnesota
- To achieve the highest quality patient, companion, visitor, employee, and resident experience, now and in the future



DMC OVERVIEW

THE MODEL – PRIVATE INVESTMENT LEADS PUBLIC INVESTMENT

The most innovative element of the DMC public investment strategy is that private investment and proven economic growth leads the public investment. The DMC legislation requires the private sector to make a \$200 million threshold investment to activate the program. On-going private investment is required to secure the \$585 million in public investment over a 20 year period.





DMC OVERVIEW

THE EMERGENCE OF GLOBAL DESTINATION MEDICAL CENTERS

Competition for destination medical patients has grown significantly in the last 20 years. The DMC will position Rochester to remain competitive in the global healthcare environment.



“Globalization is a major factor in expansion. Since 2009, more than 300 health care facilities in more than 39 countries had attained U.S. accreditation.... U.S. medical institutions have capitalized on the global health care model by developing partnerships with foreign hospitals.”

- American Medical Association, “Health Care Trends 2010 – 2012”



The DMC is one of the largest and most complex economic development initiatives ever undertaken in the State of Minnesota or in the United States. It establishes a long-term public-private partnership that will require a comprehensive strategy to be executed over a 20 year period. During the legislative process, certain key strategies became the backbone of the legislation that was put in place. They included:

- **A Vision** – A community development plan (Development Plan) must be established. This will be a complex undertaking to weave together the interests of the City, State, County, Mayo Clinic and the broader Rochester and Southeast Minnesota region in a manner that maximizes the opportunity for private investment in the region.
- **A Transformation** – Destinations do not materialize, they are planned. The \$585 million in public investment is a key component of this strategy but not the only piece of the puzzle. To be successful, the DMC will require a comprehensive strategy that includes marketing, business development, finance, project oversight, community engagement and communications. Our goal is not to simply spend \$585 million, but to leverage that public investment to achieve an additional \$5 billion plus in private investment over time.
- **A Public-Private Partnership** - The DMC legislation creates the Destination Medical Center Corporation (DMCC), a public-private partnership designed to bring the major stakeholders of the project together to approve the DMC Development Plan and the implementation strategies, including the targeted investment of public funds to maximize the private investment and the potential tax return to the State and local jurisdictions.
- **An Entity to Focus On Execution** - The legislation mandates a non-profit, Economic Development Agency (EDA) with the sole purpose of assisting in the planning and execution of DMC strategies. The EDA will provide expertise in planning and executing this complex, multi-billion dollar development strategy.



DMC IMPACTS





DMC IMPACTS

ESTIMATED ECONOMIC-FISCAL IMPACT

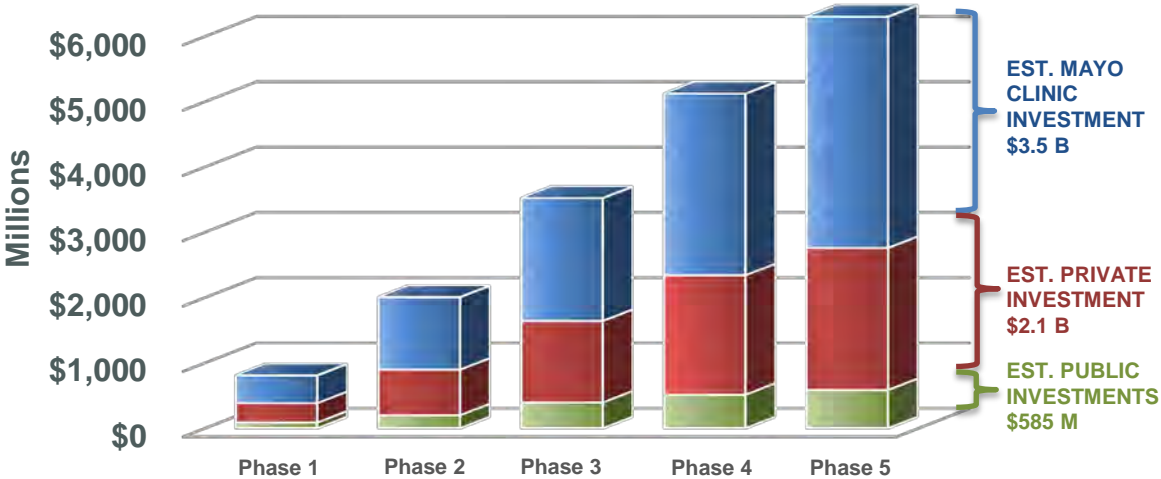
The \$585 public investment will be used to support the costs required to drive visitation, support employment growth and create the public anchors and infrastructure necessary for a global destination medical center. Importantly, the public investment is not requested as an upfront, lump sum payment, but instead will be funded over time through a state aid formula that is contingent upon on-going private investment in the market. The chart below shows the estimated cumulative public and private investment model over the 20 year period.

Est. Cumulative Investments – 20 Years

EST. PUBLIC INVESTMENT
\$585 Million

APPROXIMATE INVESTMENT RATIO

\$10 Private Investment	:	\$1 Public Investment
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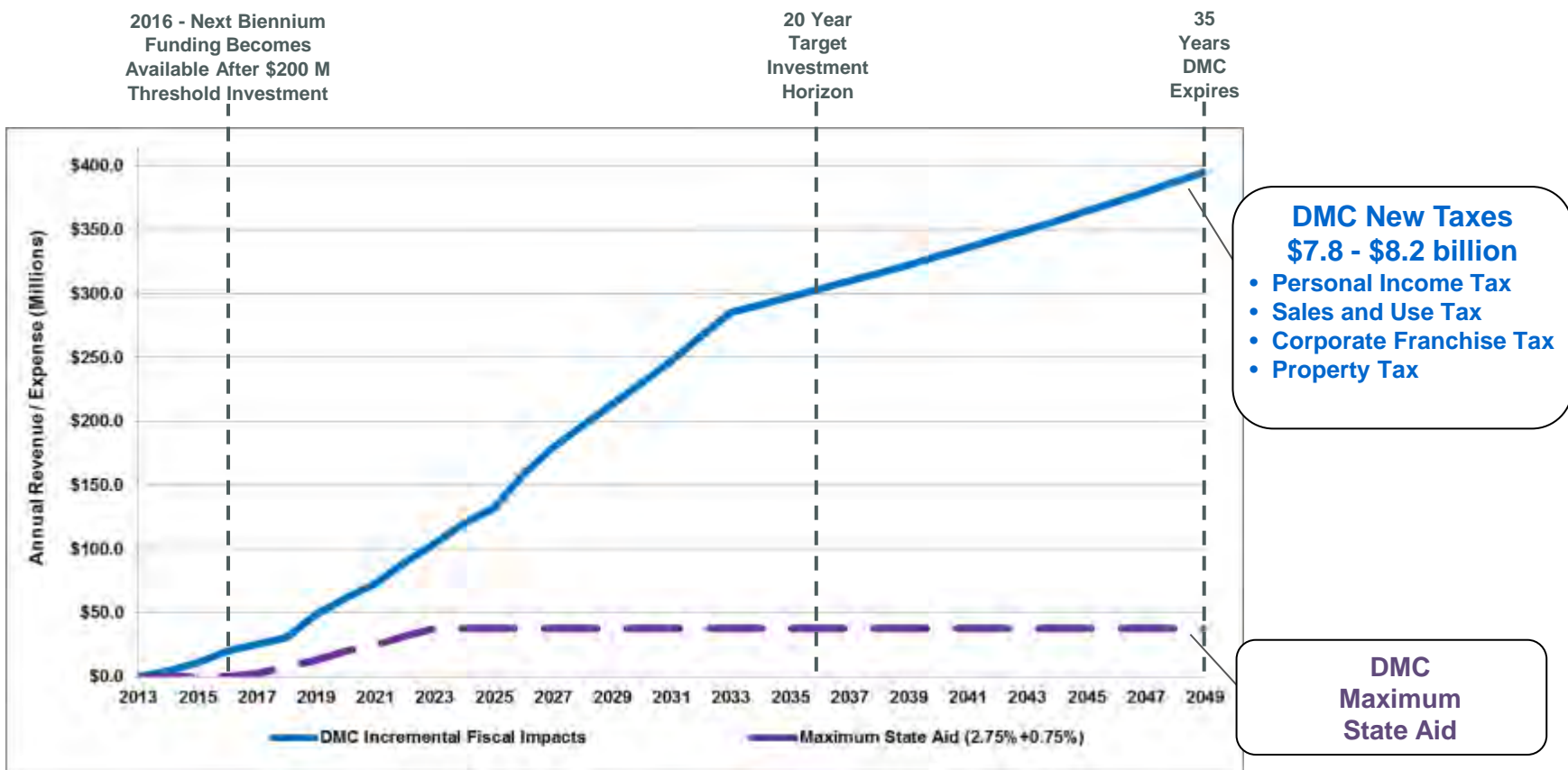




DMC IMPACTS

ESTIMATED ECONOMIC-FISCAL IMPACT

The DMC public finance model is based on a state aid formula that requires incremental private investment to be made prior to the release of additional public funds to support the growth of Rochester. The following estimates the economic-fiscal impacts that will result from this growth and demonstrates the estimated return on investment to the public sector over time.





DMC INVESTMENTS





DMC INVESTMENT SUMMARY

EXAMPLES OF DMC PROJECTS & INVESTMENTS

The following summarizes the types of projects and investments that are anticipated to occur as a result of the DMC initiative.

INVESTMENT

MAYO CLINIC INVESTMENT
(\$3.5 Billion)

PROGRAM

MEDICAL CENTER

- Hospital Facilities
- Clinical Facilities
- Lab Space
- Biomedical Facilities
- Mayo Support Facilities

EXAMPLES



Hospital Expansions



Clinical Facilities



Medical Innovation

INFRASTRUCTURE

(See Detailed "Project" Definition on Page 26)

- Demolition, Repair or Rehab of Buildings
- Remediate Land & Buildings
- Public Infrastructure
- Land Acquisition & Assembly
- Parking & Transportation Facilities
- Community Infrastructure for Economic Development
- Site & Infrastructure Improvements
- Site Preparation



Intermodal/ Transportation



Site Preparation



Public Infrastructure

DMC DEVELOPMENT (CORE DISTRICTS)

- Health & Wellness
- Commercial, Research & Technology
- Retail, Dining & Entertainment
- Hotel & Hospitality
- Liveable City (Urban Residential / Neighborhoods)
- Learning Environment & Education
- Sports & Recreation
- Civic, Arts & Cultural Facilities



Research/ Technology



Urban Retail



Hospitality

DMC LEGISLATION

PUBLIC INVESTMENT
(\$585 Million)

PRIVATE INVESTMENT
(\$2.1 Billion)



DMC INVESTMENT SUMMARY

SUMMARY OF DMC INFRASTRUCTURE MASTER PLAN

As part of the legislative process, Mayo Clinic and the City of Rochester developed an infrastructure master plan to demonstrate the type of projects that may be supported by DMC funding. This document was used for illustrative purposes only, and highlights the demand for infrastructure required to support the destination. The plan illustrates that the City estimates \$1.4 billion in infrastructure demand over the next 20 years. A City the size of Rochester cannot support this level of investment on its own. As a result, the DMC funding was provided by the State of Minnesota to fill a portion of the gap created by the “extraordinary costs” required to sustain Rochester as a global destination.

Infrastructure Element	Order of Magnitude Cost Estimate (in millions)	Funding Sources (in millions)							
		City CIP	Other Sources	Federal	Hotel Tax	Non-DMC Sales Tax	MinDOT Turnback	Tax Abatement	DMC Funds
Transportation									
Regional Transportation	\$72					\$47			\$25
Downtown Streets and Sidewalks	\$92	\$60				\$8			\$24
Gateway Streets	\$75	\$32					\$26		\$17
6th Street Bridge Over Zumbro River	\$6								\$6
Subways and Skyways	\$19								\$19
Transportation Subtotal	\$264	\$92				\$55	\$26		\$91
Transit									
Bus System Upgrade	\$29	\$29							
Streetcar Circulation	\$471	\$52	\$100	\$236					\$83
BRT	\$70	\$9		\$35					\$26
Intermodal Station	\$50								\$50
Transit Subtotal	\$620	\$90	\$100	\$271					\$159
Public Utilities									
District Utility Upgrades/ Relocation	\$63								\$63
Relocate Overhead Utilities Underground	\$13								\$13
Sanitary and Storm Sewer Trunk Lines	\$25								\$25
Public Utilities Subtotal	\$101								\$101
Public Spaces									
Public Spaces	\$68	\$36						\$4	\$28
Green Corridors	\$6								\$6
Riverwalk Extension	\$13								\$13
Trails	\$6	\$6							
Public Spaces Subtotal	\$93	\$42						\$4	\$47
Parcel Development									
Demolition	\$18								\$18
Environmental	\$15								\$15
Stormwater Management	\$9								\$9
Land Acquisition and Assembly	\$66	\$10							\$56
Parcel Development Subtotal	\$108	\$10							\$98
Parking									
Parking Structures	\$110	\$40							\$70
Parking Subtotal	\$110	\$40							\$70
Civic Uses									
Mayo Civic Center	\$106	\$24	\$37		\$45				
Parks, Recreational Areas	\$6	\$6							
Other Civic Uses	\$56	\$35						\$2	\$19
Civic Uses	\$168	\$65	\$37		\$45			\$2	\$19
Totals	\$1,464	\$339	\$137	\$271	\$45	\$55	\$26	\$6	\$585



LEGISLATIVE OVERVIEW



Realization of the DMC Vision and objectives will require a comprehensive business strategy and organizational structure to be put in place to guide the project over the next 20 years. To accomplish this, the DMC legislation provided for certain entities and processes to establish a strategic and comprehensive plan to guide investment decisions going forward. A summary of the legislation is provided below.

- The DMC law authorizes state, city and county funding totaling \$585 million for approved public infrastructure project costs over a 20-year period.
- The DMC legislation recognizes two new entities – the Destination Medical Center Corporation, incorporated by the City as a public nonprofit corporation, and the Economic Development Agency, incorporated by Mayo Clinic as a private nonprofit corporation. The two entities will work together to drive the planning and implementation of the process, and they will work closely with the City of Rochester (City), Olmsted County (County) and the greater Rochester community on the execution of plans and strategies. Their specific purposes and functions are:
 - **The Destination Medical Center Corporation (DMCC):** a public nonprofit corporation, the purpose of which is to oversee the development, planning and implementation of DMC strategies. The DMCC’s board is structured to provide the primary stakeholders representation in key decisions related to planning, strategies and investments of the DMC.

Primary functions of the DMCC Board:

- Approve the Development Plan
- Approve public funding applications for specific projects
- Provide oversight of the DMC initiative on behalf of the State of Minnesota and its citizens
- Contract with the EDA to provide specified services related to the Development Plan and marketing of the DMC.

DMCC Board of Directors:

- Four (4) appointees by the governor – Mr. James Campbell, Ms. Tina Flint Smith, Ms. Susan Rani, & The Honorable R.T. Rybak
- Two (2) by the City – The Honorable Ardell Brede, & Councilman Ed Hruska
- One (1) by Olmsted County – Commissioner and County Board Chairman Jim Bier
- One (1) by Mayo Clinic – Mr. William George

- **The Economic Development Agency (EDA):** is a private nonprofit corporation, the purpose of which is to provide services to the DMCC board to develop, plan and implement the DMC strategies. Under statute, Mayo Clinic will incorporate the entity, made up of a Board of Directors which will include members of the medical community, the City and the County. The EDA services and related costs will be approved by the DMCC board and managed through a contract between the DMCC and EDA.

Primary Functions of the EDA:

The EDA will contract with the DMCC to provide services for the purpose of developing and marketing the DMC, including:

- Facilitating private investment through development of a comprehensive marketing program to global interests;
- Developing and updating the criteria for evaluating and underwriting development proposals;
- Drafting and implementing the development plan, including soliciting and evaluating proposals for development and evaluating and making recommendations to the DMCC board and the City regarding those proposals;
- Providing transactional services in connection with approved projects;
- Developing patient, visitor, and community outreach programs for a destination medical center development district;
- Working with the corporation to acquire and facilitate the sale, lease, or other transactions involving land and real property;
- Seeking financial support for the corporation, the city, and a project;
- Partnering with other development agencies and organizations, the City, and the County in joint efforts to promote economic development and establish a destination medical center;
- Supporting and administering the planning and development activities required to implement the development plan;
- Preparing and supporting the marketing and promotion of the medical center development district;
- Preparing and implementing a program for community and public relations in support of the medical center development district;
- Assisting the corporation or city and others in applications for federal grants, tax credits, and other sources of funding to aid both private and public development;
- Making other general advisory recommendations to the DMCC and the City, as requested.

EDA Board of Directors:

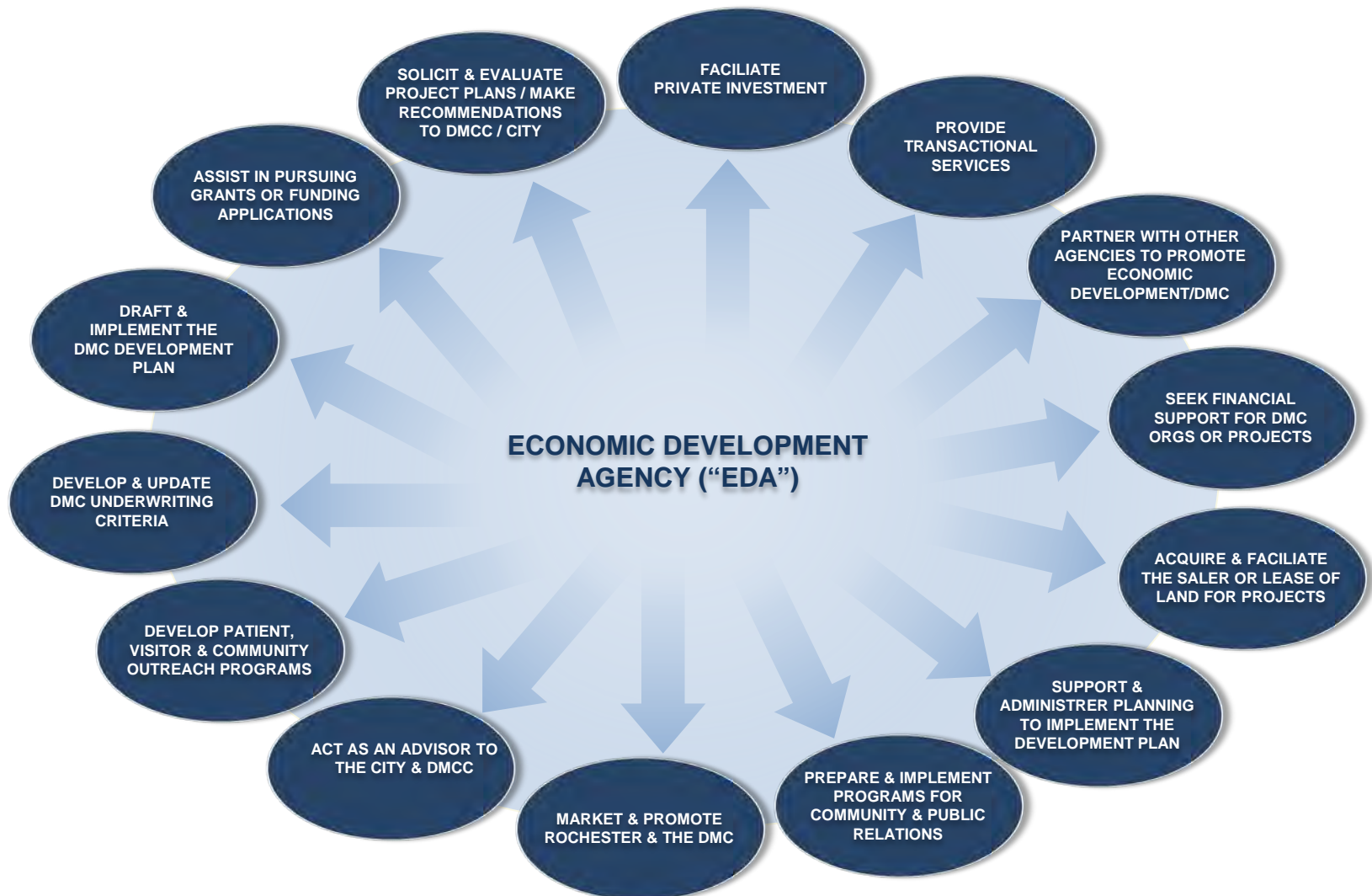
Mayo Clinic is in the process of finalizing the structure for the EDA Board of Directors.



LEGISLATIVE OVERVIEW

SUMMARY OF LEGISLATION

This role of the EDA is to serve as staff to the DMCC to facilitate planning and the execution of the DMC strategies. A summary of the thirteen primary functions of the DMCC are included below. The detailed description of these functions is included on the preceding page.



- **STAKEHOLDER ROLES.** In addition to participation in the entities that are charged with executing the DMC, the primary stakeholders of the DMC will perform on-going functions to advance the DMC Development Plan and strategies. These are outlined below.

State of Minnesota

- Appoints the majority of DMCC board members
- Approves and funds state aid payments through its budget process to support state portion DMC General Aid Funding
 - DEED certification of private investment required prior to funding of state aid payments
- State will monitor DMC progress through annual reports provided to it by DMCC

Mayo Clinic

- Appoints a member to the DMCC board
- Appoints the EDA Board and remains involved to help guide strategic initiatives of DMC
- Primary driver of private investment, visitation and employment in the market

City of Rochester

- Incorporates the DMCC, Appoints two members to the DMCC board
- Works with the DMCC, EDA and Olmsted County to establish the DMC Development Plan and identify Projects
- Approves the Development Plan and project funding requests after DMCC approval
- In coordination with DMCC, EDA and Olmsted County, City will perform the following services:
 - **City Planning:** Completes City Comprehensive Plan, identifies local infrastructure projects
 - **Project Management, Maintenance & Operations:** Oversees construction, maintenance and operations of approved public works projects
 - **Projects Entitlements:** Reviews and approves project for entitlement purposes in accordance with the City's established process
 - **Public Finance:** Issues all bonds and PAYGO notes for DMC project financings

Olmsted County

- Appoints a member to the DMCC board
- Collaborates with DMCC, EDA and City to plan for, and identify, regional transportation projects to support DMC
- Executes the strategies related to approved regional public works and/or transit projects
- Responsible for approving and implementing a sales tax levy to pay for the local share of transportation projects

- The DMC law authorizes state, city and county funding totaling \$585 million for public infrastructure projects over a 20 year period
- A development plan (“Development Plan”) will be established by the EDA and approved by the DMCC board and the City that will, among other things, establish the overall objectives, strategies and targeted funding for the DMC project. One or more Development Districts will be created as part of the Development Plan that will define the boundaries within which expenditures may be made.
- Project funding will be made available after the following, threshold investments are made by the private sector:
 - An initial \$200 million is made by Mayo Clinic, anywhere within Rochester, and the private sector, within a defined Development District. Investments made after June 31, 2013 will be counted. Investments will be reported to the DMCC and certified through DEED.
 - On-going investments by Mayo Clinic and the private sector, which will be certified through DEED on an annual basis.
- “Public Infrastructure Projects” include project(s) that are financed in part or in whole with public money under the Development Plan:
 - Acquire real property and other assets associated with the real property;
 - Demolish, repair, or rehabilitate buildings;
 - Remediate land and buildings as required to prepare the property for acquisition or development;
 - Install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and associated improvements, landscaping, façade construction and restoration, wayfinding and signage, and other components of community infrastructure;
 - Acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit; install, construct or reconstruct, furnish, and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, broadcast and related multimedia infrastructure;
 - Make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site improvements to support the destination medical center development district;
 - Prepare land for private development and to sell or lease land;
 - Costs of providing relocation benefits to occupants of acquired properties;
 - Construct and equip all or a portion of one or more suitable structures on land owned by the city for sale or lease to private development; provided, however, that the portion of any structure directly financed by the city as a public infrastructure project must not be sold or leased to a medical business entity.



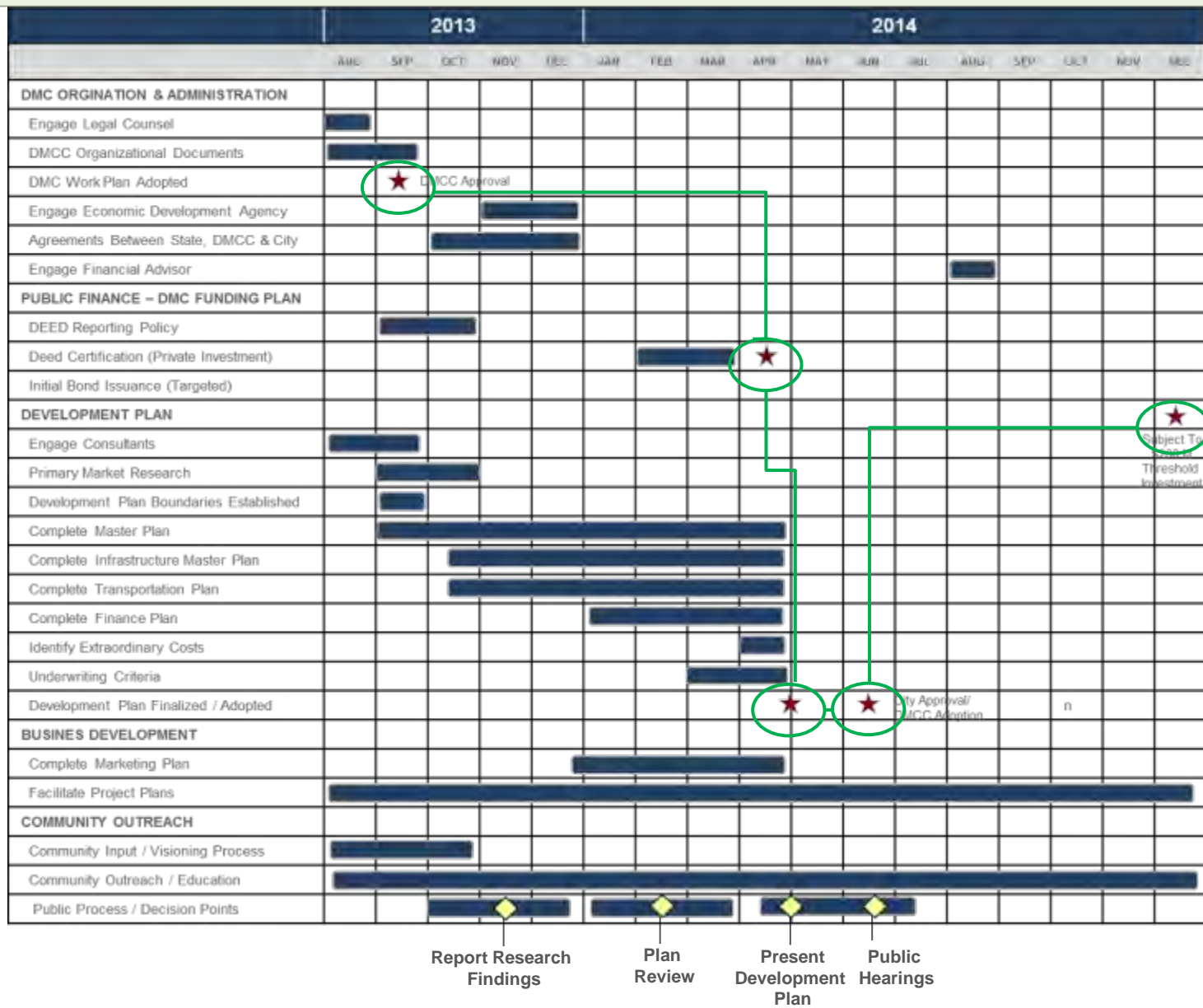
NEXT STEPS





NEXT STEPS

MAJOR MILESTONES IN PLANNING PROCESS





Articles/Bylaws

RESOLUTION

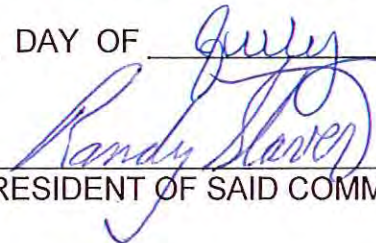
BE IT RESOLVED by the Common Council of the City of Rochester that the City approve and adopt the attached Articles of Incorporation establishing the Destination Medical Center Corporation.


BE IT FURTHER RESOLVED that the City adopt the attached Bylaws for the Destination Medical Center Corporation as a draft and submit them to the Destination Medical Center Corporation Board of Directors, upon its formation, for the Board's consideration.

BE IT FURTHER RESOLVED that the City request the Board of Directors, following its review of the draft Bylaws, to submit any proposed amendments to the City for approval prior to final adoption of the Bylaws.

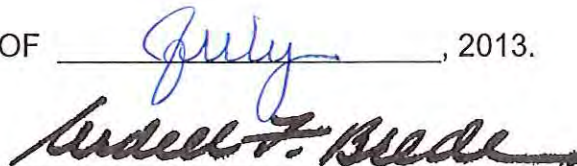
The Mayor is authorized and directed to execute the Articles of Incorporation as the Incorporator. The City Attorney is authorized to file the Articles of Incorporation with the Minnesota Secretary of State.

PASSED AND ADOPTED BY THE COMMON COUNCIL OF THE CITY OF
ROCHESTER, MINNESOTA, THIS 15th DAY OF July, 2013.


PRESIDENT OF SAID COMMON COUNCIL

ATTEST: 
DEPUTY CITY CLERK

APPROVED THIS 16th DAY OF July, 2013.


MAYOR OF SAID CITY

(Seal of the City of
Rochester, Minnesota)

ARTICLES OF INCORPORATION
OF
DESTINATION MEDICAL CENTER CORPORATION

The undersigned, City of Rochester Mayor, acting in his official capacity, adopts the following Articles of Incorporation for the purpose of forming a corporation under Minnesota Statutes Chapter 317A:

ARTICLE I

Name

The name of the Corporation is Destination Medical Center Corporation (the "Corporation").

ARTICLE II

Purpose and Activities

The Corporation is established by the City of Rochester (the "City") pursuant to Minnesota Statutes Section 469.41, subdivision 1, and is organized and shall be operated exclusively for charitable purposes within the meaning of Sections 170(c)(1) and 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Within the limitations established by the preceding sentence, the Corporation is organized and shall be operated exclusively for the benefit of, to perform the functions of, and to carry out the purposes of its beneficiary organization, the City. In carrying out the purposes enumerated in this Article II, the Corporation shall lessen the burdens of the City by providing the City with expertise in preparing and implementing the development plan to establish the City as a destination medical center; perform certain essential government functions, within the meaning of Code Section 115, including stimulating economic growth and reducing unemployment; and do any and all other acts and things and exercise any and all other rights and powers which may be reasonably necessary, incidental, desirable or expedient in the accomplishment of such purposes.

ARTICLE III

Powers

The Corporation shall have those powers which are required by, and are consistent with, the provisions of Minnesota Statutes Sections 469.40 to 469.67 and the purposes enumerated in Article II above. Within those limitations, the Corporation may act on its own behalf or as the agent, trustee or representative of others; acquire or receive property of every kind by any legal means; hold, manage, use and dispose of any property and the income generated by it to further any of the purposes of the Corporation; lease, mortgage or encumber any such property; and

exercise any other powers conferred on the Corporation by Minnesota Statutes Chapter 317A and by any future laws amendatory thereof and supplementary thereto.

ARTICLE IV
Restrictions

Notwithstanding any other provisions of these Articles of Incorporation (“Articles”), the restrictions in this Article shall govern the activities of the Corporation.

The Corporation shall not engage in any activity which may not be carried on by (a) an organization which is exempt from federal income taxation under Section 501(a) of the Code by virtue of being described in Section 501(c)(3) of the Code, or (b) an organization contributions to which are deductible under Section 170(c)(1) of the Code.

The Corporation shall not directly or indirectly afford pecuniary gain, dividends or other pecuniary remuneration, incidentally or otherwise, to its directors or officers, and no part of the net earnings of the Corporation shall inure directly or indirectly to the benefit of any private individual, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and goods received, to provide indemnification and pay premiums for insurance protection without reimbursement to the full extent permitted or required by applicable law, and to make payments and distributions in furtherance of the purposes set forth in Article II of these Articles.

The Corporation shall not, as a substantial part of its activities, attempt to influence legislation by propaganda or otherwise. The Corporation shall neither directly nor indirectly participate in or intervene in any political campaign on behalf of, or in opposition to, any candidate for public office, whether by the publishing or distributing of statements or otherwise.

Except as permitted by applicable law, the Corporation shall not lend any of its assets to any officer, director or member of the Corporation or guarantee to any other person the payment of a loan by any officer, director or member of the Corporation.

ARTICLE V
Registered Office

The Corporation’s registered office in the state shall be located at 201 4th Street SE, Rochester, Minnesota 55904.

ARTICLE VI
Board of Directors

The management and direction of the business and affairs of the Corporation shall be vested in a Board of Directors. As authorized by Minnesota Statutes Section 317A.201, the Board of Directors shall be composed of eight directors appointed as provided in Minnesota Statutes Section 469.41, subdivision 2. Specifically, the composition of the Board of Directors shall be as follows:

- (a) The Mayor of the City, or the Mayor's designee, subject to approval by the City Council;
- (b) The City Council President, or the City Council President's designee, subject to approval by the City Council;
- (c) The Chair or another member of the County Board of Olmsted County, appointed by the County Board;
- (d) A representative of Mayo Clinic appointed by Mayo Clinic; and
- (e) Four directors appointed by the Governor of Minnesota, subject to confirmation by the Minnesota Senate.

The Bylaws of the Corporation shall specify the terms of office, powers and duties of the directors of the Corporation, the time and place of their meetings, and such other regulations relating to the Board of Directors as may be desired.

ARTICLE VII
Incorporator

The name and address of the incorporator of the Corporation is:

Ardell F. Brede
City of Rochester Mayor
Room 281, City Hall
201 4th Street SE
Rochester, MN 55904

ARTICLE VIII
No Personal Liability

The officers, directors and members of the Corporation shall not be personally liable for the payment of any debts or obligations of the Corporation, nor shall any property of any officer, director or member be subject to the payment of the debts or obligations of the Corporation.

ARTICLE IX
Beneficiary Organization

The sole member of the Corporation as defined in Minnesota Statutes Section 317A.011 subdivision 12 shall be its beneficiary organization, the City. To ensure the Corporation continues to operate for the sole benefit of its beneficiary organization, the following actions of the Corporation are valid only upon receiving City approval:

- (a) Amendment of the Articles or Bylaws of the Corporation;
- (b) Incurrence of long-term debt;
- (c) Mortgage or encumbrance of any assets of the Corporation;
- (d) Sale, lease or other disposition of all or substantially all of its property and assets;
- (e) Voluntary dissolution;
- (f) Purchase or acquisition of all or substantially all of the assets of another entity;
- (g) Loan of money or other assets or guarantee the obligations of any person or entity;
- (h) Approval of annual operating budgets, annual or long-range capital budgets, and non-budgeted contracts entered into over \$100,000;
- (i) Approval of the development plan, as defined in Minnesota Statutes Section 469.40, subdivision 6; and
- (j) Approval of public infrastructure projects proposed to it by the Corporation.

The Bylaws of the Corporation shall specify the additional powers and duties of the member of the Corporation, the circumstances and manner in which a membership may be terminated and additional members may be appointed and such other regulations with regard to members as desired.

ARTICLE X
Amendments

The Corporation's Articles or Bylaws may be altered, amended or restated by the Board of Directors to omit or include any provision which could be lawfully omitted or included at the time of such amendment (including without limitation provisions permitted to be omitted or included by Minnesota Statutes Sections 469.40 through 469.47), provided that City shall approve all such amendments before the same shall become effective. Any number of amendments, or an entire revision or restatement of the Articles or Bylaws, may be voted upon at a meeting of the Board of Directors where due notice of the proposed amendment has been given

and shall be adopted upon the affirmative vote of not less than two-thirds (2/3) of all directors entitled to vote on the proposed amendment or revision and upon the approval of the City.

ARTICLE XI
Dissolution

The Corporation may be dissolved in accordance with the laws of the State of Minnesota. Upon dissolution of the Corporation, the Board or the officers acting under the direction of the Board, shall distribute the assets of the Corporation in the following order of priority: (1) assets received and held for a special use or purpose in accordance with the uses and purposes for which the assets have been received and held; (2) costs and expenses of the dissolution proceedings, including attorney fees and disbursements, and (3) debts, obligations, and liabilities of the Corporation. Any property remaining after the payment of its debts shall be transferred to the City for exclusively public purposes. No provision of these Articles shall be construed to affect the disposition of property held by the Corporation upon trust or other condition, and upon dissolution of the Corporation, such property shall be transferred in accordance with the trust or condition imposed with respect to it.

The undersigned has signed these Articles of Incorporation on this 22nd day of July, 2013.



Ardell F. Brede, Incorporator

BYLAWS
OF
DESTINATION MEDICAL CENTER CORPORATION

Effective: _____

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BYLAWS
OF
DESTINATION MEDICAL CENTER CORPORATION

ARTICLE I

Offices

Section 1. Registered Office. The registered office of Destination Medical Center Corporation (the “**Corporation**”) in the State of Minnesota shall be as stated in the Articles of Incorporation of the Corporation (the “**Articles**”), or such other place within the State as the Board of Directors may designate from time to time.

Section 2. Principal Office. The principal office of the Corporation shall be at 201 4th Street Southeast, Rochester, Minnesota 55904, or at such other place as the Board of Directors shall designate from time to time. The business of the Corporation shall be transacted from the principal office, and the records of the Corporation shall be kept there.

Section 3. Other Offices. The Corporation may have such other offices within and without the State of Minnesota as the Board of Directors may determine.

ARTICLE II

Board of Directors

Section 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. In addition to the powers conferred upon the Board of Directors by these Bylaws, the Board of Directors may exercise all powers of the Corporation and perform all acts which are not inconsistent with the provisions of Minnesota Statutes Sections 469.40 through 469.47 and not otherwise prohibited to it by law, by the Articles or by these Bylaws, all as may be amended.

Section 2. Number and Composition. As required by the Articles of the Corporation and Minnesota Statutes Section 469.41, subdivision 2, the Board of Directors of the Corporation shall be composed of eight (8) members (each, a “**Director**”), as follows:

(a) The Mayor of the City of Rochester (the “**City**”) or the Mayor’s designee, subject to approval by the City Council;

(b) The City Council President or the President’s designee, subject to approval by the City Council;

(c) The Chair or another member of the County Board of Olmsted County (the "County") appointed by the County Board;

(d) A representative of Mayo Clinic appointed by Mayo Clinic; and

(e) Four (4) members appointed by the Governor of Minnesota, subject to confirmation by the Minnesota Senate.

Section 3. Qualifications. Directors may only be natural persons and a majority of Directors must be adults. Each Director shall demonstrate his or her willingness to accept responsibility for governance and his or her availability to participate actively in governance activities. Except for the Director appointed by Mayo Clinic, a Director must not be a director, officer, or employee of Mayo Clinic, or any Mayo Clinic subsidiary or affiliated entity. No Director may serve as a lobbyist, as defined under Minnesota Statutes Section 10A.01, subdivision 21. No vacancy in the number of or classifications of Directors (including appointees or designees of the mayor of the City, the City Council, the Olmsted County Board, Mayo Clinic, or the governor of Minnesota) on the Board of Directors shall, by itself, render any Board action void or voidable.

Section 4. Appointment and Term of Office. Directors appointed pursuant to Section 2, paragraphs (a) through (c) of this Article III shall each serve for a term coterminous with the term of office of the elected official who either serves as the Director or designates the Director, as applicable. Such Directors may be reappointed. The Director appointed by Mayo Clinic pursuant to Section 2, paragraph (d) of this Article III shall serve for a one-year term, which shall be automatically renewed unless otherwise designated at the pleasure of Mayo Clinic. Two (2) of the Directors first appointed by the governor pursuant to Section 2, paragraph (e) of this Article III shall serve until the first Tuesday after the first Monday in January 2017; and two (2) of the Directors first appointed by the governor shall serve until the first Tuesday after the first Monday in January 2020. Thereafter, the Directors appointed by the governor shall serve six-year terms.

Section 5. Vacancy. The office of a Director shall become vacant upon a Director's removal pursuant to Section 6 of this Article III or upon the occurrence of any of the following events prior to the expiration of the term of the Director's office:

(a) the death of the Director or, as applicable, the elected official who designated the Director;

(b) the resignation of the Director or, with respect to an elected official who designated the Director or who is serving as Director, the resignation of the elected official from the office held;

(c) the removal of the Director or, with respect to an elected official who designated the Director or who is serving as Director, the removal of the elected official from the office held;

(d) with respect to an elected official who designated the Director or who is serving as Director, the elected official's ceasing to be an inhabitant of the state, or, if the office is local, of the district, county or city for which the incumbent was elected or appointed, or within which the duties of the office are required to be discharged;

(e) the conviction of the Director or the elected official who designated the Director of any infamous crime or, as applicable, of any offense involving a violation of the official oath;

(f) with respect to an elected official who designated the Director or who is serving as Director, the elected official's refusal or neglect to take the oath of office, or to give or renew the official bond, or to deposit or file such oath or bond within the time prescribed;

(g) with respect to an elected official who designated the Director or who is serving as Director, the decision of a competent tribunal declaring the elected official's election or appointment void.

A vacancy in the office of a Director shall be filled by the appointing authority that appointed such Director for the balance of the term in the same manner as the regular appointment.

Section 6. Removal of Directors.

(a) By the Board of Directors. A Director of the Corporation may be removed by the Board of Directors for inefficiency, neglect of duty, or misconduct in office. A Director may be removed by the Board of Directors only after a hearing of the Board. A copy of the charges must be given to the Director at least ten (10) days before the hearing. The Director must be given an opportunity to be heard in person or through representation of counsel at the hearing. When written charges have been submitted against a Director, the Board may temporarily suspend the Director. If the Board finds that those charges have not been substantiated, the Director must be immediately reinstated. If a Director is removed, a record of the proceedings, together with the charges and findings, must be filed with the office of the appointing authority.

(b) By the Appointing Authority. A Director may be removed with or without cause by the appointing authority that appointed such Director by giving written notice of the removal to the Director being removed and the Secretary of the Corporation. Such removal shall be effective upon delivery, unless a later date is specified in the notice.

Section 7. Resignation. Any Director may resign at any time by giving written notice of such resignation to the Secretary of the Corporation. Such resignation shall be effective upon delivery, unless a later date is specified in the notice.

Section 8. Status as Public Official. A Director of the Corporation is a public official, as defined in Minnesota Statutes Section 10A.01, subdivision 35.

Section 9. Compensation. Directors shall be compensated as provided in Minnesota Statutes Section 15.0575, subdivision 3. For the purposes of this Section 9, the Director

appointed by Mayo Clinic shall be treated as if an employee of a political subdivision. All money paid for compensation or reimbursement must be paid out of the Corporation's budget.

Section 10. Fiduciary Duties of Directors. A Director shall discharge the duties of the position of Director in good faith, in a manner the Director reasonably believes to be in the best interests of the Corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person who so performs those duties is not liable by reason of being or having been a Director of the Corporation.

In discharging his or her duties, a Director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

- (a) one or more officers or employees of the Corporation whom the Director reasonably believes to be reliable and competent in the matters presented;
- (b) counsel, public accountants, or other persons as to matters that the Director reasonably believes are within the person's professional or expert competence; or
- (c) a committee of the board upon which the Director does not serve, as to matters within its designated authority, if the Director reasonably believes the committee to merit confidence.

A Director may not rely on such information, reports, or statements if the Director has actual knowledge concerning the matter in question that makes the reliance unwarranted.

A Director is not considered to be a trustee with respect to the Corporation or with respect to property held or administered by the Corporation, including without limit, property that may be subject to restrictions imposed by the donor or transferor of the property.

ARTICLE III

Meetings of the Board of Directors

Section 1. Open Meeting Law; Data Practices. Meetings of the Board of Directors of the Corporation and any committee or subcommittee of the Board of Directors are subject to the Minnesota Open Meeting Law, Minnesota Statutes Chapter 13D. The Corporation is a government entity for purposes of the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13.

Section 2. Place and Time of Meetings. Within the limitations set forth in this Article IV, the Board of Directors may hold its annual, regular and special meetings at such times and at such places within the City as determined by the Chair of the Board of the Corporation or his or her designee unless the Board of Directors determines otherwise.

Section 3. Regular Meetings. The Board of Directors shall hold regular meetings pursuant to a schedule determined by the Chair of the Board, or his or her designee. At each regular meeting, the Board of Directors shall conduct such business as may properly come before the meeting. A schedule of the regular meetings of the Corporation shall be kept on file at its

primary offices. If the Corporation decides to hold a regular meeting at a time or place different from the time or place stated in its schedule of regular meetings, it shall give the same notice of the meeting that is provided for a special meeting of the Corporation.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by: (a) the Chair of the Board, or (b) upon written request of any two (2) or more Directors of the Corporation. A person entitled to call a special meeting of the Board of Directors may make a written request to the Secretary to call the meeting. The Secretary shall give or cause to be given notice of the meeting in the manner provided in Section 6, below. If the Secretary fails to give notice of the meeting within three (3) days from the day on which the request was received by the Secretary, the person or persons who requested the special meeting may fix the time and place of meeting, and give notice thereof.

Section 5. Emergency Meetings. An “emergency” meeting is a special meeting called because of circumstances that, in the judgment of the Board of Directors, require immediate consideration by the Board. The Board of Directors may hold emergency meetings under the circumstances and in accordance with the procedures described in Minnesota Statutes Section 13D.04, subdivision 3.

Section 6. Notice of Meeting.

(a) To Directors. Not less than five (5) days’ written notice of a regular meeting and three (3) days’ written notice of a special meeting of the Board of Directors, excluding the day of the meeting, shall be given to all Directors. Notice of an emergency meeting shall be given as soon as possible. No notice of any meeting need state the purpose of the meeting except as may be specifically required by these Bylaws or otherwise required by law, including without limitation the Minnesota Open Meeting Law. Notice of a meeting at which an amendment to the Articles of the Corporation will be proposed must contain the substance of the proposed amendment.

Notice shall be delivered personally, sent by facsimile communication, sent by electronic mail, posted on an electronic network together with a separate notice to the Director of the specific posting, mailed, first class, postage prepaid, or such other methods as are fair and reasonable as determined in the sole discretion of the Secretary of the Corporation. Whenever written notice to Directors provides less than five (5) days’ prior written notice of the meeting, excluding the date of the meeting, reasonable effort shall be made to notify Directors by telephone of the meeting at the time of giving written notice, but the failure to contact any Director(s) by telephone shall not affect the validity of the meeting or any action taken at such meeting.

Notwithstanding the foregoing, and except as otherwise provided by the Minnesota Open Meeting Law, no written notice of any meeting of the Board of Directors is required if the date, time and place of the meeting was announced at a previous meeting of the Board. Any Director may waive notice of any meeting of the Board of Directors in writing before, at or after a meeting. The attendance of a Director

at any meeting shall constitute a waiver of notice of such meeting, unless he or she objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate in the meeting. The waiver shall be filed with the person who has been designated to act as secretary of the meeting, who shall enter the waiver upon the records of the meeting. If a Director receives actual notice of a meeting of the Board of Directors at least 24 hours before the meeting, all notice requirements of this Section 6(a) are satisfied with respect to that Director, regardless of the method of receipt of notice.

(b) To the Public. A regular meeting of the Board of Directors of the Corporation held pursuant to the schedule of regular meetings kept at the primary offices of the Corporation does not require additional notice to the public; however, the Corporation shall post an agenda for all such meetings on its principal bulletin board, or if the Corporation has no principal bulletin board, on the door of its usual meeting room, prior to the regularly scheduled meeting. The failure to include an agenda item in the posted agenda shall not prevent action from being taken with respect to such item.

For a special meeting, except an emergency meeting or a special meeting for which a notice requirement is otherwise expressly established by statute, the Corporation shall post written notice of the date, time, place, and purpose of the meeting, as well as an agenda for the meeting, on the principal bulletin board of the Corporation, or if the Corporation has no principal bulletin board, on the door of its usual meeting room. The failure to include an agenda item in the posted agenda shall not prevent action from being taken with respect to such item. The notice shall also be mailed or otherwise delivered to each person who has filed a written request for notice of special meetings with the public body. This notice shall be posted and mailed or delivered at least three days before the date of the meeting. As an alternative to mailing or otherwise delivering notice to persons who have filed a written request for notice of special meetings, the Corporation may publish the notice once, at least three (3) days before the meeting, in a qualified newspaper of general circulation within the area of the Corporation's authority.

For an emergency meeting, the Corporation shall make good faith efforts to provide notice of the meeting to each news medium that has filed a written request for notice if the request includes the news medium's telephone number. Notice of the emergency meeting shall be given by telephone or by any other method used to notify the Directors of the Corporation. Notice shall include the subject of the meeting. Posted or published notice of an emergency meeting is not required.

If a person receives actual notice of a meeting of the Corporation at least 24 hours before the meeting, all notice requirements of this Section 6(b) are satisfied with respect to that person, regardless of the method of receipt of notice.

(c) Closed Meetings. The notice requirements of this Section 6 apply to closed meetings.

Section 7. Closing a Meeting. The Board may close a meeting to evaluate the performance of an individual who is subject to its authority, including but not limited to

employees of the Corporation, or as otherwise permitted by Minnesota Statutes Section 13D.05, subdivision 3. If a meeting is closed to evaluate the performance of an individual, prior to closing the meeting, the Chair shall identify the individual to be evaluated and at the next open meeting, the Chair shall summarize the Board's conclusions regarding the evaluation; provided, however, that the meeting must be open at the request of the individual who is the subject of the meeting. The Board shall close a meeting if expressly required by law or to discuss information that would identify alleged victims or reporters of criminal sexual conduct, domestic abuse, or maltreatment of minors or vulnerable adults, active investigation data as defined in Minnesota Statutes Section 13.82, or any other data classified as not public if required by Minnesota Statutes Section 13D.05, subdivision 2(a). The Board shall also close a meeting for preliminary consideration of allegations or charges against an individual subject to its authority; provided, however, that if the Board determines discipline may be warranted as a result of such allegations or charges, further meetings related to such allegations or charges shall be open, and all meetings related to such allegations or charges shall be open at the request of the person who is the subject of such allegations or charges. Before closing a meeting, the Board shall state on the record the specific grounds permitting the meeting to be closed and describe the subject to be discussed.

Section 8. Quorum and Voting. The presence of six (6) Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but the Directors present at any meeting, although less than a quorum, may adjourn the meeting from time to time. Participation in a meeting by remote communication pursuant to Section 12 below, if permitted by the Minnesota Open Meeting Law, constitutes presence at a meeting. At any meeting of the Board of Directors, except as otherwise provided in the Articles or these Bylaws, each Director present at the meeting shall be entitled to cast one (1) vote on any question coming before the meeting. Except as otherwise provided in these Bylaws, a majority vote of the Directors present at any meeting at which a quorum is established, shall be sufficient to transact any business. Proxy voting is not permitted.

Section 9. Minutes. The minutes of meetings of the Board shall record all votes taken at the meeting. The minutes shall record the vote of each Director on appropriations of money, except for payment of judgments and amounts fixed by statute. Minutes of Board meetings shall be open to the public during all normal business hours where records of the Corporation are kept.

Section 10. Public Copies of Directors' Materials. Unless a meeting is closed pursuant to Section 7, at least one copy of any printed materials relating to the agenda items of the meeting prepared or distributed by or at the direction of the Corporation or its employees and distributed at, before or available during the meeting to all Directors shall be available in the meeting room for inspection by the public while the Board considers their subject matter. This Section 10 does not apply to materials classified by law as other than public, or to materials relating to the agenda items of a closed meeting.

Section 11. Rules of Procedure. The Board of Directors may adopt or establish rules of procedure for conducting meetings provided such rules are not inconsistent with the Articles, these Bylaws or Minnesota law. In the absence of Board action the Chair of the Board may establish rules of procedure for conducting meetings provided such rules are not inconsistent with the Articles, these Bylaws or Minnesota law.

Section 12. Remote Communications for Board Meetings. If permitted by the relevant provisions of the Minnesota Open Meeting Law (Minnesota Statutes Sections 13D.015, 13D.02, 13D.021, as amended or replaced), one or more Directors may participate in a meeting of the Board of Directors by means of a conference telephone or other electronic means, in each case through which that Director, other Directors so participating, and all Directors present at the meeting can hear one another, and can hear all discussion and testimony.

ARTICLE IV

Officers

Section 1. Number and Election. The Corporation shall have the following officers: (a) a Chair of the Board; (b) a Secretary; (c) a Treasurer; and (d) an Assistant Treasurer. Subject to these Bylaws, the Board of Directors may also elect or appoint an Executive Director and one or more additional officers or assistant officers as it may deem convenient or necessary. Except as provided in these Bylaws and consistent with Minnesota Statutes Section 469.42, the Board of Directors shall fix the powers and duties of all officers. An officer shall hold office until his or her successor shall have been elected or until his or her prior death, resignation or removal from office as hereinafter provided.

Section 2. Removal and Vacancies. Any officer appointed by the Board of Directors shall hold office at the discretion of the Board of Directors and may be removed at any time, with or without cause, by a resolution approved by the affirmative vote of a majority of the Directors present. Any vacancy in an office of the Corporation appointed by the Board of Directors shall be filled by action of the Board of Directors. Any officer appointed by the Chair of the Board shall hold office at the discretion of the Chair of the Board and may be removed at any time, with or without cause, by the Chair of the Board. Any vacancy in an office of the Corporation appointed by the Chair of the Board shall be filled by the Chair of the Board.

Section 3. Chair of the Board. The Chair of the Board shall be elected annually by the Board of Directors from among the Directors appointed by the governor and shall hold office at the discretion of the Board. The Chair of the Board shall preside or appoint a designee to preside at meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors from time to time. In the event of vacancy in the office of Executive Director, the Chair of the Board shall exercise the duties of the Executive Director.

Section 4. Secretary. The Secretary shall be appointed by the Chair of the Board, and shall hold office at the discretion of the Chair of the Board. The Secretary may, but need not, be a Director of the Corporation. The Secretary shall be responsible for ensuring that all actions and the minutes of all proceedings of the Board of Directors are recorded in a book to be kept for that purpose, and shall be responsible for all documents and records of the Corporation, except those connected with the office of the Treasurer. He or she shall give or cause to be given any required notice of meetings of the Board of Directors, and shall mail to all Directors within thirty (30) days after each meeting copies of all said actions and minutes of said proceedings, and shall

perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 5. Treasurer. The Treasurer shall be elected annually by the Board of Directors from among the Directors and shall hold office at the discretion of the Board. Unless provided otherwise by a resolution adopted by the Board of Directors, the Treasurer shall ensure accurate financial records for the Corporation are kept; shall ensure that all moneys, drafts, and checks in the name of and to the credit of the Corporation are deposited in such banks and depositories as the Board of Directors shall designate from time to time; shall ensure that all notes, checks, and drafts received by the Corporation as ordered by the Board of Directors, are endorsed for deposit, making proper vouchers therefore; shall oversee the disbursement of corporate funds and checks and drafts in the name of the Corporation as ordered by the Board of Directors; shall render to the Chair of the Board and the Board of Directors, whenever requested, an account of all such officer's transactions as Treasurer and of the financial condition of the Corporation; shall file the Corporation's detailed financial statement with its Secretary at least once a year; shall be responsible for the acts of the Assistant Treasurer, and shall perform such other duties as may be prescribed by the Board of Directors from time to time. The Board of Directors may delegate the responsibilities of the Treasurer to the Assistant Treasurer of the Corporation, provided, however, that such individual(s) shall be subject to the oversight and control of the Treasurer. The Treasurer shall at all times retain the ultimate responsibility for the financial affairs of the Corporation.

Section 6. Assistant Treasurer. The Assistant Treasurer shall be appointed by the Chair of the Board, and shall hold office at the discretion of the Chair of the Board. The Assistant Treasurer may, but need not, be a Director of the Corporation. The Assistant Treasurer has the powers and duties of the Treasurer if the Treasurer is absent or incapacitated.

Section 7. Executive Director. The Executive Director, if any, shall be appointed by the Board of Directors and shall hold office at the discretion of the Board. The Executive Director shall not be a Director of the Corporation. Unless provided otherwise by a resolution adopted by the Board of Directors, the Executive Director shall have general active management of the business of the Corporation, shall see that all orders and resolutions of the Board of Directors are carried into effect, shall sign and deliver in the name of the Corporation any deeds, mortgages, bonds, contracts, or other instruments pertaining to the business of the Corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Articles, these Bylaws, or the Board of Directors to some other officer or agent of the Corporation, may maintain records of and certify proceedings of the Board of Directors, and shall perform such other duties as may from time to time be prescribed by the Board of Directors. The Executive Director shall have the general powers and duties generally vested in the office of a president of a nonprofit corporation and shall have such other powers and perform such other duties as the Board of Directors may prescribe from time to time.

ARTICLE V

Committees

Section 1. Committees. The Board of Directors may establish one or more committees of the Board or advisory committees, as may be specified in resolutions approved by the affirmative vote of a majority of all Directors. Committees of the Board shall have the authority of the Board of Directors in the management of the business of the Corporation to the extent provided in resolutions approved by a majority of all Directors. All committees, however, shall at all times be subject to the direction and control of the Board of Directors. Committee members must be natural persons.

Section 2. Ex Officio Member. The Chair of the Board shall be an *ex officio* member, without voting rights, of each committee of the Corporation.

Section 3. Technical Coordination and Advisory Committee. The Technical Coordination and Advisory Committee shall be an advisory committee of the Corporation and shall be composed of no more than fifteen (15) members. The Corporation, working with the City and the economic development agency (as defined in Minnesota Statutes Section 469.40, subdivision 9, hereinafter referred to as the “Agency”), is required by Minnesota Statutes Section 469.43 to prepare and adopt a development plan for the development of the City as a destination medical center. The Technical Coordination and Advisory Committee shall ensure effective communication and coordination among the Board, the City, and the Agency in the preparation of the development plan described in Minnesota Statutes Section 469.43; shall facilitate the implementation of the goals, objectives, strategies, and projects included in the development plan as described in Minnesota Statutes Section 469.43, subdivision 6; and shall provide guidance and input to the Board of Directors on any such other matters as requested by the Board or Chair of the Board from time to time. The members of the Technical Coordination and Advisory Committee shall be appointed by the Board and shall be composed of: (1) the Chair of the Board or his or her designee from among the Board or the Executive Director; (2) designated staff from and recommended by each of the following departments: City Administration, City Finance, City Public Works, City of Rochester/Olmsted County Planning, and other representatives of City Departments as determined by the City Administrator; (3) the County Administrator or his designee; and (4) representatives from the Agency staff as recommended by the Agency. The Technical Coordination and Advisory Committee shall meet at least once every 60 days, or more often as determined by the Chair of the Board or his or her designee serving on the Committee. The Technical Coordination and Advisory Committee, comprised primarily of city staff persons acting in an advisory capacity only and without any delegation of decision-making authority, is not subject to the Open Meeting Law.

Section 4. Executive Committee. The Executive Committee shall be a committee of the Board. The Chair, the Secretary and the Treasurer, and such other persons, if any, elected by the Board of Directors by resolution shall constitute the Executive Committee of the Board of Directors of the Corporation. A majority of members of the Executive Committee shall be Directors. The Executive Committee shall act only during intervals between meetings of the Board of Directors and shall at all times be subject to the control and direction of the Board of

Directors. During such intervals and subject to such control and direction, the Executive Committee shall have and may exercise all of the authority and powers of the Board of Directors in the management of the affairs of the Corporation, subject to such limitations as the Board of Directors may impose. Notwithstanding the foregoing sentence, the Executive Committee may not approve: (a) amendments to the Articles or Bylaws; (b) the development plan described in Minnesota Statutes Section 469.43; (c) project proposals as provided in Minnesota Statutes Section 469.41, subdivision 13; (d) annual reports required by Minnesota Statutes Section 469.43, subdivision 8; or (e) requests for bond financing of projects pursuant to Minnesota Statutes Section 469.44, subdivision 8.

Section 5. Committee Procedures. Committees of the Board are subject to and shall comply with the Minnesota Open Meeting Law to the same extent as the Board of Directors of the Corporation, and the provisions of these Bylaws shall apply to such committees and members thereof to the same extent they apply to the Board of Directors and Directors, including, without limitation, the provisions with respect to meetings and notice thereof, and voting, except that a quorum of a committee of the Board shall be established by the presence, in person or by remote communication, of a majority of the members of the committee. Advisory committees shall adopt such procedures as deemed appropriate by each such advisory committee, except as otherwise specifically provided in these Bylaws or resolutions of the Board of Directors. Each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors.

ARTICLE VI

Beneficiary Organization

Section 1. Member. The sole member of the Corporation shall be its beneficiary organization, the City. To ensure the Corporation continues to operate for the sole benefit of its beneficiary organization, the following actions of the Corporation are valid only upon receiving City approval:

- (a) Amendment of the Articles or Bylaws of the Corporation.
- (b) Incurrence of long-term debt;
- (c) Mortgage or encumbrance of any assets of the Corporation;
- (d) Sale, lease or other disposition of all or substantially all of its property and assets;
- (e) Voluntary dissolution;
- (f) Purchase or acquisition of substantially all of the assets of another entity;
- (g) Loan of money or other assets or guarantee the obligations of any person or entity.
- (h) Approval of annual operating budgets, annual or long-range capital budgets, and non-budgeted contracts entered into over \$100,000;
- (i) Approval of the development plan, as defined in Minnesota Statutes Section 469.40, subdivision 6; and

- (j) Approval of public infrastructure projects proposed to it by the Corporation.

Section 2. Member Powers. In addition to the powers set forth above in Section I, the City shall exercise all other powers reserved to members pursuant to the Corporation's Articles, these Bylaws, or Minnesota Statutes Chapter 317A, to the extent such powers are not inconsistent with Minnesota Statutes Sections 469.40 through 469.47.

Section 3. Actions by City as Member. The City shall evidence actions taken by it in its capacity as the member of the Corporation by executing and delivering to the Chair or Secretary of the Corporation a written instrument or instruments, signed by an authorized person of the City, setting forth the action taken and the applicable authorizations or directions from the City. The written action of the City is effective when the written instrument or instruments have been signed by an authorized person of the City, unless a different effective time is provided in the written instrument or instruments.

ARTICLE VII

Fiscal Matters

Section 1. Accounting Year. The accounting year of the Corporation shall be the calendar year.

Section 2. Contracts. The Corporation may contract for the services of the Agency, financial advisors, other consultants, agents, public accountants, legal counsel, and other persons needed to perform its duties and exercise its powers. The Corporation may contract with the City or County to provide administrative, clerical, and accounting services to the Corporation. Financial support of the Corporation by the City as provided in Section 469.44, subdivision 2, shall be pursuant to a contract with the City.

The Corporation must contract with the Agency for the services enumerated in Minnesota Statutes Section 469.43, subdivision 6, paragraph (a). The requirement to contract with the Agency does not limit the Corporation's authority to contract with other providers for the services.

The Board of Directors may authorize such officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be either general or confined to specific instances. Contracts and other instruments entered into in the ordinary course of business and within an approved budget may be executed by the Executive Director, if any, or, in the absence of the Executive Director or pursuant to a delegation by the Executive Director, by such officer designated to act in the place of or in the absence of the Executive Director, without specific Board of Directors authorization.

Section 3. Loans. No loans shall be contracted on behalf of the Corporation, and no evidence of indebtedness other than checks, drafts or other orders for payment of money issued in the ordinary course of business shall be issued in its name unless authorized by the Board of

Directors of the Corporation. Such authorization and approval may be general or confined to specific instances.

Section 4. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall be determined by resolution of the Board of Directors or by the Executive Director, if any, or Treasurer upon delegation by the Board of Directors.

Section 5. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors or the Executive Director, if any, or Treasurer upon delegation by the Board of Directors may select.

Section 6. Maintenance of Records; Audit. The Corporation shall keep at its registered office correct and complete copies of its Articles and Bylaws, accounting records, voting agreements, and minutes of meetings of the Board of Directors, and committees having any of the authority of the Board of Directors for the last six (6) years. All such other records shall be open to inspection upon the demand of any member of the Board of Directors of the Corporation, or as otherwise required by the Minnesota Government Data Practices Act. The City, in its capacity as the member of the Corporation, shall cause the books and records of account of the Corporation to be audited by the City's auditors at such times as it may deem necessary or appropriate.

Section 7. Corporate Seal. The Corporation shall have no corporate seal.

Section 8. Indemnification. Directors and officers of the Corporation shall be indemnified as provided by law.

ARTICLE VIII

Director Conflict of Interest

Members of the Board of Directors of the Corporation shall comply with Minnesota Statutes Sections 10A.07, 317A.255 and 469.41, subdivision 9, or any successor statutes with regard to Director conflicts of interest; and shall follow such procedures with respect to conflicts of interest as are consistent with the Corporation's status as an organization described in Code Section 501(c)(3). The Corporation may adopt a policy or policies that comply with the foregoing requirements.

ARTICLE IX

Amendments

These Bylaws may be altered, amended or restated as set forth in the Articles.

CERTIFICATION

The undersigned, as Secretary of Destination Medical Center Corporation, a Minnesota nonprofit corporation, hereby certifies that the foregoing Bylaws of the Corporation were adopted by the City as the beneficiary organization of the corporation on the ____ day of _____, 2013 and by resolution of the Board of Directors at a meeting held on the _____ day of _____, 2013.

Secretary

GP:3438540 v7



Insurance

REQUEST FOR COUNCIL ACTION

MEETING

DATE:

51
8-2-13

AGENDA SECTION: Consent Agenda/Organizational Business	ORIGINATING DEPT: Administration	ITEM NO. D-15
ITEM DESCRIPTION: Resolution Requesting Insurance Coverage for Destination Medical Center Corporation		PREPARED BY: Dale Martinson

Council approved the articles of incorporation for the Destination Medical Center Corporation (DMCC) at its July 15th regular meeting. As a separate legal entity, the DMCC needs its own insurance coverage and since it is an instrumentality of the City, we are initially responsible for providing for that coverage.

The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT) which provides most all of the City's property, liability, and vehicle coverage. LMCIT will provide coverage to instrumentalities of a member city which perform city functions (such as economic development, etc.) on behalf of the member city.

LMCIT requires a resolution of the member city's council authorizing the instrumentality (in this case, DMCC) to participate in LMCIT and receive coverage from them. The resolution further must state the City will be secondarily responsible for premiums or assessments owed to LMCIT.

The DMCC board may at some future date elect to find coverage elsewhere, but staff felt it important to have coverage in place as the Corporation begins.

COUNCIL ACTION REQUESTED:

Approve the attached resolution requesting the League of Minnesota Cities Insurance Trust accept Destination Medical Center Corporation in its coverage programs.

COUNCIL ACTION: Motion by: _____ Second by: _____ to:

RESOLUTION

WHEREAS, the League of Minnesota Cities Insurance Trust ("LMCIT") provides property, liability, automobile, and workers compensation insurance coverage to member cities; and,

WHEREAS, LMCIT will provide coverage to non-profit corporations which are instrumentalities of a member city; and,

WHEREAS, the City of Rochester is a member of LMCIT; and,

WHEREAS, the Destination Medical Center Corporation ("DMCC") is a non-profit corporation which as an instrumentality of the City of Rochester which provides the City with expertise in preparing and implementing the development plan establishing the City as a destination medical center; and,

WHEREAS, DMCC wishes to obtain coverage through LMCIT.

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of Rochester that the City hereby authorizes DMCC to participate in LMCIT.

BE IT FURTHER RESOLVED that the City of Rochester agrees to be secondarily responsible for any premiums, assessments, or other amounts which may now or in the future be owed by DMCC to LMCIT.

PASSED AND ADOPTED BY THE COMMON COUNCIL OF THE CITY OF

ROCHESTER, MINNESOTA, THIS 5th DAY OF August, 2013.

Randy Staver
PRESIDENT OF SAID COMMON COUNCIL

ATTEST: Valori Langseth
DEPUTY CITY CLERK

APPROVED THIS 5th DAY OF August, 2013.

Arnell F. Bueck
MAYOR OF SAID CITY

(Seal of the City of
Rochester, Minnesota)



Open Meeting Law



ROCHESTER

Minnesota

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TERRY L. ADKINS

City Attorney

201 4th Street SE, Room 247

Rochester, MN 55904-3780

(507) 328-2100

FAX #(507) 328-2727

OVERVIEW OF OPEN RECORDS AND OPEN MEETINGS LAWS APPLICABLE TO THE DESTINATION MEDICAL CENTER CORPORATION

I. MINNESOTA'S OPEN/PUBLIC RECORDS LAW

A. What are Public Records?

1. "All data collected, created, received, maintained or disseminated by any state agency, political subdivision or statewide system regardless of its physical form, storage media or conditions of use." Minn. Stat. §13.02, subd. 7.
2. This is a very broad definition. It covers not only the "typical" records in a government agency's possession, but also includes handwritten notes, drafts, photocopies, fax documents, microfilm, computer data, and electronic mail data.
3. With few exceptions, Email correspondence involving DMCC Board of Directors and anyone other than the DMCC's legal counsel is public data and, upon request, must be produced for inspection or copied.

B. What are *not* Public Records?

1. Unrecorded, mental impressions.
2. State Legislature's Records.
3. Judicial records.

C. General Requirements of the Law

1. **Here It Is! The Law's Basic Presumption:** All government documents are public and must be disclosed to the public for inspection and copying unless there is a state or federal law that says a specific document is not public.

D. Timeline

1. The government agency must respond to requests for copies of any other public record "**as soon as reasonably possible.**"
2. If the requested information is classified so that the requesting person is not entitled to access, the government agency must inform the person orally at the time of the request or in writing as soon as possible. The denial must cite the specific law on which the determination is based.

E. Costs

1. There is no cost associated with a request to "inspect" public data.
2. There is a cost associated with a request to "copy" public data.
3. For copies involving 100 or fewer pages, the cost cannot exceed .25

a page.

- F. Records Exempt from Public Disclosure or Inspection
 - 1. Majority of Public Employee Personnel Records (Section 13.43)
 - 2. Attorney Correspondence and Records (13.393)
 - 3. Elected Officials Correspondence (13.601)
 - 4. Security Information (13.37)
 - 5. Trade Secret Information (13.37)
 - 6. Real Property Appraisal Information (13.44)
 - 7. Certain Business Data (13.591)
 - 8. Housing and Redevelopment Data (13.59)

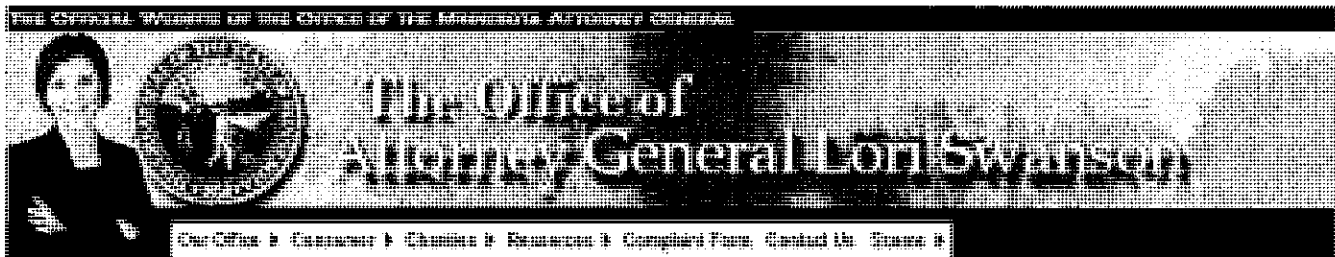
II. MINNESOTA'S OPEN MEETINGS LAW

- A. All meetings of the DMCC Board of Directors must be open to the public.
- B. "Open to the public" means:
 - 1. At least 72 hours advance notice of the meeting (unless it is a regularly scheduled meeting);
 - 2. Public access to the meeting;
 - 3. Public record of votes taken during the meeting; and
 - 4. Public access to meeting materials.
- C. DMCC Board of Directors may participate by way of a telephone in a Board of Directors' meeting if the DMCC is considered to be a "state agency, board, commission, or department." Because it is not entirely clear whether the DMCC meets this definition, the Board is encouraged to ask its legal

counsel for a definitive answer to this issue. For now, the Governor's legal counsel and the Rochester City Attorney agree that the DMCC Board has a sufficient number of state board "attributes" to allow it to use telephone conference calls.

- D. A meeting is defined to be a gathering of a quorum (six Board members) or more where the members discuss, decide, or receive information as a group on issues relating to the official business of the DMCC. Chance or social gatherings of a quorum are not considered meetings. However, a quorum may not, as a group, discuss or receive information on official business in any setting under the guise of a social gathering.
- E. Beware of the use of electronic communications involving a quorum of DMCC Board of Directors. The exchange of emails or other electronic media involving a quorum of the Board relating to DMCC official business may be considered a violation of the Open Meetings Law. Avoid "Reply All" like the plague!
- F. Exceptions to the Open Meetings Law are few in number.
 - 1. Labor negotiations strategy;
 - 2. Land appraisal and purchase considerations;
 - 3. Security briefings and reports;
 - 4. Evaluate the performance of, or preliminarily consider charges made against, an individual subject to its authority;
 - 5. Identification of victims or reporters of criminal sexual conduct, domestic abuse, maltreatment of adults or vulnerable adults;
 - 6. Attorney – client privilege.

- G. A meeting may not be closed simply because the public body will be considering private data.
- H. Penalties for Violations
 - 1. Personal Liability; \$300 fine
 - 2. Forfeiture of Office with third intentional violation
 - 3. Court may award costs, disbursements, and attorney's fees up to \$13,000
- I. Popular Misconceptions
 - 1. Open Meetings Law does not require the use of Robert's Rules of Order
 - 2. Open Meetings Law does not give the public the right to speak at a public meeting
 - 3. Open Meetings Law does not require meeting minutes or agendas.



More about
Attorney General
Lori Swanson

Fiduciary Duties of Directors of Charitable Organizations

Charities

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Minnesota Attorney General's Office

1400 Bremer
Tower
445 Minnesota
Street
St. Paul, MN
55101

(651) 296-3353
(800) 657-3787

M - F 8 am - 5 pm

TTY:(651) 297-
7206

TTY:(800) 366-
4812

A Guide for Board Members From the Office of Minnesota Attorney General

This Guide is provided by the Minnesota Attorney General's Office to assist board members with the important responsibilities assumed when they volunteer their time. It is only a guide and is not meant to prescribe exactly how board members must act in all situations. Each organization possesses a distinct composition and experiences different circumstances and outcomes. This guide is merely provided as a reference tool and outline to assist directors in performing their duties. It does not contain all of the provisions, exceptions, limitations and requirements of the law. For the exact requirements of the law, please refer to the source of the law itself. Many of the guidelines in this guide are taken from the Minnesota Nonprofit Corporation Act, located in Minnesota Statutes Chapter 317A. For more assistance, there are a number of resources in Minnesota that provide, at little or no cost, information, direct assistance and materials for charities, their officers and directors. A list of these resources can be obtained from the Minnesota Attorney General's Office, 1200 Bremer Tower, 445 Minnesota Street, St. Paul, MN 55101, telephone: (651) 296-3353 or 1-800-657-3787. TTY: (651) 297-7206 or 1-800-366-4812. Website: www.ag.state.mn.us

Upon request this material can be made available in alternative formats.

The Attorney General's Office has prepared this *Guide for Board Members* to help directors understand their responsibilities as stewards of their organizations. Under Minnesota law, directors of a Minnesota nonprofit corporation are responsible for the management of the business and affairs of the corporation. This does not mean that directors are required to manage the day to day activities of a corporation or to act in the role of an Executive Director. It does mean that directors must appoint officers and assign responsibilities to them so that the officers can effectively carry out the daily tasks of running the corporation. It also means that directors must supervise and direct the officers and govern the charity's efforts in carrying out its mission. In carrying out their responsibilities, the law imposes on directors the fiduciary duties of care, loyalty and obedience to the law. Minnesota courts have held that the law imposes the highest standard of integrity on the bearers of these duties.

Directors of Minnesota nonprofit corporations must discharge their duties in good faith, in a manner the director reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

To Exercise the Proper Duty of Care:

1. Active Participation. A director must actively participate in the management of the organization including attending meetings of the board, evaluating reports, reading minutes, reviewing the performance and compensation of the Executive

Director and so on. Persons who do not have the time to participate as required should not agree to be on the board.

2. Committees. Directors may establish committees having the authority of the board and may rely on information, opinions or reports of these committees. Committees operate subject to the direction and control of the board. As a result, directors are still responsible for the committees and should periodically scrutinize their work.

3. Board Actions. A director who is present at a meeting when an action is approved by the entire board is presumed to have agreed to the action unless the director objects to the meeting because it was not lawfully called or convened and doesn't participate in the meeting, or unless the director votes against the action or the director is prohibited from voting on the action because of a conflict of interest.

4. Minutes of Meetings. Written minutes should be taken at every board meeting. The minutes should accurately reflect board discussions as well as actions taken at meetings.

5. Books and Records. A director should have general knowledge of the books and records of the organization as well as its general operation. The organization's articles, bylaws, accounting records, voting agreements and minutes must be made available to members and directors who wish to inspect them for a proper purpose.

6. Accurate Record Keeping. A director should not only be familiar with the content of the books and records, but should also assure that the organization's records and accounts are accurate. This may mean the director must take steps to require regular audits by an independent certified public accountant. At the very least, the director should be aware of what the financial records disclose and take appropriate action to make sure there are proper internal controls.

7. Trust Property. A director has the duty to protect, preserve, invest and manage the corporation's property and to do so consistent with donor restrictions and legal requirements. Instituting proper internal controls will aid in the protection of assets.

8. Resources. A director must assist the organization in obtaining adequate resources to enable it to further its charitable mission.

9. Charitable Trusts. A trustee of a charitable trust has a higher standard of care than a director of a nonprofit corporation. A trustee has the duty to exercise the care an ordinary person would employ in dealing with that person's own property. A trustee with a greater level of skill must use that higher skill in carrying out the trustee's duties.

10. Investigations. A director has a duty to investigate warnings or reports of officer or employee theft or mismanagement. In some situations a director may have to report misconduct to the appropriate authorities, such as the police or the Attorney General. Where appropriate, a director should consult an attorney or other professional for assistance.

Traditionally, directors have an absolute duty of complete, undivided loyalty to the organization. This means that directors should avoid using their position or the organization's assets in a way which would result in pecuniary or monetary gain for them or for any member of their family. A director should put the good

of the organization first and avoid engaging in transactions with the organization from which the director will benefit.

To Exercise the Duty of Loyalty:

1. Conflicts of Interest. Under certain circumstances, a contract or transaction between a nonprofit corporation and its director or an organization in which the director has a material financial interest is acceptable. However, if the transaction is challenged, the director will have the burden of establishing that the contract or transaction was fair and reasonable, that there was full disclosure of the conflict and that the contract or transaction was approved by members or other directors in good faith.

2. Written Policy. Boards should establish a written policy on avoiding conflicts of interest.

3. Loans. A nonprofit corporation may not lend money to a director or the director's family members unless the loan or guarantee may reasonably be expected, in the judgment of the entire board, to benefit the corporation.

4. Charitable Trust. In charitable trusts, transactions which otherwise might constitute a conflict of interest are permissible if the conflict was clearly contemplated and allowed by the original settlor of the trust.

5. Corporate Opportunity. Directors of business organizations are under a fiduciary obligation not to divert a corporate business opportunity for their personal gain. A director of a nonprofit corporation is also subject to this duty. This duty means that a director may not engage in or benefit from a business opportunity that is available to and suitable for the corporation unless the corporation decides not to engage in the business opportunity and conflicts of interest procedures are followed.

6. Internal Revenue Code. Other prohibitions relating to the duty of loyalty are specified in the rules of the Internal Revenue Code regarding self-dealing. These rules apply to private foundations.

Directors have a duty to follow the organization's governing documents (articles of incorporation and bylaws), to carry out the organization's mission and to assure that funds are used for lawful purposes. Also, directors must comply with state and federal laws that relate to the organization and the way in which it conducts its business.

To Exercise The Duty of Obedience:

1. State and Federal Statutes. Directors should be familiar with state and federal statutes and laws relating to nonprofit corporations, charitable solicitations, sales and use taxes, FICA and income tax withholding, and unemployment and workers' compensation obligations. They should also be familiar with the requirements of the Internal Revenue Service. Directors should see to it that their organization's status with state and federal agencies is protected.

2. Filing Requirements. Directors must comply with deadlines for tax and financial reporting, for registering with the Attorney General, for making social security payments, for income tax withholding, and so on. Additionally, if an

organization is incorporated under the Minnesota Nonprofit Corporation Act, its directors have a duty to maintain its corporate status by submitting timely filings to the Secretary of State's Office.

3. Governing Documents. Directors should be familiar with their organization's governing documents and should follow the provisions of those documents. Directors should be sure proper notice is given for meetings, that regular meetings are held, that directors are properly appointed and that the organization's mission is being accomplished.

4. Outside Help. Where appropriate, directors should obtain opinions of legal counsel or accountants.



References



Rochester, Minnesota Community

Rochester, Minnesota, the state's third-largest city, has been frequently recognized by Money Magazine, since the 1980s, as one of the best places to live in the United States ranging from the best overall to the best in the Midwest.

Nestled in a valley, Rochester's skyline has a foreground of farm fields with tall buildings thrusting into the sky. Despite its cosmopolitan appearance, one of the favorable features marking the city's status as a great place to live is short commute times, an average of 14 minutes and the shortest of the nation's 300 largest cities.

Rochester, with a population of more than 100,000, isn't a tiny town. It encompasses nearly 40 square miles and 100 parks - that's nearly three city parks per square mile! - and continues to grow. In fact, it is one of the state's fastest-growing municipalities.

Minnesota has a reputation as a frozen northern state, but Rochester enjoys an average of 200 sunny days, an average summer high temperature of 84 degrees, and an average winter low of 3 degrees - hardly the frozen tundra.

If the weather does take a turn for the worse, the downtown core boasts what is probably the most extensive subway-skyway system for a city of Rochester's size in the nation.

Averaging 1.5 million visitors a year, largely attracted to Mayo Clinic for medical care, the city offers an extensive service industry. It also is a regional magnet for shoppers, drawing people from northern Iowa and southwestern Wisconsin.

During the summer, its farmers market brings together a wide range of producers, including those from Wisconsin and Iowa, offering a diverse selection of fresh produce, meats, and fish, many certified organic.

In addition to Mayo Clinic, the city's employers include a variety of high-tech companies, from a major IBM plant on the city's northwestern edge to medium-sized and small-sized producers of computer hardware and software.

Agri-business, including a cannery and three dairy processors, is big here, all fed by farms in the Rochester area.

There are a wide variety of places to go and things to do from art and artistry to the outdoors.

Education is important in Rochester. A fine school system offers quality primary and secondary education for youngsters, as do a number of parochial and private schools.

Higher education offerings range from vocational-technical classes to undergraduate and graduate college programs in a number of areas including education, health care, business, and engineering.

Why does Rochester continue to grow and prosper? Because it city offers so many things to so many people.

For more information about healthcare, entertainment, shopping, dining, moving or visiting in Rochester, Minnesota, go to www.rochestermn.com.

Rochester Area's Economy

Economy

Even in the face of a difficult U.S. economy, the Rochester area's business community remains strong. A steady increase in population within the Rochester MSA has resulted in the continual growth and diversification of the area's labor force. It is estimated that the Rochester MSA has access to a labor pool of some 150,000 people. Rochester also benefits from the 45 two-and four-year institutions of higher learning located within a 90-mile radius. Students enrolled in any one of these colleges or universities often seek employment opportunities within this region post-graduation.

Service businesses reign supreme in the Rochester area, a sector anchored by the Mayo Clinic - a state's largest employer, with 35,000 employees. Olmsted Medical Center is also a top employer with 1,000-plus employees. The service industry accounts for approximately 83 percent of the area's employment. Hospitality is the second-largest industry, followed by agriculture, which is represented by 1,400 working farms in Olmsted County. Education, government, retail and manufacturing also have a significant impact in the local economy, as does the technology and bio-business industries.

Technology

Several well-known technology-based businesses have chosen this Midwest region as their home, establishing Rochester as a major center for technology. IBM Rochester

stands as the area's second largest employer and the state's largest information technology employer. Rochester was chosen as the site for a new manufacturing, engineering and educational complex in 1956, occupying 3.6 million square feet, making it the largest IBM facility under one contiguous roof.

The main mission of IBM Rochester is to develop, manufacture and support IBM eServer business computers. Site employees also participate in software development for a number of IBM products, such as the Roadrunner - a product that earned recognition as the world's most powerful supercomputer. IBM Rochester continues its innovation streak, garnering the most U.S. patents of any company across the globe.

In addition to IBM, Rochester also hosts Benchmark Electronics, Inc., an electronics manufacturing services provider; Kardia Health Systems, a medical software and service provider, and Metafile Information System Inc., a developer of management software applications.

BioBusiness

With the presence of the Mayo Clinic, the Minnesota Partnership for Biotechnology and Medical Genomics, the University of Minnesota Rochester's Hormel Institute, IBM's Life Sciences Research and Development Lab and others, biobusiness is an industry poised for significant growth in Rochester. The Minnesota BioBusiness Center, an initiative of the city of Rochester and Rochester Area Economic Development, Inc. (RAEDI), has a mission to draw new biotechnology and medical jobs to Minnesota and the City of Rochester. The modern downtown-based facility was completed in early spring 2009 and is anchored by the Mayo Foundation for Medical Education and Research's Office of Intellectual Property.

Economic Development

Rochester Area Economic Development, Inc. (RAEDI) is an important resource for existing and potential businesses in the Rochester area. RAEDI works to attract new businesses, retain existing businesses and facilitate thoughtful growth and expansion in the Rochester area. In the last 10 years, the organization has assisted well over 100 businesses to develop and execute their business plans, has generated more than \$2 billion in new local economic activity and has created nearly 5,000 jobs. Services rendered through RAEDI include financial packaging, business planning, site location support and business and community advocacy.

RAEDI administers the RAEDI SEED/Venture Fund for qualifying businesses relocating, expanding or starting up in the Rochester area. The State of Minnesota also offers a number of development incentives, including Tax Increment Financing (TIF), Industrial Development Revenue Bonds, Minnesota Investment Fund, the Minnesota Investment Fund, the Minnesota Jobs Skills Partnership and the Jobz project. Other resources providing financial assistance for economic development in Rochester include the Initiative Foundation and Southeastern Minnesota 504 Development, Inc.

Workforce 2020

With an increasing population of baby boomers set to retire in the next few decades, the need to incorporate younger, high -skilled employees in those future vacated jobs becomes more evident. To remain competitive in the ever-changing global economy of today and tomorrow, these future leaders require innovative education and workforce development opportunities.

Workforce 2020 is an ambitious initiative, led by a coalition comprised of the Rochester Area Chamber of Commerce, Rochester Area Foundation, Rochester Area Economic Development, Inc., the Department of Employment and Economic Development, Inc., the Department of Employment and Economic Development and other community partners. This advanced community think tank researches and encourages the incorporation of new, pioneering ideas for education and workforce development.

The alliance is currently a participant in When Work Works, an initiative that responds to the challenges of an aging workforce by sharing research and best practice ideas for managing effectively and responsively. The Diversity In Business initiative promotes opportunities for women and minority-owned businesses, while the Business Learning Network encourages professional growth and offers tools for recruiting and retaining employees in the 21st century.

Workforce 2020 also invests in various educational strategies geared towards young students and teachers. Among the initiatives is First Steps, an early childhood education program; the STEM (Science, Technology, Engineering & Math) educational initiative, a program promoting advanced coursework in the said areas of study; Learn.Do.Earn., a web-based program designed to improve students' educational careers and better prepare them for college, employment and real world living; and the Educators In the Workplace Institute, a three-day workshop for area teachers created to instill a stronger connection between educators and local businesses.

Learn more about Workforce 2020 and its groundbreaking strategies online at www.rochestermnchamber.com.

More about the Rochester Area

The third largest industry in Olmsted County is agriculture. About 60 percent of the half-million acres in the county are farmland with nearly 1,400 working farms. Local agribusiness includes vegetable, milk and whey processing, and cheese and ice cream production.

Associated Milk Producers Inc., and Kemps LLC produce dairy products on a national scale and Pace Dairy Food Co. locally processes millions of pounds of cheese each year. Kemps, formerly Marigold Foods, is owned by HP Hood of Chelsea, Mass., the second-largest, full-line dairy processing company in the country. Combined sales exceed \$3 billion a year.

Vegetable packing, primarily peas and corn, provides hundreds of seasonal jobs each summer at Seneca Foods. About 97,000 acres is devoted to corn and grain production in the county. Service businesses, ranging from the enormous Mayo Clinic to tiny single-office firms, together accounted for 81 percent of the area's jobs in 2000.

The hospitality industry is another major economic force in the city. The city provides nearly 5,000 hotel rooms to serve the more than one million national and international visitors each year. The city can count nearly 150 manufacturing firms in the Rochester area. Together, their payrolls exceed \$67 million annually, according to RAEDI. Among firms in this category, Crenlo Inc., a metal enclosure maker, and electronics manufacturer Benchmark Electronics typically have between 450 and 600 workers at any one time. The city is actively seeking commercial and industrial development to grow jobs.

Rochester, Minnesota MSA's Major Employers (updated July 2013)

<u>Established</u>	<u>Name</u>	<u>Employees</u>	<u>Business Type</u>
1914	Mayo Clinic	35,000	Medical/Hospital
1911	IBM	Not Available	Electronics-Computer
1868	Rochester Public Schools	2,367	Education Services
1855	Olmsted County	1,215	Government
1949	Olmsted Medical Center	1,166	Medical/Hospital Services
1970	McNeilus Truck & Manuf.	900	Mobile concrete mixers, garbage trucks
1858	City of Rochester	840	Local Government
1993	Charter Communications	764	Cable Television/High Speed Internet
1951	Crenlo	703	Fabricated Metal
1917	Interstate Hotels & Resorts	680	Hotel/Restaurant Services
1915	RCTC	500	Post Secondary Education
1984	Federal Medical Center	450	Corrections/Medical
1997	Reichel Foods	450	Refrigerated lunch & snacks
1922	Samaritan Bethany, Inc.	430	Health Care of the Aging
1994	Benchmark Electronics	420	Contract Mfg/Design/Engineering
1949	Seneca Food (267 regular)	400 (seasonal)	Food Processing
1976	Hiawatha Homes	380	Res. Services/Dev. Disabilities
1928	Kemps	335	Food Processing
1970	Pace Dairy	320	Food Processing
1948	McNeilus Steel, Inc.	302	Steel Fabrication
1995	Cardinal of Minnesota, Ltd	300	Res. Services/Dev. Disabilities
1978	Halcon	255	Furniture Manufacturer
1961	Think Bank	250	Banking
1971	Rochester Meat Company	250	Meat Processor
1989	Rochester Medical Corp	250	Medical Device Manufacturer
1877	Rochester Catholic Schools	212	Education Services
1956	Ability Building Center (876 with clients)	211 (staff only)	Rehabilitation Services
1855	Rochester Post Office	206	Postal/Delivery Service
2003	Home Instead Senior Care	199	Home Care Services
1852	Wells Fargo	185	Banking
1912	Schmidt Printing	183	Printing/Publishing
1965	Lawrence Transportation Co.	150	Refrigerated over-the-road trucking
1966	Zumbro Valley Mental Health	150	Human Services
1982	Superior Mechanical Systems	150	Air Conditioning, Refrigeration, Heating
1972	Child Care Resource & Referral	145	Child Care Oversight
1859	Post Bulletin Company	137	Printing/Publishing
1934	Home Federal Savings Bank	135	Banking
1964	Tuohy Furniture	134	Wood Office Furniture Manufacturer
1976	Himec	117	Plumbing Contractor
1938	Pepsi-Cola Bottling Co.	112	Distribution Center



MAYO CLINIC FACTS 2012

Every year, more than a million people from all 50 states and nearly 150 countries come to Mayo Clinic for care.



PERSONNEL*

Staff physicians and scientists	4,100
Residents, fellows and students	3,450
Administrative and allied health staff (clinic and hospitals)	53,600
Total	61,100

*Numbers rounded

PATIENT CARE

Mayo's unique style of care brings teams of experts together to provide high-quality, compassionate care to each patient.

Total clinic patients*	1,165,000
Hospital admissions	131,000
Hospital days of patient care	626,000

*Individual patients are counted once annually

RESEARCH

Mayo Clinic's multidisciplinary research teams translate new discoveries rapidly to improve the prevention and treatment of disease and injury.

RESEARCH PERSONNEL

Physicians and medical scientists	402
Students	572
Allied health personnel	2,354

RESEARCH ACTIVITY

New protocols reviewed by the Institutional Review Board	2,686
Active human research studies	8,968
Research publications and review articles in peer-reviewed journals	5,672

RESEARCH FUNDING (IN MILLIONS) \$634

Government, foundations and industry	\$386
Mayo Clinic funds and benefactor gifts	\$248

EDUCATION

MAYO SCHOOL OF GRADUATE MEDICAL EDUCATION

Mayo trains doctors in 271 residency and fellowship programs, representing virtually all medical specialties.

Enrollment	1,532
Graduates	655

MAYO GRADUATE SCHOOL

Mayo Graduate School offers doctoral and master's programs in 10 biomedical subspecialties, and a visiting pre-doctoral summer undergraduate program.

Enrollment	280
Ph.D. graduates	30
M.S. graduates	33

MAYO MEDICAL SCHOOL

Mayo Medical School awards doctor of medicine degrees, the opportunity to pursue joint M.D.-professional degrees, as well as providing visiting medical student clerkships and summer minority medical student programs.

Enrollment	194
Graduates	44

MAYO SCHOOL OF HEALTH SCIENCES

The Mayo School of Health Sciences prepares students in 124 programs representing more than 50 health science careers.

Enrollment	1,591
Graduates	1,093

MAYO SCHOOL OF CONTINUOUS PROFESSIONAL DEVELOPMENT

The MSCPD provided 365 continuing education activities for medical professionals from around the world.

Physician participants	80,774
Nonphysician participants	42,207

FINANCIAL INFORMATION (IN MILLIONS)

Total revenue from current activity	\$8,844
Income from current activities	\$395
Contributions from benefactors	\$245

CONFLICT OF INTEREST

Mayo Clinic and its staff often collaborate with industry to improve patient care through research agreements, invention licenses and consulting activities. The Mayo Clinic Conflict of Interest Review Board oversees all such activities. Mayo Clinic and its staff members do not receive any royalties for inventions or technology developed at Mayo and subsequently prescribed for Mayo Clinic patients.

If you have questions about Mayo Clinic industry relationships, please ask your physician or contact the Office of Conflict of Interest Review at 507-284-0075.

