

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance and Operations Committee
September 9, 2004

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, September 9, 2004, at 3:00 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: William Hogan, presiding; Clyde Allen, Anthony Baraga, Dallas Bohnsack, John Frobenius, and Maureen Reed.

Staff present: Vice President Richard Pfutzenreuter; Interim Vice President David Hamilton; Executive Director Ann Cieslak; Associate Vice Presidents Steve Cawley, Stuart Mason, and Michael Volna.

Student Representatives present: Bobak Ha'Eri and Joshua Jacobsen.

BOARD OF REGENTS POLICY: ANNUAL OPERATING BUDGET ADJUSTMENTS

Vice President Pfutzenreuter reported that the administration recommends that Board of Regents Policy: *Annual Operating Budget Adjustments*, which governs the administration's authority on behalf of the Board to approve adjustments to the annual operating budget, be rescinded because the policy's delegation and reserved authority are addressed by Board of Regents Policy: *Reservation and Delegation of Authority*.

A motion was made and seconded to rescind Board of Regents Policy: *Annual Operating Budget Adjustments*, with direction to the administration to return with proposed amendments to Board of Regents Policy: *Reservation and Delegation of Authority* specifying the level at which adjustments to the annual operating budget shall require Board approval. The committee voted unanimously to recommend rescission of Board of Regents Policy: *Annual Operating Budget Adjustments*.

BOARD OF REGENTS POLICY: BUSINESS ENTERPRISES AT THE UNIVERSITY

Vice President Pfutzenreuter and Associate Vice President Volna presented proposed Board of Regents Policy: *Direct Sales of Goods and Services*, which, if adopted, would supersede Board of Regents Policy: *Business Enterprises at the University*. The proposed policy reaffirms the University's central mission of teaching, research, and outreach, and acknowledges that academic support units have opportunities and are encouraged to generate revenues through the direct sales of goods and services. The policy also establishes criteria for permissible sales.

Several Regents noted that the new policy expands the administration's discretion in allowing sales and revenue generation.

ISSUES RELATED TO: ANNUAL ASSET MANAGEMENT REPORT

Associate Vice President Mason presented the Annual Asset Management Report as of June 30, 2004 as found in the docket and related materials distributed at the meeting. The report includes four University investment funds: the Consolidated Endowment Fund (CEF); Long-Term Reserves; Short-Term Reserves (TIP); and RUMINCO Insurance Fund. The Office of Asset Management (OAM) currently oversees \$1.2 billion in invested assets.

Mason summarized the asset allocation and returns against benchmarks for each quarter of the reporting period, highlighting the performance of the CEF, which totaled \$627.2 million, increasing \$98.6 million over the last 12 months and exceeding benchmarks for the first time in five years. Mason also reported an increase in returns on alternative investments, which reflects the effort to create a more diverse portfolio by expanding the alternative investments across a broad spectrum of categories. He added that the OAM has developed better forecasting and monitoring of CEF through strong internal private capital models and in-house monitoring of all private investments.

In response to a question regarding investment of TIP funds, Mason explained that Board of Regents Policy: *Investment of Reserves* specifies strategies that provide flexibility to expand investments in corporate grade bonds and extend the duration of the portfolio.

COMMITTEE WORKPLAN, 2004-05

Vice President Pfutzenreuter reviewed the committee workplan for the coming year. Items are categorized into policy discussions and related activities or those that are predominantly transactional in nature. Items may be added later in the year following development of a strategic plan.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report as detailed in the docket materials and including:

- To Eastman Kodak Health Imaging Division for an estimated \$1,438,700 for the period October 1, 2004 to September 30, 2009 for a Lease-to-Own Picture Archiving Computer System for the Veterinary Medical Center.
- To Leo Hopf for \$349,000 to speak for selected Executive Development Center programs as needed for the period February 17, 2003 through February 17, 2006 on risk/decision making.
- To Prairie Technologies Company for \$326,800 for an Ultima TX two photon, laser scanning confocal microscope with infrared laser for the Neuroscience Department.
- To the University of Chicago Press for an estimated \$2,325,000 for continuing to provide warehousing, distribution, order processing, accounts receivable, and collection services for the University of Minnesota Press for the period October 2004 through September 2009.

- To Wise Acres, Inc. for a contract amendment to extend the time period and dollar amount for project management through all phases of the Compliance Data Base Integration Project. The contract amendment will extend the contract time period to June 30, 2005 and the dollar total to \$124,740, for a total of \$300,000 for FY2004 and FY2005.

A motion was made and seconded to recommend approval of the Consent Report.

Staff members responded to a number of questions raised by the committee.

The committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

Vice President Pfutzenreuter referred the committee to information items as detailed in the docket materials:

- Quarterly Purchasing Report;
- Emergency Purchases.

Pfutzenreuter reported that two emergency purchases of goods and services greater than \$250,000 were approved in August 2004 when there were no scheduled meetings of the Board. He noted that the contract with Wise Acres, Inc. was approved on the condition that any future contract with this organization be rebid.

The meeting adjourned at 4:35 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary