

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Finance & Operations Committee
September 13, 2001**

A meeting of the Finance & Operations Committee of the Board of Regents was held on Thursday, September 13, 2001, at 10:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Michael O'Keefe, presiding; Anthony Baraga, Frank Berman, Jean Keffeler, and Lakeesha Ransom.

Staff present: President Mark Yudof; Vice Presidents Eric Kruse and Christine Maziar; Executive Director Ann Cieslak; Associate Vice Presidents Elizabeth Nunnally and Richard Pfutzenreuter.

Student Representatives present: Isaac Dallager and Venora Hung.

COMMITTEE WORKPLAN, 2001-2002

Regent O'Keefe and Associate Vice President Pfutzenreuter presented the proposed 2001-2002 Committee Workplan, as found in the materials on file in the Board Office.

The committee had an extended discussion of the scope and focus of work outlined in the workplan proposed for the coming year. The committee agreed to the following:

- the Annual Asset & Debt Management Report would come before the Committee for detailed discussion;
- individual investment management firms need not appear before the Committee;
- the University's investment consultant firm would continue to provide semi-annual reports to the Committee;
- following meetings of the Investment Advisory and Debt Management Advisory Committees, updates would be provided to the Committee as Information Items; and
- appropriate staff would continue to present semi-annual updates to the Committee on activities of the Investment Advisory and Debt Management Advisory Committees.

In response to Regent O'Keefe's question regarding the procedure for capital budget presentations, Associate Vice President Pfutzenreuter indicated that the capital budget would be presented to the Committee in greater detail in the same month that it is presented to the full Board for review.

Pfutzenreuter outlined the information to be presented at the Board's work session on University financing in October. The presentation includes an exploration of the funding similarities and differences among peer institutions, a delineation of the University's current funding sources, and a discussion of trends and potential changes in revenue support levels for the future.

President Yudof requested that the University's academic and research priorities be included in any assumptions for future figures and projections.

Following discussion among committee members, O'Keefe clarified that the October work session would provide the basis upon which the full Board would assign topics for future presentations.

Pfutzenreuter reported that he recently presented the Board's proposed workplan to the Finance Committee of the Faculty Consultative Committee. Professor Charles Speaks, the Faculty Finance Committee representative, indicated that the faculty committee is developing a parallel agenda so that faculty can provide input at the appropriate time.

QUARTERLY PURCHASING REPORT

Interim Controller Michael Volna presented the Quarterly Purchasing Report, as found in the docket materials.

Volna reported one purchasing policy violation during the last quarter. He noted that the total number of violations and total number of approved exceptions to the policy had decreased compared to the fourth quarter of last year.

Purchasing Director Karen Triplett presented an update on the annual airline service Request for Proposals (RFP) for the basketball team.

O'Keefe noted that the Quarterly Purchasing Report would appear in the future as an information item rather than a separate presentation, and would be open to discussion or questions during that portion of each meeting.

FINANCING OF SYSTEM-WIDE STUDENT HOUSING

Associate Vice President Pfutzenreuter and Twin Cities Director of Housing Mary Ann Ryan presented an update on financing issues affecting student housing system-wide, as found in the materials on file in the Board Office.

Pfutzenreuter reported that the total current and projected outstanding debt for housing on all campuses would peak in 2004, then decline through 2035. Pfutzenreuter noted that roughly 70% of the debt is for housing on the Twin Cities campus.

Ryan informed the committee that when Riverbend Commons opens in Fall 2002, over 1300 beds will have been added to the Twin Cities campus since 1997, 252 new beds to the Duluth campus, and 124 new beds to the Crookston campus. Between 1999 and 2002, private developers will have added over 1800 beds near the Twin Cities campus. In response to a question from Student Representative Hung, Ryan clarified that once Riverbend Commons opens, some of the current doubling up in residence hall rooms would be alleviated.

President Yudof commented that the University of Minnesota is underbuilt in terms of comparable campuses. Only 19% of students live on campus, which is less than the Big 10 average. He noted that the University has been conservative in building residence halls because the debt can be repaid only if the residence halls are full.

Ryan noted that some of the factors driving the demand for Twin Cities student housing include the state of the economy, the size of the freshman class, the retention rate in residence halls, and the shortage of quality housing in the Twin Cities.

Regent Ransom expressed concern regarding the high cost of new private housing developments adjacent to the campus, noting that these facilities are marketed to students, but are often priced beyond their means.

CONSENT REPORT

Review/Action

Interim Controller Michael Volna presented the Consent Report, including the General Contingency Report, as found in the docket materials.

Volna presented the following purchases of goods and services over \$250,000:

- \$280,000 to the Center for Academic Programs Abroad (CAPA); \$575,000 to the Ortega y Gasset Foundation; \$440,000 to Venusa & EntreAmericas Learn and Travel to provide services to support student studying abroad to the Global Campus Study Abroad Office for the period of September, 2001 through June, 2002. Vendors selected based on their ability to provide quality, cost-effective programs for University students.
- \$1,300,000 to Charles River Laboratories for laboratory research animals provided as needed to the department of Research Animal Resources (RAR) for the period of September 1, 2001 through June 30, 2004. Vendor selected through competitive process.
- \$1,427,475 to Deloitte & Touche, LLP for external audit services for the Controller's Office for fiscal years 2002-2006. Vendor selected through competitive process.
- \$1,300,000 to Harlan Sprague Dawley, Inc. for laboratory research animals provided as needed to the department of Research Animal Resources (RAR) for the period of September 1, 2001 through June 30, 2004. Vendor selected through competitive process.
- \$1,300,000 to The Jackson Laboratory for laboratory research mice provided as needed to the department of Research Animal Resources (RAR) for the period of September 1, 2001 through June 30, 2004. Vendor selected through competitive process.
- Up to \$1,110,000 to McLeod's for long-distance call handling for the Office of Information Technology (OIT) for the period of November, 2001 to October, 2004. Vendor selected through competitive process.
- \$1,500,000 to Siemens Medical Systems to purchase a 3.0 tesla Magnetic Resonance Imager to be installed at the Center for Magnetics Resonance Research. Vendor selected through competitive process.
- \$406,100 to Syntegra (USA), Inc. for implementation of its technical design for new Carlson School of Management website. Syntegra one of two companies selected through competitive bid process to research and design new website.
- \$300,000 to TSI Incorporated for a TSI 3800 Aerosol Time-of-Flight Mass Spectrometer for the Mechanical Engineering Department. Vendor selected through competitive process.
- An estimated \$300,000 to Xerox Corporation for Xerox copier, facsimile, and typewriter supplies, to be stocked at the University Stores for use by University departments from October 1, 2001 through September 30, 2002. Fourth year of possible five-year contract at manufacturer-direct pricing through Government Services Administration (GSA).
- An estimated \$407,300 to Xpedx for white and colored copy paper to be stocked at the University Stores for use by University departments from October 1, 2001 through September 30,

2002. Vendor selected through competitive process.

In response to a question from Regent Baraga, Purchasing Director Triplett assured the committee that laboratories supplying animals for research purposes must meet existing protocols and regulations in order to be approved by the University.

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

INFORMATION ITEMS

Associate Vice President Pfitzenreuter presented updates on the University of Minnesota bond ratings and recent debt issuance, and on a new alternative investment program, as found in the docket materials.

The meeting adjourned at 12:05 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary

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Last modified on September 7, 2005