UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance and Operations Committee

February 10, 2005

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, February 10, 2005, at 10:00 a.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; Associate Vice Presidents Steve Cawley, Stuart Mason, and Michael Volna.

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

BOARD OF REGENTS POLICY: *ENDOWMENT FUND*

Vice President Pfutzenreuter introduced Associate Vice President Mason to present proposed amendments to Board of Regents Policy: *Endowment Fund.* If adopted, the policy will narrow strategic asset allocation target ranges in domestic, international, and alternative investment equities. The goal of these changes is to diversify investments, lower volatility, and enhance returns on the Consolidated Endowment Fund. Mason noted that the Investment Advisory Committee has reviewed and recommended the changes.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of amendments to Board of Regents Policy: *Endowment Fund.*

BOARD OF REGENTS POLICY: *PURCHASING*

Vice President Pfutzenreuter introduced Associate Vice President Volna to lead the discussion on proposed amendments to Board of Regents Policy: *Purchasing.* The proposed new language reflects the revised delegations of authority, and current practices. The policy has been structured for clarity and consistency with other Board policies.

Volna reported that the policy was reviewed by the committee in June 2004, during which a number of recommendations were made. The policy has been redrafted and brought back for committee review. Volna referred the committee to the summary of proposed amendments as contained in the docket materials, noting that the new language addresses purchasing activities covered in Board or administrative policies, competitive purchasing, and the institution's commitment to certain core values in the conduct of purchasing activities.

The committee engaged in a lengthy discussion.

Regent Frobenius raised several questions regarding using and pursuing cooperative purchasing groups and whether the proposed language will allow the institution to benefit from group purchasing. Volna reported that this policy defines overall purchasing requirements and ensures that any partnership the institution enters into guarantees fairness of price and selection and is open to the competitive bid process. He added that price, quality, compatibility with existing programs or equipment, targeted businesses, delivery, and service are all factors in the purchasing process.

Regent Reed proposed that policy language better reflect the institution's practices with MINNCOR. Volna noted that this policy is supported by administrative procedures that more directly encourages departments to consider purchasing through MINNCOR, and he agreed to explore language changes to better reflect the institution's efforts in this area.

Regent Hogan recommended the inclusion of language linking this policy to Board of Regents Policy: *Targeted Business, UCED, and Small Business Programs.*

Staff will incorporate new language addressing the issues raised and present a revised version of the policy at a future meeting of the committee.

FINANCIAL SYSTEMS REPLACEMENT PROJECT UPDATE

Vice President Pfutzenreuter introduced Associate Vice Presidents Volna and Cawley to present an update of the Enterprise Systems Replacement Project. Volna summarized the goals of the project: satisfying business needs of the institution; supporting multiple business models; delivering tools for financial analysis and planning; improving business processes and reducing costs; and supporting increased accountability, strong internal controls, and fiscal compliance.

Volna explained the two-phase approach the institution has pursued to implement the system. The first stage is focused on pre-implementation activities, implementation planning, and training for planning staff. The proposed second phase will consider what is needed to support critical University business processes. He reported that this approach helped staff identify the institution's needs and should eliminate the need for a follow-up project to implement functionality missed in the planning stage.

Volna reviewed progress on subprojects in Phase I and identified projects in process, completed projects, and those deferred, as detailed in the materials distributed at the meeting. He briefly reviewed preliminary Phase II implementation plans, which take into consideration the modules needed to support critical business activities, financial processes, and other functional systems.

The committee briefly discussed the external auditor's emphasis on proper implementation and interface of the financial system with current payroll and human resources systems. Cawley reported that the systems are highly integrated and that staff have been involved with the planning and implementation process.

Committee members requested more frequent project status reports and further details on the status of subprojects and estimated costs.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report as detailed in the docket materials, including Purchase of Goods and Services over $250,000 to:

Bulldog Technologies Inc. for $500,000 (increased from $350,000) for software development and support services for the period January 1, 2003 to December!31,!2005!for!the!School!of!Physics!and!Astronomy.

To NextGen HealthCare Information Systems, Inc. for $615,078 for NextGen Electronic Medical Record software, licensing, interfaces, training, and implementation for the period March 1, 2005 through January 1, 2006, in addition to ongoing software maintenance for Boynton Health Service.

Silicon Graphics Corporation for $2,048,000 to purchase one Altix 3700BX2 computer for FY2005-06. This purchase will be integrated with the Supercomputing Institute's existing Altix computer and no additional infrastructure will be required. Also, in addition to the two years of hardware and software support purchased, a third year of each will be included without additional charge.

A motion was made and seconded, and 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, including:

Annual Insurance & Risk Management Report
Annual Report on Central Reserves
Financial Oversight: Key Indicators
Amendment of Food Service Contract with ARAMARK.

 The meeting adjourned at 11:29 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary