

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance & Operations Committee

November 8, 2007

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, November 8, 2007 at 1:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Steven Hunter, presiding; Clyde Allen, Linda Cohen, John Frobenius, Venora Hung, and Dean Johnson.

Staff present: Chancellors Charles Casey, Stephen Lehmkuhle, and Jacqueline Johnson; Vice Presidents Steve Cawley, Charles Muscoplat, and Richard Pfutzenreuter; Executive Director Ann Cieslak; and Associate Vice Presidents Stuart Mason and Michael Volna.

Student Representatives present: Nathan Swanson and Mark Torma.

**ISSUES RELATED TO: SOURCE OF PAYMENT OF
UNIVERSITY INDEBTEDNESS**

Regent Hunter invited Vice President Pfutzenreuter to discuss issues related to the source of payment for University indebtedness. Pfutzenreuter detailed the University's outstanding debt, identified primary funding sources for debt payments, and noted nine major cost allocation pools. He reviewed debt payments as a percentage of budgeted resources for major academic and support units, and described the University's favorable debt service and leverage ratios.

In response to questions from the committee regarding loans, Pfutzenreuter stated that with interest rates currently very low, many universities are moving to choosing very long repayment terms for debt. A lengthy discussion ensued regarding alternative strategies to more effectively leverage debt and position the institution to capitalize on market conditions, including what constitutes an appropriate ratio of principal to interest and options for accelerating debt issuance to fund new construction and Higher Education Asset Preservation and Replacement during periods of low interest rates. Pfutzenreuter cautioned that project design costs typically do not remain constant over time, so securing low-interest funding for projects not currently scheduled might not cover the eventual costs of a project. In addition, payments for low interest loans for future projects would be added immediately to the University's debt service.

Pfutzenreuter noted that coordinate campuses centralize their costs and manage their budget in a manner similar to colleges on the Twin Cities campus. In response to a question from Regent Allen, Pfutzenreuter explained that even though the Duluth campus is the largest coordinate campus, they manage their budget extremely well using this model.

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

CONSENT REPORT

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

- Aastra Intecom, Anixter, Border States Electric Supply, Communications Supply Corp., Goldcom, Graybar Inc., MN Computer Supply, and Viking Electric for an estimated \$4,000,000 combined to provide telecommunication equipment and supplies for the period December 16, 2007 through December 15, 2008.
- Affymetrix, Inc. for an estimated \$400,000 for GeneChip Expression Arrays as needed for the period November 1, 2007 through October 31, 2008 for the Biomedical Genomics Center.
- Berbee Information Networks Corporation for \$509,663 to provide a complete turnkey campus phone system, including hardware, software, installation, and maintenance support for 5 years for the University of Minnesota Crookston (UMC).
- Design Workshop for \$2,357,330 for predevelopment consulting services at the University of Minnesota Outreach, Research and Education (UMORE Park) Rosemount, Minnesota, for the Statewide Strategic Resource Development Department.
- Edwards Brothers, Sheridan Books, and Thomson-Shore for \$600,000 to provide printing and binding of standard-format books as needed for the period November 1, 2007 through October 31, 2008 for the University Press.
- Oracle Corporation for \$445,733 to renew Oracle University-wide computer software licenses, updates, and maintenance support for the period November 24, 2007 through November 23, 2008 for the Office of Information Technology (OIT).
- Xerox for \$1,200,000 for final renewal of a 5-year blanket contract for copier maintenance offered to all University departments, on all campuses, covering the period January 1, 2008 through December 31, 2008.

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

INFORMATION ITEMS

Vice President Pfitzenreuter referred committee members to the Information Items contained in the docket materials, including:

- Financial Oversight;
- Key Indicators; and
- Emergency Purchases.

The meeting adjourned at 2:20 p.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary