

Destination Medical Center Corporation

Audit Results for Year Ended December 31, 2022

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Agenda

- Financial Statements
- Audit Results
- Required Communications



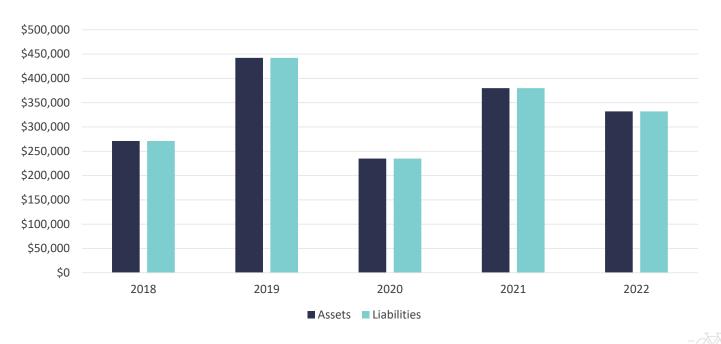
Financial Statements

- Prepared based on Governmental Accounting Standards Board pronouncements
- Single program entity—present expenditures by type (natural classification)
- Component unit
 - o DMCC is a component unit of (included in) City of Rochester's financial statements
 - DMC EDA is not a component unit of DMCC
 - Will evaluate component unit reporting annually



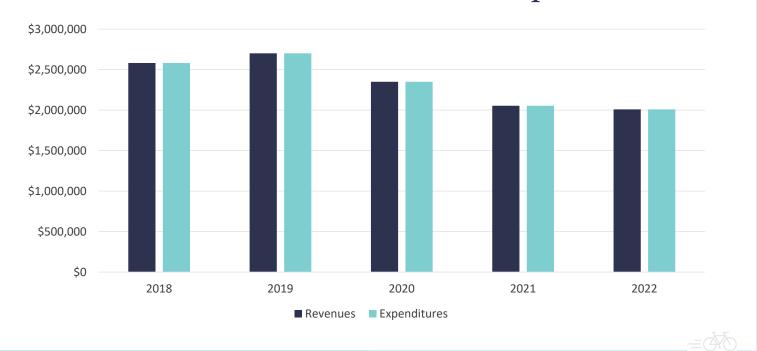
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Financial Statements: Assets & Liabilities





Financial Statements : Revenues & Expenditures





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5

Audit Results

- Financial statements clean opinion
- Internal controls no findings
- Minnesota legal compliance no findings



Required Communications

- Audit provides reasonable, but not absolute assurance
- Accounting policies
 - Described in Note 1 to the financial statements
 - No impact from new accounting standard for leases
- Audit adjustments none
- No disagreement or difficulties with management



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Items to Complete

Federal and state tax filings



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CPAs | CONSULTANTS | WEALTH ADVISORS

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Main Street Grant Program



Lookback on Round 1 Program Objectives – From Co-Designers

- 1. Predictable and timely turnaround on applications
- 2. Community input shapes recommendations to EDA board decisions
- 3. Support many smaller projects and a few bigger projects
- 4. Meter out the awards to leave funds available for projects needing more time.



Program Objectives - From DEED

- 1. Revitalization of properties or organizations harmed by events since March 2020.
- 2. Elevating opportunities for BIPOC, veteran, or disabled business and property owners
- 3. Creating and retaining permanent jobs.
- 4. Enabling existing businesses to strengthen and diversify their products and services.



Round 1 Program Summary - \$3M Awarded, 54 Projects



31 Retail & Dining

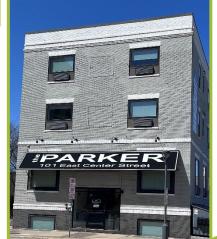


13
Office,
Technical &
Mixed Use



5 Nonprofit

5
Housing &
Lodging

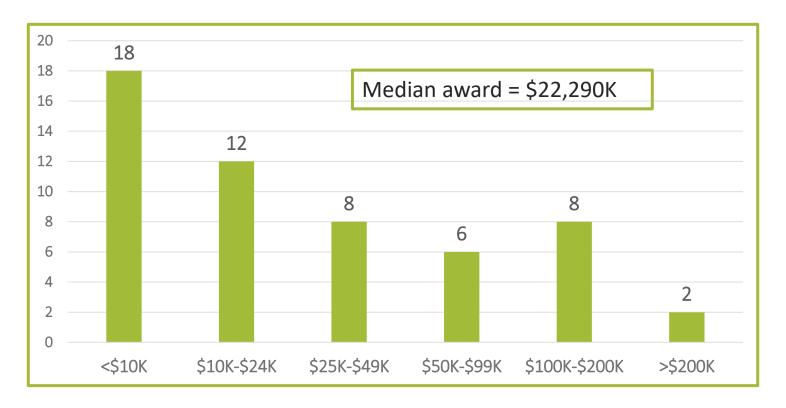


Round 1 Program Summary - By The Numbers

- 13: BIPOC awardees (24%)
- 16: Women-led projects (30%)
- 22: Unoccupied project sites
- 270+: Permanent jobs created



Round 1 Program - Range of Awards





Round 1 Lessons Learned

- Building a grant-making operation is complex.
- The level to which entrepreneurs must embrace significant financial risk is eye-opening.
- Clear, concise and timely communication is critical.
- Patience is necessary most scramble to assemble capital.
- Building trust with minority communities is critical, and difficult.
- Assembling the 70% match is challenging for BIPOC applicants.
- Finding alternative funding sources to supplement grant funds would be impactful



Next Steps

- Complete Round 2
- Follow up on Round 1 awarded projects
- Storytelling
- Consider a local version



DMC Metrics

Private Investment

May 2023





TODAY

- 1 Overall Investment numbers
- 2 Market Trends

3 Potential Tactics



DMC Metrics

Describing Progress Toward DMC Goals









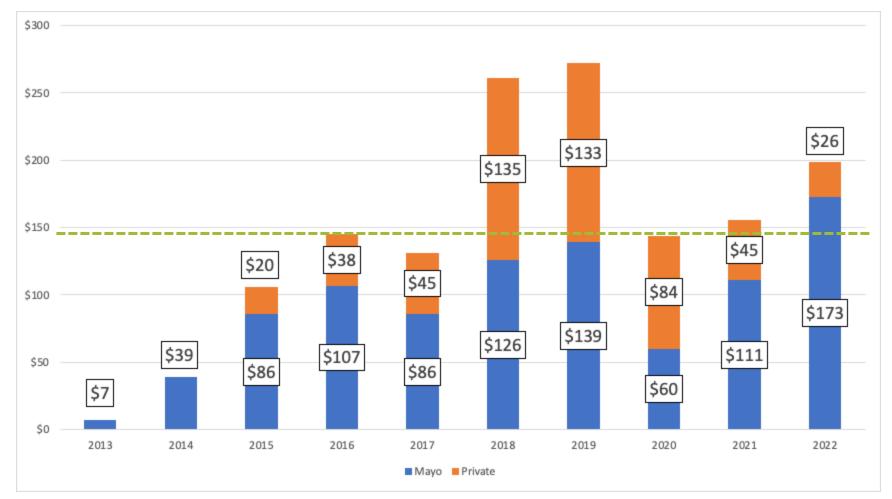






Achieve the highest quality patient, companion, visitor, employee, and resident experience







Development Headwinds

- Higher construction costs
- Higher interest rates
- Construction labor shortages
- Supply chain disruptions



Market Demands

- More housing
- Specialized office/lab space
- Hotel keys
- Vibrant retail



Looking Forward



Specialized spaces





Adaptive reuse





Discussion

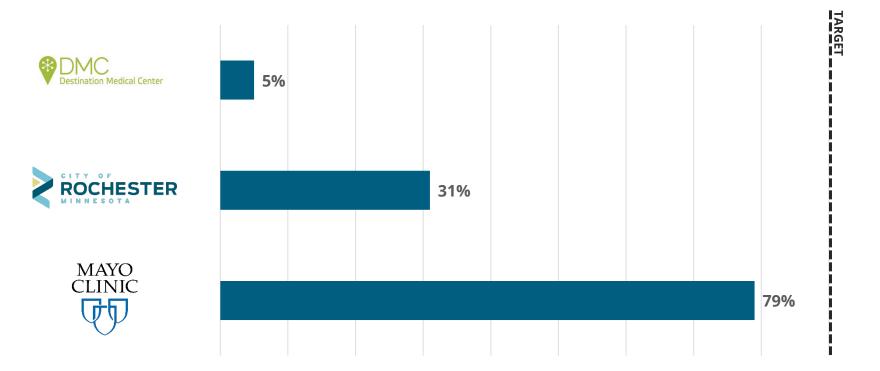
BUSINESS DEVELOPMENT, LEAD GENERATION, & DISCOVERY SQUARE

(X)DMC

May 2023

Destination Medical Center Rochester, MN

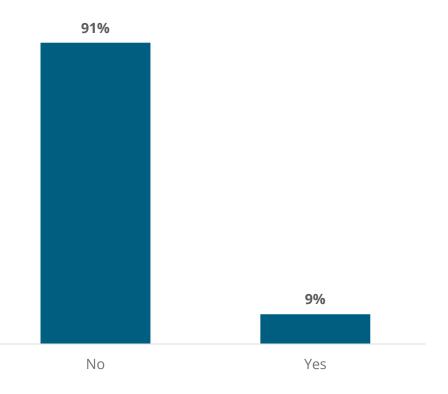
BASELINE AWARENESS





CONSIDERED ROCHESTER, MN

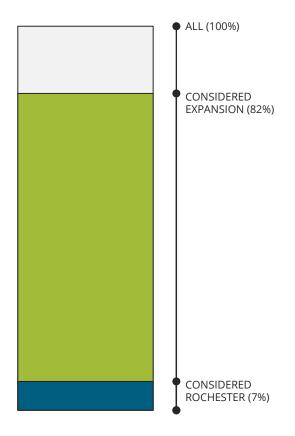
ALL AUDIENCES





75%

"CONSIDERATION GAP"





STRATEGIC DIRECTIONS

BUILD AWARENESS

- Rochester as a destination
- DMC as a support
- Mayo Clinic's close connection to both

BUILD ECOSYSTEM

- Define what is here
- Productively engage partners
- Improve the product

BUILD INFRASTRUCTURE

- Reduce risk
- Speed to market
- Make us "bigger"



2023 Progress



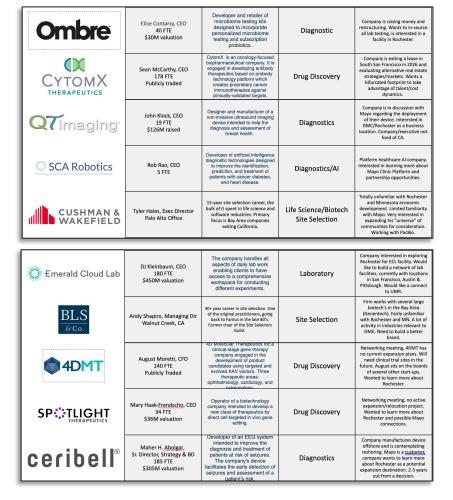
STRATEGIC PROGRESS: BUILD AWARENESS

- Industry Outreach (concluded)
 - Phacilitate Advanced Therapies Network, January 2023
 - Arab Health (DEED), February 2023
 - San Francisco lead generation event, March 2023
 - Builder Owner & Manager Association Medical Office event, April 2023
 - Design of Medical Devices conference, April 2023
 - SelectUSA Investment Summit (DEED), May 2023
- Industry Outreach (upcoming)
 - International Society of Cellular Therapies conference, May 2023
 - Western Europe lead generation event, May 2023
 - BIO International, June 2023
 - New York lead generation event, July 2023
- "Connector" Outreach
 - Site Selector's Guild Annual Meeting (DEED), March 2023
 - Minneapolis site selector outreach, March 2023

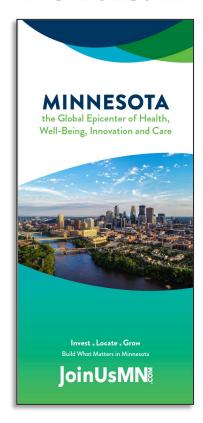


Noah Medical	Emma Yang, CEO Office 173 FTE \$750M valuation	Developer of medical robotic devices designed to diagnose and treat patients across multiple indications.	Diagnostics	Exploratory phone call, no future expansion plans or follow-up activity
% pre nuvo	Nick Mason, Head of Expansion 81 FTE \$200M valuation	Developer of a whole-body magnetic resonance imaging scan technology designed for precision medicine bringing Al-powered quantitative reproducibility to radiology and early detection to patients.	Diagnostics	Actively looking for expansion markets for their imaging centers. Private pay only, require a high- income clientele. Interested in Rochester as a destination medical center.
INVENIO	Jay Trautman, CEO 14 FTE \$25M valuation	The company's system offers a non-destructive microscopic analysis of tissues and helps to visualize them in high-resolution images, enabling researchers to examine specimens from multiple sites in the surgical cavity.	Diagnostics	Exploratory phone call, will need an additional location in 2-3 years, interested in a partnership with Mayo, interested in Discovery Square.
CRANIOMETRIX	Nick Patel, CEO 1 FTE \$6 valuation	Developer of Alzheimer's diagnosis technologies intended to accessibly, affordably, and accurately diagnose Alzheimer's disease.	Diagnostics	Exploratory phone call, very early-stage company, mostly Q&A about Rochester, no follow-up.
SYNKRINO BIOTHERAPEUTICS	Jason Barbour, CEO	Developer of novel therapeutics designed to treat patients with diseases driven by the immune system and inflammation.	Drug Discovery	Operates as a platform therapeutics company, interested in technology "stuck in Mayo." Can bring expertise and \$5\$, would like to connect to our ecosystem.

PacBi•	Susan Kim, CFO 750 FTE Publicly Traded	The company develops sequencing systems to assist in resolving genetically complex problems.	Diagnostics	Failed merger has company rethinking their existing real estate footprint and growth plans. Learned from C&W they are currently working on a 30-person expansion out of CA.
teselagen	Mike Fero, CEO 25 FTE \$35M valuation	Developer of a cloud-based informatics platform designed to accelerate the development of therapeutics, high-value chemicals, and agricultural products.	Biotech/Drug Discovery	Introductory meeting, explaining background on DMC and Rochester value proposition. Mike is a serial entrepreneur and very plugged into the Bay Area biotech market through his affiliation with Stanford.
Deloitte.	Bruce Kessler, Managing Dir San Francisco office	20-year site selection career, the bulk of it spent in Deloitte's tax credits and incentives practice. Primary focus is west coast clientele and sustainability business.	C&I/Site Selection	Heavy focus on Bay Area restructurings, primary focus is west coast (not MN). Better point-of-contact for DMC is Linda Bonelli out of Chicago.
savills	Conner Wisdorf, Sr Managing Dir San Francisco office	5-year site selection career, the entirety spent in the Bay Area on life science and technology projects.	Life Science/Biotech Site Selection	Recently promoted to Sr Managing Director position inside Savills. Leading a team working exclusively on life science and tech expansion projects.
sur ₈ e	Julien Hedou, CEO 6 FTE	The company's platform utilizes an immunological model using a proprietary machine-learning algorithm to combine single-cell assessment of the immune system before surreny	Diagnostics/Al	Stanford start-up entering fund raising period. Highly effective platform, looking for clinical trial settings. Very interested in MCIE.



BIO 2023: MINNESOTA PAVILLION



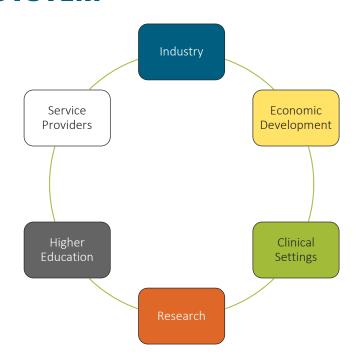


- Minnesota Pavilion
 - DEED, DMC, Greater MSP, UofM, Mortenson
- Governor Walz reception
- Minnesota BIO Breakfast
 - Mayo Clinic
 - University of Minnesota
 - DEED
 - DMC
- Enhanced digital marketing
- Lead generation campaign
- First MN presence since 2018



STRATEGIC PROGRESS: BUILD ECOSYSTEM

- Healthcare Technology listening sessions (3), February 2023
- Local ED stakeholder listening session (ongoing), March 2023
- "Doing Business in Germany" education session (scheduled), June 2023
- Facilitated meetings with Australian and Netherlands trade officials
- Chamber After Hours in Two Discovery Square





STRATEGIC PROGRESS: BUILD INFRASTRUCTURE

- Facility Logix Shared Lab Study
- BioLabs market visits, December 2022 and March 2023
- Protolab visit, March 2023
- Emerald Cloud Lab visit, March 2023
- Portal Innovations lab visit, April 2023

Discovery Labs
Shared Lab Infrastructure for Early Stage Companies



Discovery Labs - What and Why

- Life sciences infrastructure that supports startups:
 - Low-cost laboratory space
 - Short lease terms
 - Access to shared equipment
 - Wraparound support services
- Why develop this infrastructure:
 - Critical "product" for business recruitment
 - Attract startups and the follow-on economic impacts



Discovery Square Strategy

- A variety of off and lab space
- Vibrant startup ecosystem

Real life research

- Identify operating partner
- Build out space
- Marketing
- Launch

Discovery Labs concept developed

- Wet lab
- Maker Lab
- Sim Lab

Perception and Awareness

- AnalysisBuild Infra-
- Build Ecosystem

structure

- Build
 - awareness

Market Analysis

- SWOT
- Wet and dry labs needed
- Incentivize startups
- SimplifyMayo access
- Add local four-year degrees

Next Steps - the Details

Next Steps

- Identify operating partners
- Design and construct space
- Pre-launch marketing
- Business recruitment
- Launch operations

2023 -> Grow the ecosystem



Investment Matrix

	Operator	DMC	Mayo Clinic	Mortenson
Pre-Launch				
Space design		Χ		
Capital for construction		Χ		
Space construction				
Business recruitment		Χ		
Business programming				
Launch and Ongoing Operations				
Daily ops and property mgt				
Business support services				
Business recruitment		Χ		
Events and programming		Χ		
Investment capital				



Sustainability and District Energy





Agenda

 Climate progress to date and the role of district energy to reach our 2050 climate targets



Community Climate Goals

Greenhouse Gas Emissions Goal



DMC: 80% reduction by 2050

City: 50% reduction by 2030

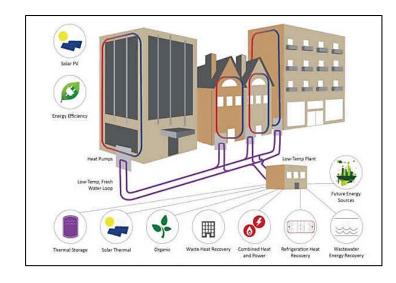
100% reduction by 2050

Energy Reduction Goal



DMC: 25% Energy Reduction by 2030

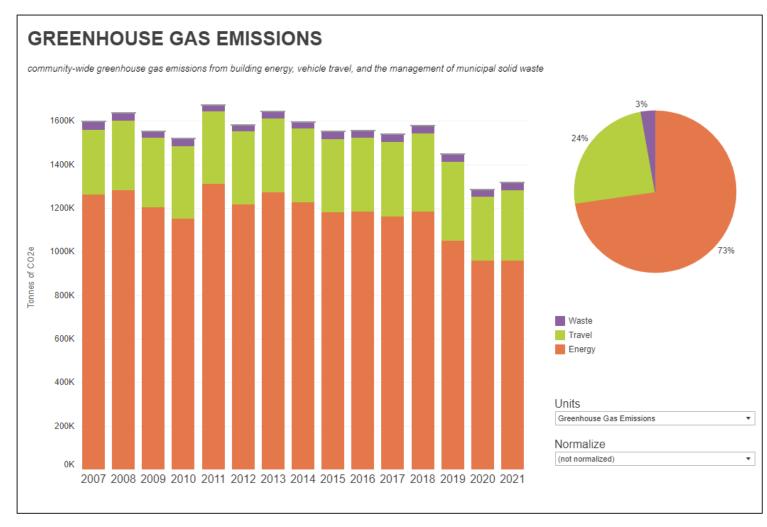
District Energy Resolution (2016)

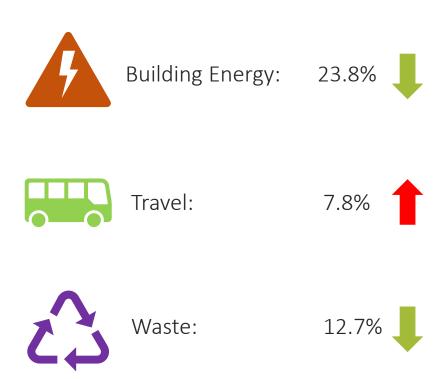


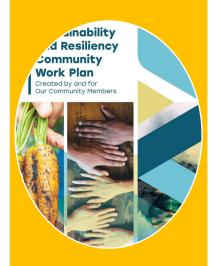
DMC: 'Create a clean, reliable and flexible energy network through an upgraded infrastructure, new efficient systems and optimization of renewables



Community Climate Progress







Community Planning

- Sustainability and Resiliency Community Action Plan
- RPU 100% Renewable Power Plan
- Active Transportation Plan



New Buildings

- Sustainable Building Policy for City Buildings
- Sustainable Building Policy for Private Buildings requesting public assistance
- Aquathermal District Energy Development



Existing Buildings

- City Building RCx / Energy Improvement Program
- Energy Benchmarking Program
- Electrification support
- Energy conservation support for homeowners and buildings



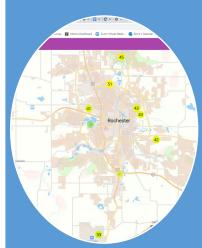
Transportation

- Electrify transit
- Link Rapid Transit Circulator (EV Buses)
- Alternative commuting modes: bikeshare, scooter share
- Vehicle charging network



Education

- Sustainability Community Education Courses (10)
- Monthly Sustainability Series
- Community Education courses on Sustainable Living and Home Heat Pump Conversions

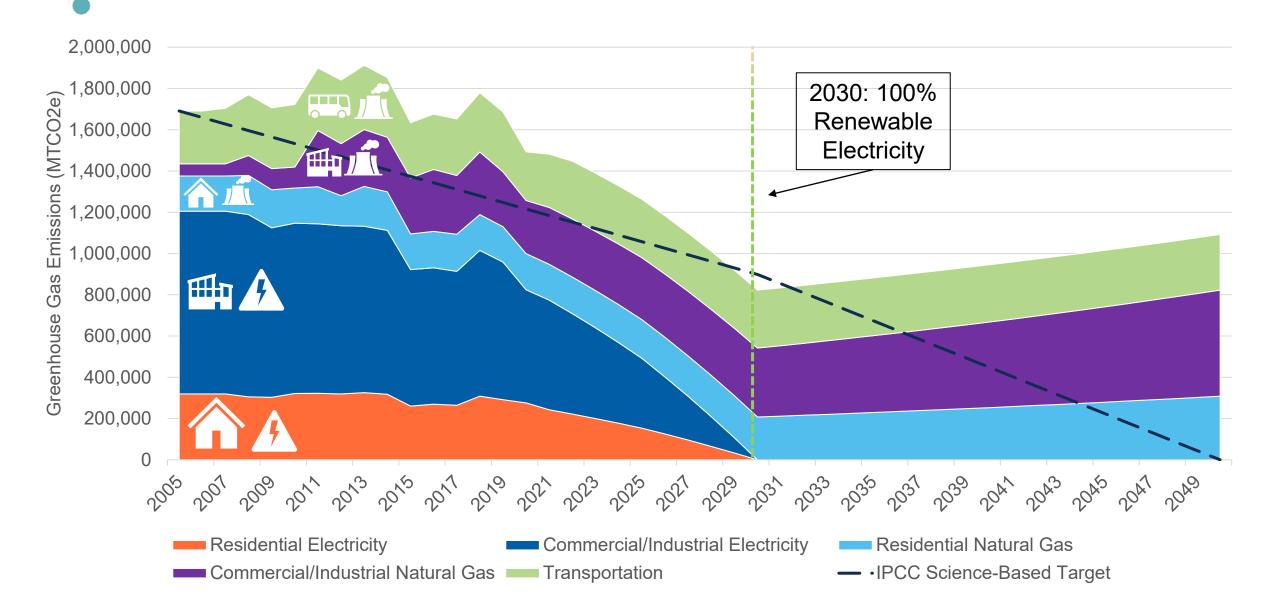


Environmental Justice

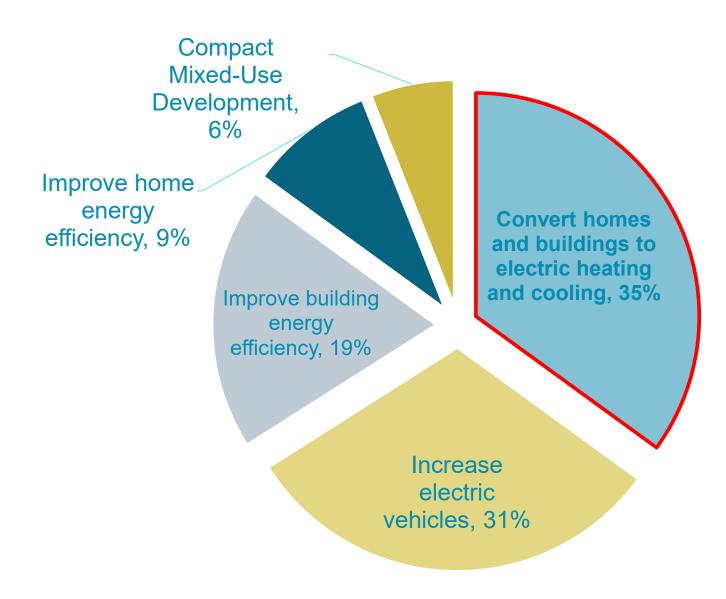
- Air Quality Monitoring
- Data Visualization and interpretation
- GIS analysis to inform planning

CLIMATE PROJECT PROGRESS

Emissions Growth Forecast



How to reach 2050 Climate Targets?



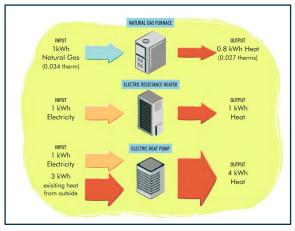
2023 Sustainability Plans

Home and Business
Electrification Campaign

Electric Vehicle
Charging Infrastructure
Plan

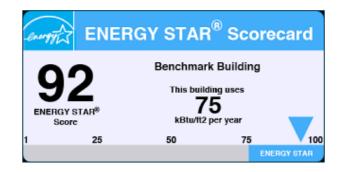
Mandatory Benchmarking
Policy Development

Compact, Mixed-Use Development



Source: www.rewiringamerica.org





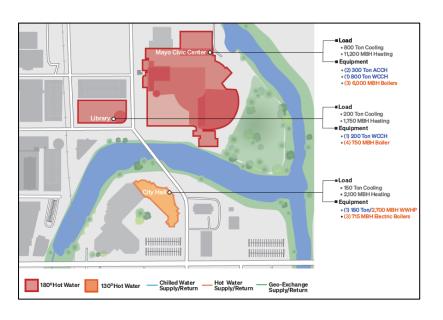




District Energy
System
Rochester
(DESR)



Project Staging and Costs

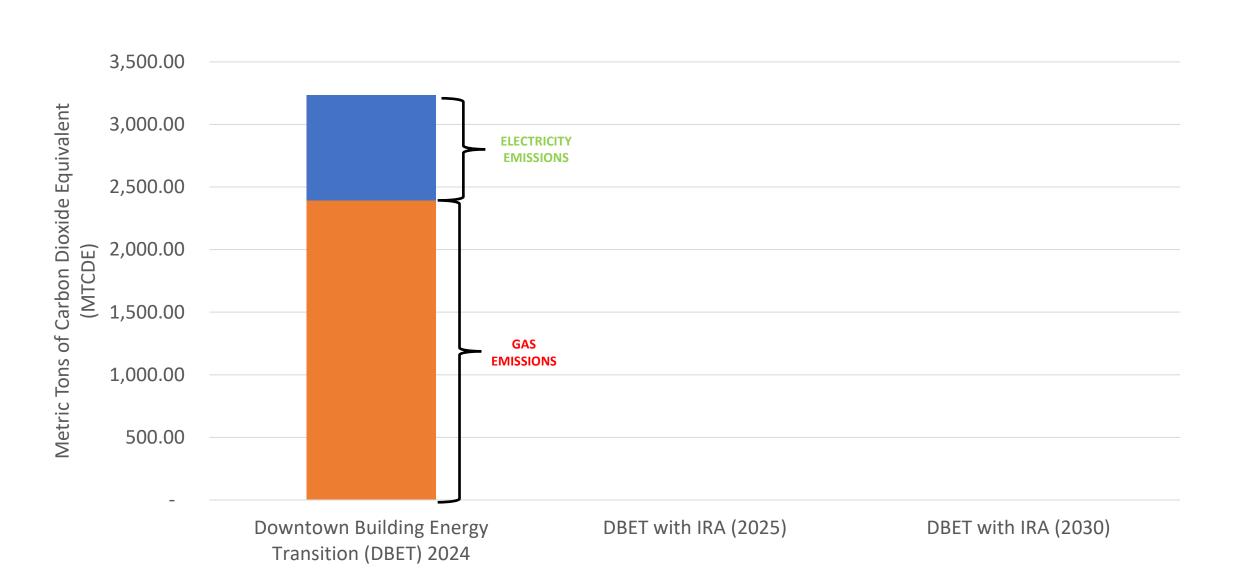


Downtown Building Energy Transition (DBET)

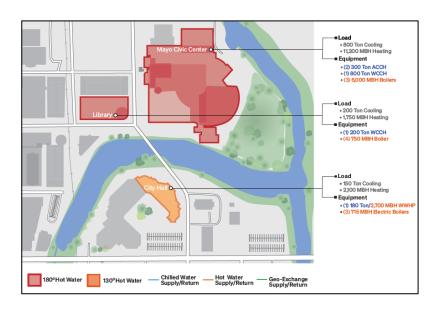
CC Approved Budget: \$15.6M
Project Cost: \$13.2M
IRA Rebate: (\$1.8M)
Net City Cost: \$11.4M

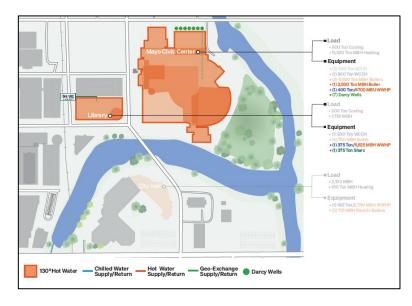


City Building Project: Climate Impact



Project Staging and Costs





<u>Downtown Building Energy Transition</u> (DBET)

DBET IRA Scope (2025)

CC Approved Budget: \$15.6M

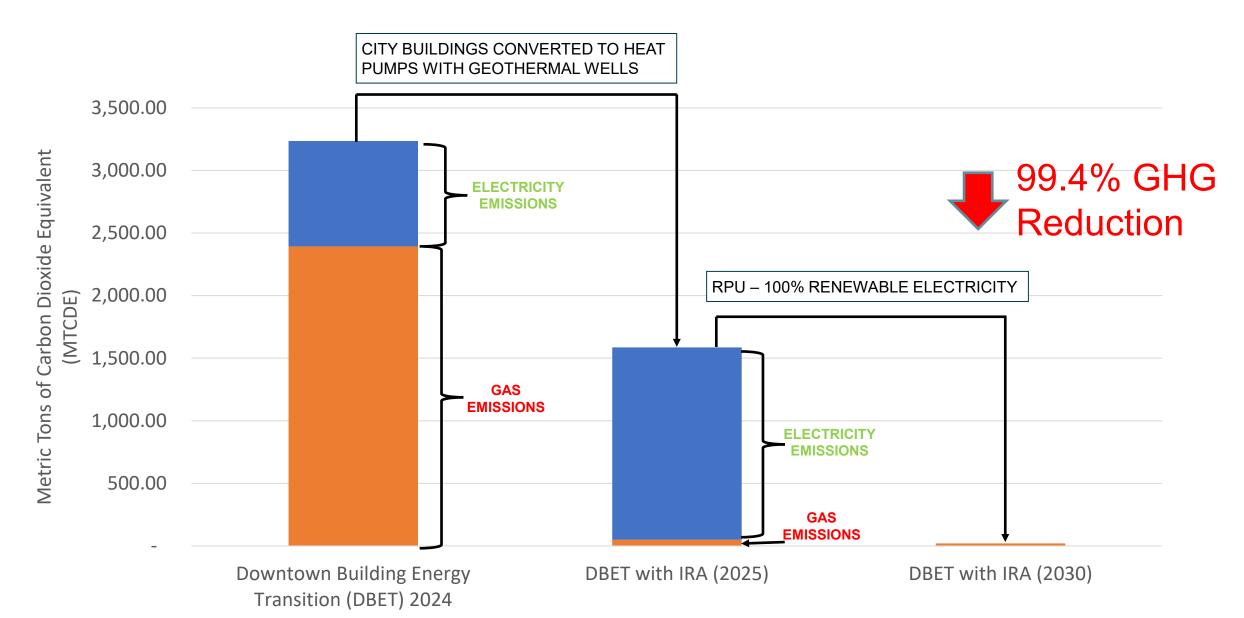
Project Cost: \$13.2M IRA Rebate: (\$1.8M)

Net City Cost: \$11.4M

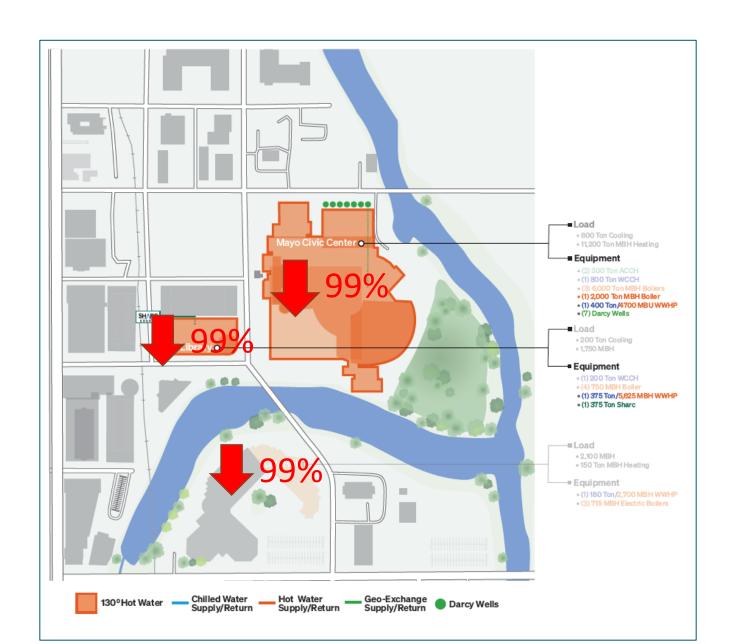
Project Cost: \$22.9M IRA Rebate: (\$7.3M) CDS Grant: (\$2M) DMC Funds: (\$1M) Net City Cost: \$12.7M



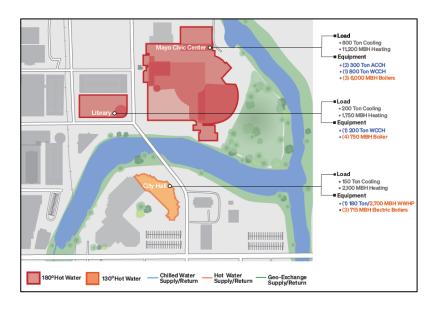
City Building Project: Climate Impact

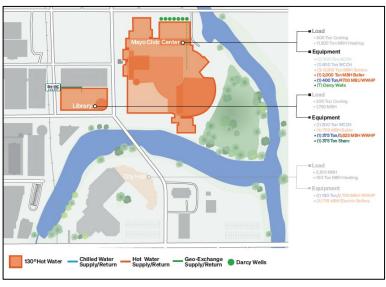


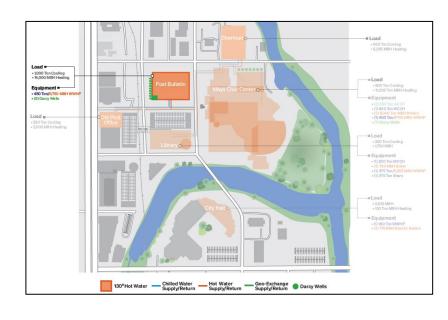
City Building Project: Climate Impact



Project Staging and Costs







<u>Downtown Building Energy Transition</u> (DBET)

DBET IRA Scope (2025)

DESR (2028) – Additional Sites

CC Approved Budget: \$15.6M

Project Cost: \$13.2M IRA Rebate: (\$1.8M)

Net City Cost: \$11.4M

Project Cost: \$22.9M

IRA Rebate: (\$7.3M)

CDS Grant: (\$2M)

DMC Funds: (\$1M)

Net City Cost: \$12.7M

Project Cost: \$34.2M

IRA Rebate: (\$12.8M)

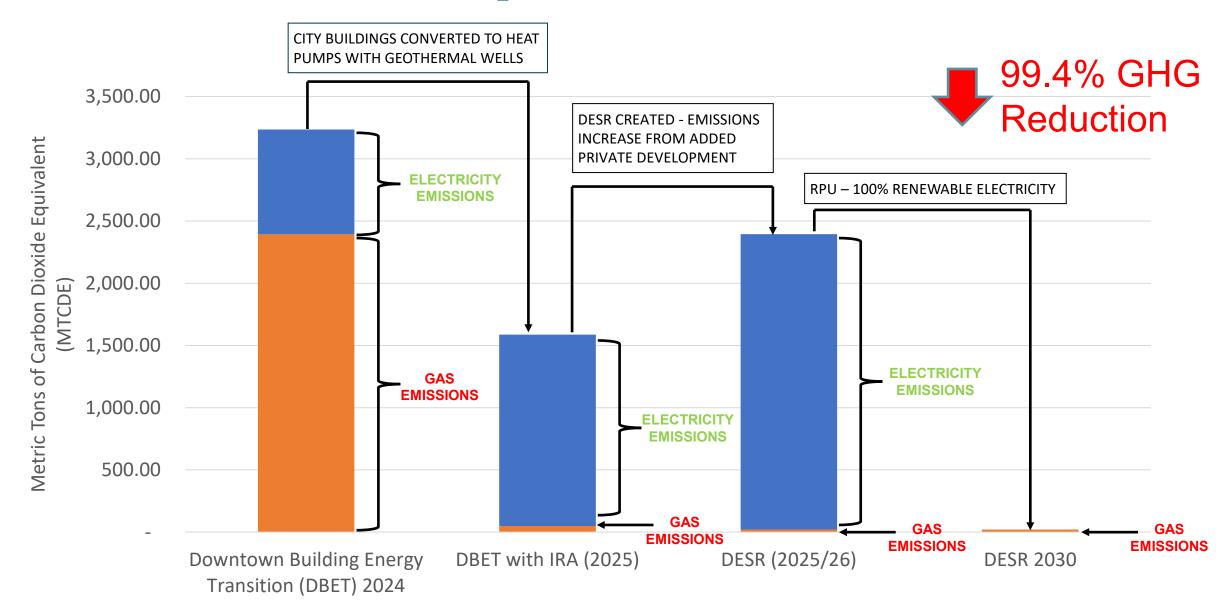
CDS Grant: (\$2M)

DMC Funds: (\$5M)

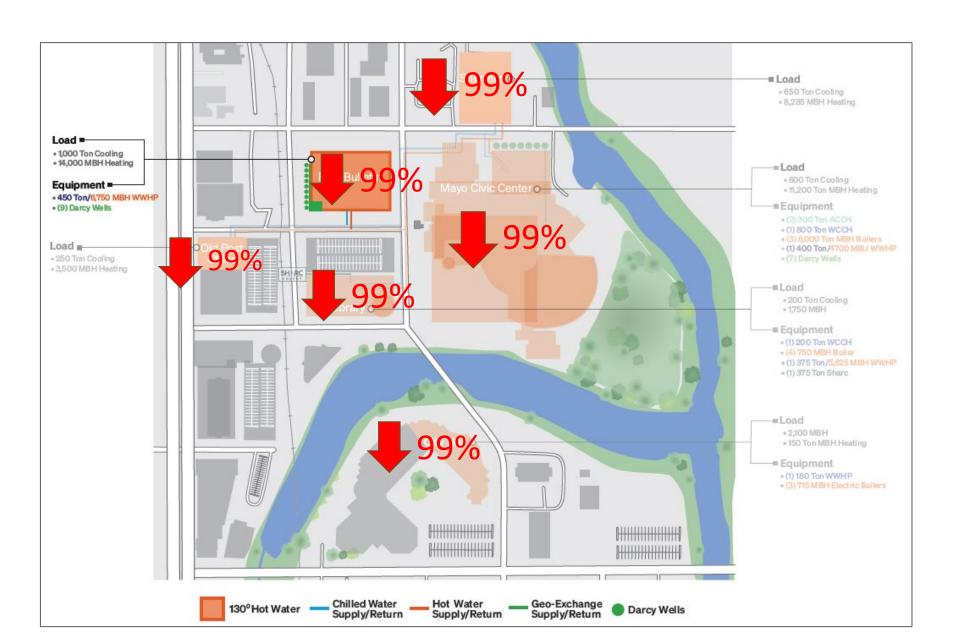
Net City Cost: \$14.4M



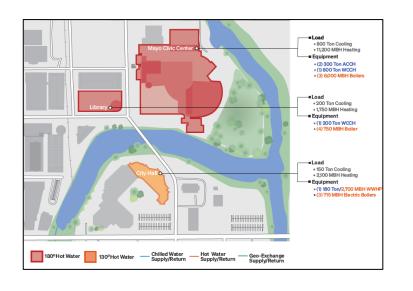
DESR: Climate Impact

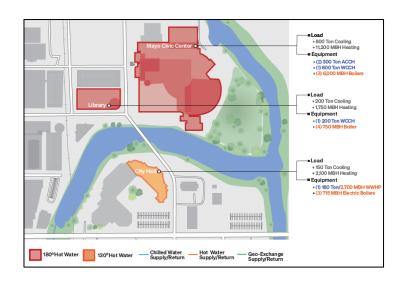


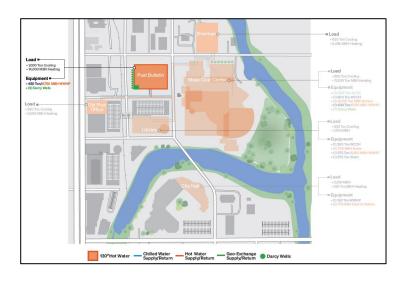
District Energy Rochester: Climate Impact



Project Staging and Utility Costs







Business As Usual - 2023

Utility Cost = \$1.38 per SF

<u>Downtown Building Energy</u>
<u>Transition (DBET)</u>

Utility Cost = \$1.23 per SF

DESR (2028) – Additional Sites

Utility Cost = \$0.98 per SF



What are the benefits of geothermal DES?









Reduced emissions impacts

Lower Utility Costs Avoided health impacts

Scalable system

How can DMC support this project?

- Financial support to connect public and private buildings
- Identify potential District Energy Operator and Developer



Questions?



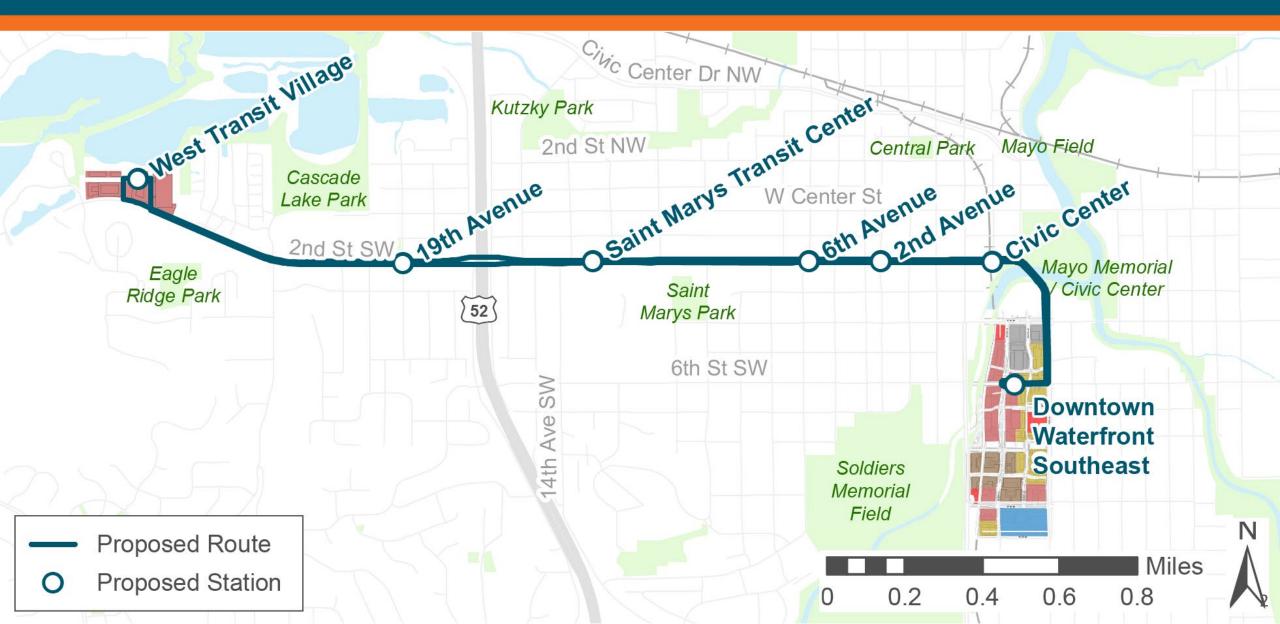
West Transit Village

May 2023



Link

New LINK Bus Rapid Transit



West Transit Village

Transit:

- station platform
- streets
- parking (Mayo employees)
- parking (public)
- bus charging





Village:

- housing
- retail + services
- open space
- bike & ped connections





West Transit Village Update

Since last DMCC Board Meeting

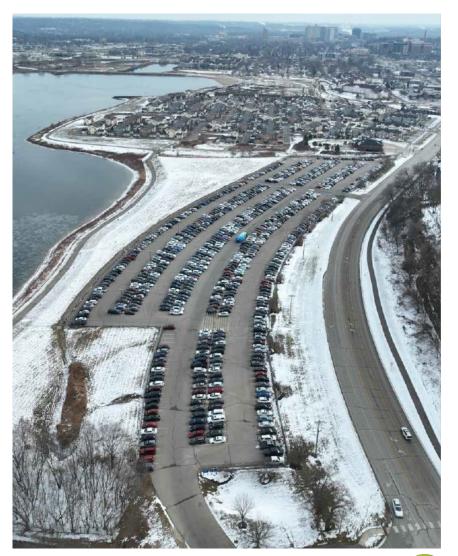
- Mayo Clinic (property owner) selected a preferred development team





KRAUS-ANDERSON. ACON Perkins&Will Kimley»Horn

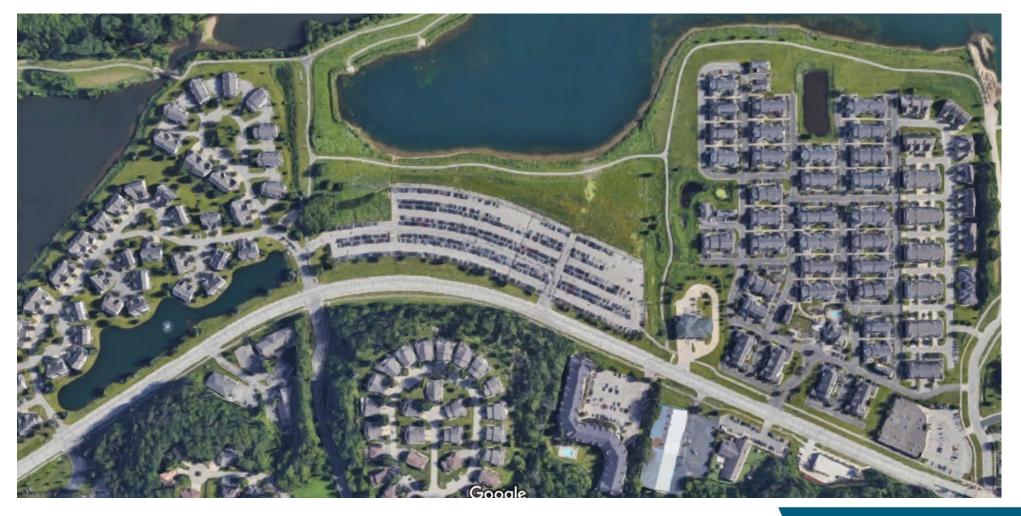
- In partnership with Mayo Clinic, DMC, and the City of Rochester the development team has developed multiple concepts for the overall site plan and BRT infrastructure





