

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance and Operations Committee
May 12, 2005

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, May 12, 2005, at 2:00 p.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: Vice President Richard Pfutzenreuter; Executive Director Ann Cieslak; Associate Vice Presidents Steve Cawley, Gail Klatt, and Michael Volna.

Student Representatives present: Joe Linder and Cassie McMahon.

Regent Allen welcomed Student Representatives Joe Linder and Cassie McMahon to the committee.

BOARD OF REGENTS POLICY: *ENDOWMENT FUND*

Vice President Pfutzenreuter introduced Assistant Manager Chris Suedbeck, Office of Asset Management (OAM), to present proposed amendments to Board of Regents Policy: *Endowment Fund*, as detailed in the docket materials. Suedbeck reported that OAM is recommending a reduction in payout rate and an extension in spending policy to improve the strategic positioning of the Consolidated Endowment Fund (CEF). This change in policy will yield increases in annual distribution, albeit at a somewhat slower pace than continuation of current spending levels. The purpose of the change is to create a stable and growing source of funding to support the University's mission and preserve the inflation-adjusted value of the CEF.

Suedbeck summarized the recommendations, which call for gradually lowering the CEF payout rate from 5% to 4.5% and gradually increasing the number of months in the market value averaging period from 12 quarters to 20 quarters. He presented results of an analysis conducted by OAM, with the assistance of Cambridge Associates and Commonfund, which illustrates the impact the proposed changes would have on the portfolio.

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

RESOLUTION: BOARD OF REGENTS POLICY: *ENDOWMENT FUND*

Associate Vice President Pfutzenreuter presented a proposed resolution related to Board of Regents Policy: *Endowment Fund*. The resolution specifies the schedule for distributions, the target distribution rate and schedule of reductions, and the schedule for adjusting the number of month-end market values to be included in the month-end average.

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

ENTERPRISE FINANCIAL SYSTEMS IMPLEMENTATION BUDGET

Vice President Pfutzenreuter and Associate Vice Presidents Cawley and Volna led the discussion of the Enterprise Financial Systems Implementation Budget.

Volna briefly reviewed the history, goals, and principles related to the Enterprise Financial Systems 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. He summarized the two-phase approach to implementation, noting that the committee received an update of progress on Phase I, the pre-implementation activities and training of staff, at its February 2005 meeting.

Volna noted the following principles guide the project implementation budget:

- using internal resources rather than consultants,
- supporting sponsored research;
- including retrofits and interfaces to other enterprise systems.

Follow-on projects and enhancements are excluded from this budget and will require independent business cases to justify any decision.

Volna reported that the \$28,600,000 implementation budget is an increase over the 2003 estimate, due to the need to rent office space off campus, system retrofits, and cost-effective incorporation of additional modules that support the research mission and strategic positioning initiatives. In response to a question, Pfutzenreuter noted that a portion of this budget is included in the FY2006 President's Annual Operating Budget that will be presented to the Board of Regents at its June 10, 2005 meeting. Additional portions will be included in the operating budget in successive years as each phase is implemented.

A lengthy discussion ensued. Volna reported on additional modules incorporated in the project to enhance financial competencies, reduce redundant and subsidiary systems, and increase the level of competency of staff using the system. All these additions are intended to result in cost savings. To ensure that standardized processes are adopted, project staff will provide the appropriate level of assistance and incentives to system users.

In response to a question, Volna reported that the administration is involved in an internal budget modeling process. A workgroup has been convened to investigate budget model alternatives with a more cost accounting based way of identifying and allocating costs. He added that the enterprise system includes modules that support various levels of cost accounting.

A copy of the presentation is on file in the Board Office.

CONSENT REPORT

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

- A-dec, Inc. for \$350,750 for one-time purchase of dental clinic operatory equipment for the School of Dentistry.
- Adecco Temporary Services for an estimated \$2,000,000 to renew a contract for on-site administration of a temporary clerical workforce management program for the Office of Human Resources for the period July 1, 2005 through June 30, 2006, and to expand the contract to include additional job classifications as allowed by the original contract. This is the third year of a possible four-year contract.
- Center for Academic Programs Abroad for a not to exceed amount of \$272,640 for providing study abroad academic credit programs for the Learning Abroad Center during summer 2005. The program fees cover the costs of the academic program and the administrative costs for the Learning Abroad Center.
- Fisher Clinical Services for up to \$3,961,671 for the procuring, overencapsulating and packaging, in blister packs equipped with compliance monitoring microprocessors, of Azthromycin 250mg tablets and matching placebo for the Division of Biostatistics.
- IBM Corporation for an estimated \$395,000 to add an additional 275 IBM T42 ThinkPad laptops to the existing lease for the Law School. The laptops will be leased for the three-year period August 1, 2005 through June 30, 2008.
- IP Unity for \$950,000 to purchase a new voice mail system and support for the period June 1, 2005 through May 31, 2010 for Networking and Telecommunications Services, a division of the Office of Information Technology.
- Johnson Controls, Inc., for up to \$585,882 for implementation of hardware and software upgrades for the period June 1, 2005 through August 31, 2006 for Facilities Management.
- Siemens Medical Solutions USA, Inc. for \$600,000 for a 7.0 Tesla multi-channel and gradient system for the ultra high field magnetic resonance imaging equipment located at the Center for Magnetic Resonance Research.

A motion was made and seconded to recommend approval of the Consent Report. Miriam Ward, Director of Human Resources Management Systems, addressed questions regarding the contract with Adecco Temporary Services.

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

INFORMATION ITEMS

No information items were presented this month.

The meeting adjourned at 3:04 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary