

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance & Operations Committee

June 7, 2007

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, June 7, 2007 at 1:45 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellor Jacqueline Johnson; Senior Vice President Frank Cerra; Vice Presidents Steve Cawley, Timothy Mulcahy, and Richard Pfutzenreuter; Acting Executive Director Carol Kraus; and Associate Vice Presidents Gail Klatt, Stuart Mason, and Donna Peterson.

Student Representatives present: Nathan Swanson and Mark Torma.

ISSUES RELATED TO: ANNUAL OPERATING BUDGET

Vice President Pfutzenreuter and Budget Director Julie Tonneson led a discussion of issues related to the Annual Operating Budget FY2007-2008 and the Preliminary Financial Plan FY2008-2009, as detailed in the docket materials.

Pfutzenreuter provided an overview of the University's FY2007-2008 Budget resulting from the Higher Education bill passed by the State Legislature. He noted the following during the presentation:

- The all funds non-sponsored budget plan comprises total net resources of over \$2.9 billion.
- Over \$107 million in new investments will be put into the categories of exceptional students; exceptional faculty and staff; exceptional organization; and exceptional innovation.
- All undergraduate tuition plans will see an increase of 4.5 percent or less, with Morris seeing a decrease of 10.3 percent.

In response to questions from the committee, Pfutzenreuter facilitated an extensive discussion regarding tuition plan changes for FY2008, including the cost and benefits of tuition banding, student services and room and board fees, and the Founders and Resident Scholarships.

Pfutzenreuter presented the Preliminary Financial Plan FY2008-2009. He noted that the State appropriation for FY2009 necessitates a change of about \$25 million in the investment plan for the second year of the biennium and that a supplemental request during the next legislative session is being considered. In response to a question from Regent Frobenius, Pfutzenreuter explained that a more significant allocation shift to the second year of the biennium to aid tuition costs was not considered because of the importance of maintaining the momentum of strategic positioning.

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

ISSUES RELATED TO: UNIVERSITY TAX COMPLIANCE ACTIVITIES & PROGRAMS

Vice President Pfutzenreuter introduced Kelly Farmer, Director of the Tax Department, to present information related to University Tax Compliance Activities & Programs. Farmer explained the University's complex tax environment and the role of the Department.

Farmer pointed out specific areas in which taxes play a significant role in University business, including tax-exempt debt, employee benefits and pensions, and scholarships. He also provided an overview of state and federal legislative and regulatory tax initiatives that could potentially affect the University.

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

ISSUES RELATED TO: PRELIMINARY 2008 STATE CAPITAL REQUEST

Vice President Pfutzenreuter presented information related to the Preliminary 2008 State Capital Request, as detailed in the docket materials. He explained to the committee that the official request will be reviewed and acted on during fall 2007, and considered by the Legislature during the 2008 session.

Pfutzenreuter reported that the University will request \$218 million from the state for HEAPR funding, building renovations, and new facilities. The University intends to match the state contribution with \$69 million. Pfutzenreuter also provided a schedule of how the capital request will affect debt issuance and outstanding debt in the upcoming years.

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, including the Purchase of Goods and Services over \$250,000 to:

- All State Communications, Inc., Collins Electrical Systems, Inc., Comlink Midwest, Inc., Dell-Comm, Inc., Metro Communication Services, Inc., NetVersant, Parallel Technologies, Inc., Parsons Electric Co., Performance Cable Systems, Inc., and Tri Com Communications, Inc. for an estimated \$700,000 of contract labor for Horizontal Wiring services as needed for the period of July 1, 2007, through June 30, 2008, for the Networking and Telecommunications Services (NTS) department, a division of the Office of Information Technology.
- Blue Cross Blue Shield of Minnesota and their subsidiary, First Plan of Minnesota to administer self-funded medical insurance coverage and to provide stop loss insurance for Twin Cities and UMD graduate assistants for the period of September 1, 2007, through August 31, 2008.
- Charter Communications for approximately \$279,634 to supply basic cable TV for the period of September 1, 2007, through August 31, 2009, for the residents of UMD Housing.
- Collier Computing for an estimated \$1,250,000 to renew SUN hardware maintenance/support for the three-year period July 1, 2007, through June 30, 2010, for the Office of Information Technology.

- Collier Computing for an estimated \$950,000 for a new Enterprise 25000 (E25K) Server, including a one-year maintenance/support warranty for all components of the server for the Office of Information Technology.
- Crescent Chemical Co., Inc. for \$335,400 for the purchase of enzymes used in the isolation of islet cells for clinical trials from May 10, 2007, to June 30, 2009, for the Department of Surgery.
- EMC Corporation for an estimated \$1,000,000 to renew hardware maintenance/support for EMC disk storage array hardware for the three-year period July 1, 2007, through June 30, 2010, for the Office of Information Technology.
- EMC Corporation for an estimated \$540,000 to renew EMC operating software licenses and maintenance/support for EMC Disk Storage Arrays for the three-year period July 1, 2007, through June 30, 2010, for the Office of Information Technology.
- Exan Academic, Inc. for \$490,000 for a Clinic Information System for the School of Dentistry.
- GE Health Care for an estimated \$2,004,300 to lease a Magnetic Resonance Imaging unit for the period July 1, 2007, through June 30, 2016, for the University of Minnesota, Veterinary Medical Center.
- GE Healthcare for \$473,912 to lease a HyperSense DNP Polarizer (Oxford Instruments) to be housed in the Center for Magnetic Resonance Research. The lease will be paid for in sixty equal monthly payments, with the first twelve payments made from the MMF Keck funds (\$94,782), and the remaining forty-eight monthly payments from the sponsored Biotechnology Research Resource funds (\$379,130).
- HDR Engineering for \$498,000 for performing an AHC Backup Cooling Study for the period of July 2007 through February 2008 for the Academic Health Center and the Facilities Management Department.
- IBM for an estimated \$400,000 to renew IBM mainframe computer operating software licenses and maintenance support for the one-year period July 1, 2007, through June 30, 2008, for the Office of Information Technology.
- Labcyte Corporation for \$296,197 to purchase an ECHO 550 Compound Reformatter and accessories for the High Throughput Core Screening Facility in the Institute for Therapeutics Discovery and Development, College of Pharmacy.
- Open Biosystems for \$600,000 for Open Access RNAi Program as needed for the period of July 1, 2007, through June 30, 2010, for UMN and Mayo scientific community through the Biomedical Genomics Center.
- Royall & Company for direct marketing services for the Office of Admissions for the period of August 1, 2007, through July 31, 2010, for an estimated \$2,700,000.
- Software House International, a Symantec distributor, for an estimated \$300,000 to provide software licensing for Symantec anti-virus for all University of Minnesota staff, faculty and students for the period July 1, 2007, through June 30, 2010, for the Office of Information Technology.
- The State of Minnesota Office of Enterprise Technology for an estimated \$600,000 for network connections between the Twin Cities and its campuses in Duluth, Crookston, Morris, and Rochester for the period July 1, 2007, through June 30,

2008, for Networking and Telecommunications Services, a division of the Office of Information Technology.

- Thane Hawkins Polar Chevrolet, Lupient Enterprises, Walden Fleet Group and Saxon Fleet Services for an estimated \$3,000,000 for vehicles as needed for the period of July 1, 2007, to June 30, 2008, for Fleet Services, Parking & Transportation Department, a division of University Services.
- The University of Minnesota Medical Center, Fairview, for \$608,662 for the period of February 1, 2007, to January 31, 2009, for care of patients enrolled in clinical trials under the Juvenile Diabetes Research Foundation's Center Grant.
- Xerox for an estimated \$349,300 for the purchase of copy paper, to be stocked at the University Stores, for use in University departments. The contract period is August 1, 2007, through July 31, 2008.
- Yocum Oil Company for \$1,000,000 for the purchase of fuel as needed for the period of July 1, 2007, through June 30, 2008, for the Fleet Services, Parking and Transportation Department, a division of University Services.

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

INFORMATION ITEMS

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

- Quarterly Purchasing Report;
- Quarterly Investment Advisory Committee Update;
- Quarterly Asset Management Report;
- Emergency Approvals; and
- Financial Oversight: Key Indicators.

The meeting adjourned at 3:30 p.m.



Carol E. Kraus
Acting Executive Director and
Corporate Secretary