WEST TRANSIT VILLAGE

Mixed Use+Transit | KA / Aeon



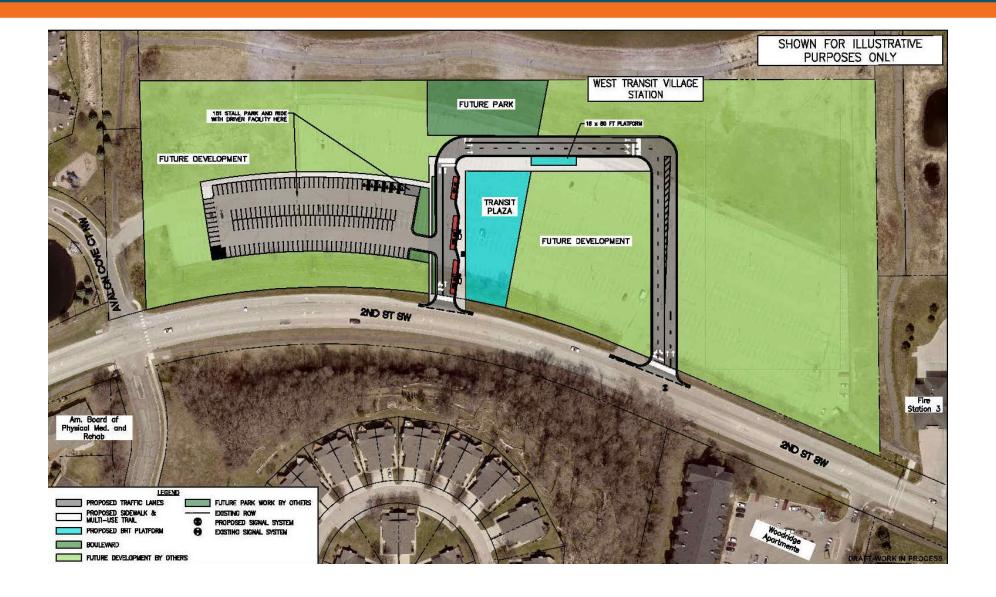
WEST TRANSIT VILLAGE

Mixed Use+Transit | KA / Aeon



Link

West Transit Village and other infrastructure added to FTA scope



WEST TRANSIT VILLAGE

Mixed Use+Transit | KA / Aeon

Design Drivers

Iconic design that is scalable, replicable & viable. A model of sustainable, resilient, healthy development (a case study for others!)

Integrated design between all aspects of the site and stakeholders' needs, while being cost-efficient, on schedule, and adaptive to future needs.

Community asset that provides an array of essential housing and retail opportunities that cohere with the surrounding neighborhoods and are welcoming to the greater Rochester community.

Recreation and Nature at the fore with connection to the lake and trails. Harmonize natural elements with the built environment to create inviting and active spaces.

Interconnected multi-model transportation systems center with engaging public spaces that attract visitors and transit users and provide a smooth and efficient transit experience.

Impact on Commuter Experience

Imparts a sense of **pride** and place, belonging.

Reliable service and relevant amenities to their daily commuting journey.

Brings more housing options and amenity retail that makes daily life **simpler** and **lower stress.**

Improves **wellness** and **health**, including mental health.

Provides choices and **shortens** total commute time from home to work.



WEST TRANSIT VILLAGE - Base Option

Mixed Use+Transit | KA / Aeon





WEST TRANSIT VILLAGE - Alternative Option

Mixed Use+Transit | KA / Aeon

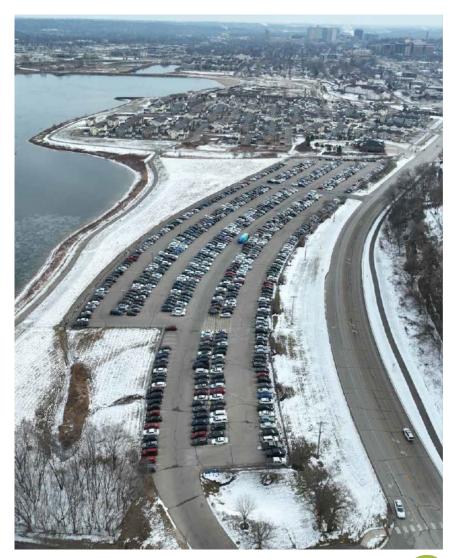




West Transit Village Update

Next steps:

- a. <u>Spring 2023</u>: preliminary plan ready for Risk Workshop with the Federal Transit Administration
- b. <u>Fall 2023</u>: further developed site plan ready to bring back to DMCC and the City





Collaborating to create a community-based framework for moving downtown Rochester forward and continue down the path of recovery

















Building the Action Plan in 90 Days



Phase 1: Consensus on key themes/Issues



Phase 2: Build a draft list of recommended action items + share with community



May
Begin implementation and communications roll-out



Working **Sessions**

Survey

Working **Sessions**

Continued Collaborations



Four Main Themes

Working Session Findings

- Promotion, Activation, andProgramming
- Access to Downtown
- Barriers to Doing Business
- Growing Downtown



Growing Downtown

Action Recommendations

- ✓ Retention of small businesses
- ✓ Recruitment of new businesses
- ✓ Understand new market demands



Theme 4 - Downtown Growth:

Retention of small businesses -

- Pursue the development of incentive programs
- Support available tools already established for small businesses
- Create resources to help small businesses collaborate and idea sharing

Recruitment of new businesses -

- Ensure a common understanding of current and future available real estate
- Develop tools to support the brokerage community
- Develop and activate recruitment and marketing strategies

Understand new market demands -

- Begin a market demand study
 - Focus areas: patients' patterns/needs, increase in downtown living, increase in you adults, young families, new patterns of downtown employees



2024 DMC CAPITAL AND OPERATING BUDGET REQUEST

May 2023



Today's Discussion



- Consider proposed CIP priorities
- Identify 2-3 board volunteers to advise staff on budget development





ANNUAL FUNDING REQUEST

Includes:

- Capital Improvement Program
- DMC EDA workplan and operating budget
- City DMC Project Management team
- Annual working capital loan renewal







EVALUATING DMC INVESTMENT OPPORTUNITIESPROCESS FOR DEVELOPING RECOMMENDATIONS TO DMCC



DMC CIP PRIORITIZATION PRINCIPLES

Enable Opportunity:

New jobs, new investment, and tax base growth are critical to a vibrant city.

• Be Extraordinary:

Make investments befitting a global destination medical center, the state's largest-ever economic development partnership, and an increasingly diverse community.

Incorporate Innovation:

Encourage projects to focus on cutting edge business sectors, innovative collaborative processes, novel business models, new materials, new technologies, etc.

• Be Sustainable:

Always consider the financial, environmental, social, and other long-term effects of proposed capital projects.

• Fulfill The Vision:

Sustain Rochester and Mayo Clinic as a destination medical center and "economic engine" that benefits the residents of Rochester, Olmsted County, and Minnesota.

Current and Emerging Initiatives for Discussion

- Discovery Square innovation district
 - Marketing/Business Development
 - Discovery Labs
 - 3 Discovery Square

- Public Realm and Infrastructure
 - Downtown Riverfront
 - West Transit Village
 - Link BRT

- Downtown Vitalization
 - Downtown Rochester Task Force
 - Main Street Program
 - Historic Preservation District
 - Commercial Space Reuse

- Sustainability Initiatives
 - District Energy

 Opportunities associated with Mayo Clinic growth

Today's Discussion



- Consider proposed CIP priorities
- Identify 2-3 board volunteers to advise staff on budget development

