***Proposed Agreement between CGE and Augsburg College***

Underlying Principles:

* Establish costs for CGE similar to what’s being done for other programs at Augsburg that primarily serve external audiences (CDC, Urban Debate, Campus Compact, etc.) and accepted practices in the study abroad field
* Develop a model and working relationship that better serves both CGE and Augsburg that measure value beyond just financial contributions.
* Further develop the potential that CGE has within Augsburg to better serve faculty, students and staff and help make Augsburg more competitive in recruitment efforts for students to Augsburg.

CGE will offer Augsburg

* Maintain a high quality reputation
* Follow agreed upon financial practices stipulated by Augsburg College
* Meet direct operating and program expenses
* Cover direct operating costs for international study centers, including expenses in those countries for office rental and supplies, staff, accountants, legal fees, utilities, technology, communication, vehicles, etc.
* Participate in efforts to internationalize the campus by making available by technology instructors and guest speakers from sites
* make hiring and spending decisions without exceeding available funds
* carry any surplus funds from year-to-year as an emergency reserve and for program and product development
* Develop new Augsburg approved courses/programs with relevant Augsburg faculty and departments and in response to Augsburg needs, if they are financially viable
* Maintain property in its sites to the highest standard possible within budget constraints,
* Develop a schedule for replacement of vehicles for safety reasons
* Follow any local legal counsel regarding taxes, liability, employment, etc.
* Make decisions on the awarding of scholarships from its endowed scholarship funds
* Follow safety/security and liability standards for running international programs and the Forum Standards of Good Practice
* Make spending decisions from any restricted funds of CGE (ie, Founder’s Fund)
* Manage bank accounts in international sites
* Maintain the CGE website and promotional brochures within Augsburg’s branding
* Fundraising - ??
* Pay Augsburg a mutually agreed upon fee for services rendered in accordance with what Augsburg is doing with other programs and within standards of study abroad

Augsburg provides CGE

* Grant credit for academic courses taught by CGE instructors with courses going through the normal course review and approval process.
* Authorize programs to Cuba that meet the general education license requirements
* create a restricted fund for CGE’s direct program and operating expense
* administer payroll and benefits for all US-based employees and US citizens working internationally and for other CGE employees, as possible, such as the tuition benefit, life insurance
* offer equivalent pay and benefits as Augsburg employees and adapted for CGE’s cost of living analysis for staff working outside the US
* Co-investment in program development
* Develop curricular and financial incentives for Augsburg students to participate in CGE programs
* Prepare an annual balance sheet that takes into account the value of property and vehicles in CGE sites
* Incorporate into the regular budget process CGE capital requests that exceed CGE’s ability to incorporate them into its annual budget and charge CGE depreciation for them
* Create a process of replacing vehicles in sites every 5-6 years with CGE paying depreciation for them
* Non-profit tax exempt status and support of institutional advancement to process charitable gifts and assist with fundraising efforts as mutually agreed upon
* Manage investments in CGE endowed scholarship funds
* Offer office space on the Minneapolis campus with phone, internet, computers, printer, and utilities, and applicable support services
* Maintain general liability insurance coverage and international travel insurance through EIIA for CGE’s programs
* Offer legal counsel, as needed, on participant liability forms and other issues inherent to running international study programs

Dated

Signed by

Key areas of conflict now

Notes on agreement

* Would it need to be reviewed by a lawyer?
* Needs to be as specific as possible
* Look at Forum standards on education abroad for further input

NOTES ON A REASONABLE CONTRACT WITH AUGSBURG COLLEGE

JUSTIFICATION: Certain commonly accepted criteria worked out with prior Augsburg administrations to govern the relationship are no longer being applied, and there is a lack of clarity about what the specific expectations are of the current administration. The lack of consistency is partially the result of the relatively high turnover of high level positions in Augsburg, in comparison to the low staff turnover rate at CGE. It is also partly due to the financial crisis at Augsburg. But this lack of clarity currently has resulted in certain decisions being made about that relationship that make it very difficult for CGE to continue operating successfully in its current sites.[[1]](#footnote-1) So this is an attempt to clarify those expectations and operating parameters.

This proposal is based on the assumption that Augsburg fully owns what it has, i.e. 30 year history of on site presence in Mexico, 29 year presence in Nicaragua, and more than 20 year presence each in El Salvador and Guatemala, and a nearly 20 year presence in Namibia, and the rich and extensive local networks it has developed over those years. On the other hand, if Augsburg´s assumption is that current sites, programming, staff and property are not helpful to its future direction, then that decision needs to be clearly communicated so that the corresponding adjustments can be made.

We are proposing a reasonable agreement with Augsburg College around these different issues. Reasonableness is defined as adhering to the following basic principles:

* Sustainability – the operations of CGE, its total direct expenses including personnel, are covered by its income, and a surplus is generated every year, in addition to providing high quality services to the college.
* Subsidiarity- decisions that can be made at lower levels are made there, and an operation that has successfully operated within the institution for 30 years be given some degree of credibility as to its operations and financial performance.
* Industry standards are used as a guide to the relationship (see annex)

Categories:

Personnel:

* autonomy in hiring, within the above mentioned principles.
* receive equivalent pay and benefits as Augsburg employees and adapted for CGE’s cost of living analysis

Financial:

Preferred

* put CGE in a restricted fund
* CGE pay the college for some mutually agreed upon services (ie, payroll at $250/month)
* CGE carries surplus from year to year as an emergency reserve and for program and product development
* CGE projects are viewed through net revenue with taking off direct project expenses out of the general budget (ie, travel, third party, consultants)

Willing to live with

* split operating surplus between Augsburg and CGE (after covering direct costs, including personnel)
* surplus that stays with CGE is used for program and product development, expansion, meeting needs of home institution.

Programs:

* Semester courses are Augsburg courses, go through the normal course review and approval process.
* New Augsburg approved courses/programs developed with relevant Augsburg faculty and departments.
* Openness to develop new sites in response to Augsburg needs, funding for new sites underwritten by both Augsburg (and CGE surplus?), and curricular and financial incentives developed to incent students to participate in such programs.

Property/vehicles:

* All property belongs to Augsburg College, and therefore appears on the balance statement.
* Proposals on property purchase based on return on investment/cost of building rental
* For security and liability reasons, vehicles are replaced on a regular schedule based on their useful life (depreciation). Augsburg includes the purchase cost of these vehicles in their own financial planning, but those costs get deducted from site earnings on a pro-rated basis, in accordance with their depreciation schedule.

CGE PROVIDES AUGSBURG:

* High quality, nationally recognized and award winning study abroad programs, both short term and long term, that serve both Augsburg community (students, professors) and higher education community in the US.
* Augsburg makes use of this national reputation and presence in US higher education community to recruit students to Augsburg College
  + Admissions is conversant about these strengths and uses them in their literature
  + Especially effective if there is more academic alignment with CGE strengths, i.e. LA Studies, African Studies, Spanish speaking becomes one element to consider in new hires.
  + Fact that other local competitors (St Olaf, Carleton) subcontract some of their study abroad with Augsburg.
  + Ability for Mpls and Rochester campuses to tap into local international networks (in Namibia, C America, Mexico, Cuba) for course content and reflection (e.g. short 2-3 minute video interviews of international resource people on class topic, similar international content worked into Augsem courses, etc).

ANNEX: An approximation to industry standards

1. List of similar programs and their financial performance[[2]](#footnote-2):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Living Routes | 2010 | 2009 | 2008 | 2007 |
| Surplus/deficit | (59,678) | (84,519) | (34,612) | 193,979 |
| HECUA | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
| Surplus/deficit | (152,554) | 49,937 | (53,100) | 86,271 |
| Global Citizens Network | 2010-11 | 2009-10 | 2008-09 |  |
| Surplus/deficit | 425 | 759 | (17,977) |  |
| ISE | 2010-11 | 2009-10 | 2008-09 | 2008-07 |
| Surplus/deficit | (442,965) | (164,783) | 695,943 | 267,174 |
| Global Volunteers | 2010-11 | 2009-10 | 2008-09 | 2008-07 |
| Surplus/deficit | (210,025) | (98,335) | 256,101 | 163,720 |

2. Internal arrangements with other Centers at Augsburg:

**Sabo Center for Citizenship and Learning**

* *Center for Democracy & Citizenship had no direct cost to Augsburg in FY12; it covered its operating expenses with grants and earned revenue.*
* *Campus Kitchen program – FY12 expenses: $31.9K (net after grants)*
* *Minnesota Urban Debate League (MUDL) – FY12 expenses: $27K (net after grants & earned revenue. MUDL will cover its own expenses for FY13).*
* *Minnesota State High School Mathematics League(MSHSML) – no Augsburg funding*
* *Minnesota Campus Compact – no Augsburg funding*

