

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance and Operations Committee
July 6, 2005

A meeting of the Finance and Operations Committee of the Board of Regents was held on Wednesday, July 6, 2005, at 10:15 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Clyde Allen, presiding; Anthony Baraga, Dallas Bohnsack, John Frobenius, Steven Hunter, and David Larson.

Staff present: Senior Vice President Frank Cerra; Vice Presidents Kathleen O'Brien and Richard Pfutzenreuter; Executive Director Ann Cieslak; Associate Vice Presidents Terry Bock, Steve Cawley, and Steven Spehn.

Student Representatives present: Cassie McMahon and Tiffany Varilek.

DEBT: THE GOLDMAN SACHS PUT OPTION

Vice President Pfutzenreuter invited Carole Fleck, Director of Debt Management to join the presentation on the Goldman Sachs *Put* Option. Fleck reported that in 1996 the University issued Series 1996A General Obligation Bonds in the amount of \$190,000,000 plus a premium of \$944,000 at rates of 4.5% to 5.75% per annum through July 1, 2021.

At the same time, the University sold a *Put* Option to Goldman Sachs, which allows the company, upon a 90-day notice of intent, to put the outstanding bonds, or a portion thereof, or a portfolio of AAA-rated securities to the University, in an amount sufficient to pay the future debt service requirements on the 1996A fixed rate refunding bonds.

The University will need to issue general obligation indebtedness in one or more series in the form of commercial paper, bonds, notes or such other form of indebtedness designated by the University, the proceeds of which will be used to purchase the portfolio of defeasance bonds delivered by Goldman Sachs. The issuance of new debt will have no impact on the overall balance of outstanding debt on the University's financial statements. Neither the outstanding indebtedness nor the related trust account assets for the defeased bonds are included in the University's financial statements.

Fleck summarized additional elements of the transaction, the timeline and next steps, as included in the presentation on file in the Board Office. The committee asked a number of clarifying questions and had a brief discussion.

The item will return for action at a future meeting of the committee.

**COMMITTEE WORKPLAN 2005-06:
PRELIMINARY DISCUSSION**

Vice President Pfutzenreuter presented the draft committee workplan for the September 2005-06 as detailed in the docket materials. He noted that the plan is organized around five broad categories reflecting the role of the committee in meeting its fiduciary responsibilities.

Committee members suggested a number of additional topics that staff agreed to incorporate into the workplan.

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:

- BD Biosciences Immunocytometry Systems for \$308,089 for a service contract for Cancer Center Flow Cytometry Core Facility. The Cancer Center is obligated to pay \$61,217 annually for five years.
- Cemanahuac Comunidad Educativa for a not to exceed amount of \$305,600 for providing study abroad academic credit programs from August 1, 2005 through August 15, 2006 for the Learning Abroad Center.
- Hennepin County for an estimated \$300,000 to provide solid waste disposal for the Twin Cities campus. The contract will cover the period July 1, 2005 through June 30, 2006.
- Increase the contract with Hines Interests Limited Partnership by \$130,000 to complete work in the development of a long-range clinical campus plan for the University of Minnesota, its Academic Health Center, University of Minnesota Physicians, and Fairview Health Services. The total contract amount will be \$465,000.
- MacGray Laundry Services, Inc. for \$589,460 to renew a contract to provide preventative maintenance and janitorial services to the West Bank Office Building for the period July 1, 2005 through June 30, 2006.
- Managed Services, Inc. for \$491,371 to renew a contract to provide preventative maintenance and janitorial services to the West Bank Office Building for the period July 1, 2005 through June 30, 2006.
- Nelson Chrysler-Dodge-GM, Inc., Erickson Chevrolet, Walden Fleet Group for an estimated \$900,000 for vehicles as needed for the period July 1, 2005 through June 30, 2006, for Fleet Services, a division of University Services.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

No information items were presented this month.

The meeting adjourned at 11:08 a.m.

**ANN D. CIESLAK
Executive Director and
Corporate Secretary**