

Year 2002-03

UNIVERSITY OF MINNESOTA BOARD OF REGENTS Finance & Operations Committee

September 12, 2002

A meeting of the Finance & Operations Committee of the Board of Regents was held on Thursday, September 12, 2002, at 1:30 p.m. in Room 241, Kiehle Building at the University of Minnesota Crookston.

Regents present: Michael O'Keefe, presiding; Frank Berman, Jean Keffeler, H. Bryan Neel, and Lakeesha Ransom.

Staff present: Senior Vice President Frank Cerra; Vice President Sandra Gardebring; Interim Vice President Gregory Fox; Executive Director Ann Cieslak; Associate Vice Presidents Steven Cawley, Richard Pfitzenreuter, and Steven Spehn; Vice Provost Billie Wahlstrom.

Student Representatives present: Gina Nelson and Aaron Street.

COMMITTEE WORKPLAN, 2002-2003

Regent O'Keefe and Associate Vice President Pfitzenreuter presented the proposed 2002-2003 Committee Workplan, as found in the docket materials on file in the Board Office.

The committee discussed the scope and focus of work outlined in the proposed workplan. Regent Keffeler stressed the importance of providing a realistic opportunity for the Regents to discuss key issues. O'Keefe concurred and stated that he will work with Chair Reed and Executive Director Cieslak regarding allocation of the committee's time for major issues and the possibility of scheduling Board work sessions, if necessary.

O'Keefe suggested that the committee workplan remain flexible throughout the year.

BOARD OF REGENTS POLICY:

CENTRAL RESERVES MANAGEMENT

Associate Vice President Pfitzenreuter presented suggested changes to the Board of Regents Policy: *Central Reserves Management*, as found in the docket materials. The intent is to update the policy to more closely align it with the new central reserves strategy presented in May 2002, and to reflect discussions by the committee.

Regent Keffeler noted the proposed policy covers both mitigating potential risks and funding strategic institutional initiatives and unforeseen opportunities, which she sees as two very different purposes. Pfitzenreuter stated that it would be worth talking about separating those activities. Committee members discussed the current process of programmatic investment and the use of the compact pool for strategic change.

The committee requested that: 1) the policy be redrafted as a Central Reserves Management Policy that reserves funds to protect the University from potential major financial risks; and 2) a new policy be drafted to address the availability of reserves to fund institutional initiatives or to take advantage of unforeseen opportunities, or 3) that the administration respond to the proposal for a new policy.

Regent Berman suggested that the central reserves threshold should be set at 3.0 percent of state O&M and state special revenues, or a specified dollar amount. Pfitzenreuter stated he will bring the issue back to the committee.

SIX-YEAR CAPITAL BUDGET PLAN/RELATED ISSUES

Associate Vice President Pfitzenreuter presented the proposed Six-Year Capital Budget Plan, as found in the docket materials on file in the Board Office.

Pfitzenreuter reviewed the \$774.7 million Six-Year Capital Investment Plan, \$511.4 million of which is state financing. Other funding sources include University debt obligations to the state, fundraising, local unit resources, auxiliary debt, and public/private partnerships. Sixty-three percent of the budget will be used for renovation and renewal of existing spaces and preserving the integrity of campus facilities and 37 percent will be devoted to new construction. Pfitzenreuter discussed University debt authorized by the Board versus actual outstanding debt.

In response to questions from committee members, Pfitzenreuter will provide information on potential projects for the authorized debt that has not yet been used, progress of deferred renewal projects, and strategic management of debt.

Pfitzenreuter noted that an update on annual capital financing and debt management will be presented at the October meeting.

IMPLICATIONS OF FEDERAL BUDGET ON HIGHER EDUCATION

Associate Vice President Pfitzenreuter and John Engelen, Director, Federal Relations, discussed federal budget developments and proposed federal legislation that may have implications for higher education.

Engelen discussed the goals of Federal Relations. He noted the University's success in competing for and receiving federal research funds of over \$370 million in 2002, in addition to \$100 million annually from formula funds and allocation of federal dollars.

Engelen noted other significant issues facing the University, including no growth in student aid funding, reauthorization of the Higher Education Act in 2003, a potential reduction in medical education funding, increased reporting requirements and resulting technology implementation related to foreign students, and tax issues.

In response to a question from Regent Neel, Engelen discussed the impact of the potential reduction in medical education funding, which would be shared with participating partner hospitals.

CONSENT REPORT

Review/Action

Associate Vice President Pfitzenreuter presented the Consent Report, as found in the docket materials, which included:

- Two General Contingency Reports: Final 2001-02; Balance as of June 30, 2002
- 2002-03; Balance as of August 31, 2002
- Allocation from General Contingency greater than \$250,000:
- To the Board of Regents Office for \$250,000 for Presidential Search and transition costs.
- Purchases of goods and services over \$250,000:
- \$750,000 to Affymetrix, Inc. for GeneChip™ Expression Arrays as needed for the period of October 1, 2002 through September 30, 2003 for the Biomedical Genomics Center. Affymetrix Expression Arrays are the only ones compatible with the Affymetrix Fluidics Station and Scanner owned by the Biomedical Genomics Center.
- \$285,500 to AJA International Company for a Model ATC 2000-V Sputtering System for the Microtechnology Lab of the Electrical and Computer Engineering Department. Vendor was selected through a competitive process.
- Approximately \$8,414,000 to Blue Cross Blue Shield of Minnesota (BCBSM) for the renewal of medical insurance coverage for the Graduate Assistant Plan for the period of September 1, 2002 through August 31, 2003. Vendor was originally selected through a competitive process.
- \$748,000 to the Center for Academic Programs Abroad (CAPA) to provide study abroad academic credit programs during the Academic Year 2002-2003 for Global Campus Study Abroad. The contractor was selected after careful scrutiny of its programs/ functions by the Global Campus staff, review by University of Minnesota faculty and recommendations from other educational institutions or in-country contacts.
- \$525,000 to Cisco Systems, Inc. for hardware and software support on its equipment covering the period beginning October, 2002 through September, 2003 for the Office of Information Technology (OIT). Although support for Cisco hardware and software can be provided by Cisco business partners, this unique cost-effective maintenance program, called Softnet, allows software-only maintenance for selected hardware items and is available only directly from Cisco.
- \$370,000 to C. J. Duffey Paper Company for paper stock as needed for the period of October 1, 2002 through June 30, 2003 for Printing Services for use at its main plant facility and copy center. Vendor was selected through a competitive process.
- \$294,260 to Idexx Distribution Corp. for the purchase of PRRS-XR, Johnes AB and GI kits as needed for the period October 1, 2002 through June 30, 2003 for the Veterinary Diagnostic Laboratory. Idexx was the only vendor considered due to the need for consistency and integrity of test results.
- \$489,756 to Managed Services, Incorporated to renew a contract to provide preventative maintenance and janitorial services to the West Bank Office Building for the period of September 1, 2002 through August 31, 2003. Vendor was selected through a competitive process.
- Up to \$725,000 per year or an estimated \$3,625,000 to Ortega y Gasset Foundation to provide study abroad academic credit programs during the Academic Years 2002-03, 2003-04, 2004-05, 2005-06, and 2006-07 for Global Campus Study Abroad. The contractor was selected after careful scrutiny of its programs/ functions by the Global Campus staff, review by University of Minnesota faculty, and recommendations from other educational institutions or in-country contacts.
- An estimated \$400,000 to Tracy Tripp Fuels, a Division of Midwest Fuels, for the purchase of fuel as needed for the

period of September 15, 2002 through September 15, 2003 for the Fleet Services Department. Vendor was selected through a competitive process.

- Up to \$458,750 per year or an estimated \$2,293,750 to VENUSA and EntreAmericas Learn and Travel to provide study abroad academic credit programs during the Academic Years 2002-03, 2003-04, 2004-05, 2005-06, and 2006-07 for Global Campus Study Abroad. The contractor was selected after careful scrutiny of its programs/functions by the Global Campus staff, review by University of Minnesota faculty, and recommendations from other educational institutions or in-country contacts.
- \$339,900 to Xpedx for white and colored copy paper to be stocked at the University Stores for use in University departments from October 1, 2002 through September 30, 2003. Vendor was selected through a competitive process.

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

INFORMATION ITEMS

Associate Vice President Pfitzenreuter noted the following Information Items in the docket materials:

- Quarterly Purchasing Report; and
- Alternative Investment Programs.

The meeting adjourned at 2:55 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary

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