**Peace Prize Forum**

* *For FY12, the PPF had total expenses of $271.3K and brought in outside revenue of $254.7K making Augsburg’s net contribution $16.6K*

3. Calculation of indirect costs of CGE to Augsburg College (see table below) – no precedent in the industry

|  |  |  |
| --- | --- | --- |
| **Category** | **Amount** | **Notes** |
| Academic Administration | $ 54,153 | includes classroom services, CTL, academic advising, writing lab, library, dean's office, etc. |
| Facilities - Mpls. Only | $ 19,733 | Like rent for CGE Minneapolis office |
| Facilities - Admin allocation | $ 14,358 | allocation for depts. Like Pres., Dean's office |
| IT | $ 17,630 | for Mpls. Staff |
| HR | $ 63,120 | based on employee # and budget |
| Finance, acct, central services | $ 117,982 | Accounting, purchasing, graphics, etc. |
| General Institutional Support | $ 66,734 | bad debts/legal/membshp |
| Pres. Office and board | $ 84,097 | based on employee # and budget |
| Event & conference planning | $ 3,590 |  |
| Other | $ 1,799 | PR, development, public safety, community service, student advising |
| **Total indirect** | **$ 443,196** | 26% |

Typical arrangements for financing study abroad offices:

**General Fund Covers All Costs** - Administration and all program costs are covered from central administrative funds

**General Fund Pays Administrative Costs but Not Program Operation Costs** Central administration pays staff and costs of space, communication tools, etc., while program operational costs such as staff travel and all program costs abroad are covered by fees paid by participating students.

**Study Abroad as an Autonomous Unit—Cost Recovery Model -** Offer study abroad through a financially independent agency, similar to extension programs or other self-supporting entities. The program receives little or no central budget support, and charges whatever fees are needed to cover all program operations, staffing, contingencies, and other costs.

**Hybrid Models -** Institutions may offer a variety of programs, drawing on many elements taken from the models shown above.

Overall

* Take advantage of CGE´s reputation and strengths to recruit students to Augsburg

• Admissions is able to talk about those strengths and they appear in Augsburg brochures.

• Development raises funds for expansion of new products/places

• Academic alignment with CGE strengths: LA Studies, African Studies, Spanish speaking professors in different fields,

• Development of educational tools to make use of our local networks for classes on campus

• Parameters are developed for measuring us not only by income we generate, but value-added having CGE brings to Augsburg

* Some ability to reinvest funds in program/product development
* As long as we perform financially we have autonomy with hiring, programming, etc.
* Financial sustainability is assessed in a 3-5 year window (ie, if one year we don’t meet operating expenses, then that’s offset by years when we contributed)

Need a written document

***Commitments from both sides***

CGE provides Augsburg

* Become more competitive in Minneapolis – use local input from sites for classrooms, other local colleges subcontract some of their study abroad to Augsburg
* Maintain a high quality reputation
* Follow agreed upon financial practices stipulated by Augsburg College
* Will meet direct operating and program expenses
* Identify what we currently cover – office expenses internationally, accountants internationally, legal fees in countries, etc.

Augsburg provides CGE

* Offer credit for academic program
* Co-investment in program development

**CGE**

* Control over budget and separate fund or bank account
* Mission, vision and strategic plan
* Website
* Marketing
* Staff – hiring, evaluation, etc.
* Pedagogy/long track record/best practices in study abroad
* International bank accounts – would need to see what was best for US bank account
* Separate board or ability to participate in decisions impacting CGE’s work
* Find a school of record if not at an academic institution
* Fundraising

**PARTNER INSTITUTION**

* Office space in Minneapolis
* Accounting – accounts payable/receivable, audit
* Phone/internet (with ability to answer CGE phones separate)
* General liability insurance coverage
* Could be a fiscal agent role but may not be best
* Payroll and benefits
* Legal representation
* Ability to accredit our academic programs , if possible

1. By way of example, two recent key decisions of this nature are: 1)the lack of approval to replace our admissions position, and 2) slow approval to print promotional brochures [↑](#footnote-ref-1)
2. Based on GuideStar 990 forms filed by the organizations [↑](#footnote-ref-2)