

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Finance & Operations Committee**

**February 13, 2003**

A meeting of the Finance & Operations Committee of the Board of Regents was held on Thursday, February 13, 2003, at 3:00 p.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Anthony Baraga, presiding; Peter Bell, Frank Berman, H. Bryan Neel, and Jean Keffeler.

Staff present: Executive Vice President and Provost Christine Maziar; Vice President Kathleen O'Brien; Executive Director Ann Cieslak; and Associate Vice Presidents Richard Pfitzenreuter and Michael Volna.

Student Representatives present: Gina Nelson and Christina Frazier.

**CONSENT REPORT**

Associate Vice President Pfitzenreuter presented a revised Consent Report, as distributed at the meeting and on file in the Board Office, which included:

- Modification of the purpose of the Marty Fife Memorial Award Fund (D079); and
- Purchase of goods and services over \$250,000:
  - To Applied Biosystems, Inc. for \$585,360 for two mass spectrometers: a Quadrupole-Ion Trap and a Quadrupole Time of Flight mass spectrometer. Vendor was selected through a competitive process.
  - To Applied Business Communications, Inc. to provide as called for an estimated \$450,000 of contract labor for Emergency Cable Restoration Services as needed for the period of March 1, 2003 through June 30, 2004, for the Networking and Telecommunications Services department. Vendor was selected through a competitive process.
  - To ComLink Midwest, Inc., Applied Business Communications, Inc., Metro-Communication Services, Inc., Collins Electrical Systems, Inc., Parsons Electric, LLC, Dell-Comm, Inc., FWR Communication Networks, Inc., and Orius Telecommunications Services, Inc. to provide as called for an estimated \$300,000 of contract labor for Horizontal Wiring services for the period of March 1, 2003 through June 30, 2004 for the Networking and Telecommunications Services department. Vendor was selected through a competitive process.
  - To Communication Power Corp. for \$315,000 for an 8kW RF Power Amplifier for the 9.4 Tesla/650 bore MRS magnet system for the Center for Magnetic Resonance Research. Vendor was selected through a competitive process.

- To Ingenix for \$257,620 for the initiation and development of the Heart Failure Management Teleconference for Physicians for the time period January 2003 through February 2003 in conjunction with the University of Minnesota Office of Continuing Medical Education. The vendor was selected by AstraZeneca, which is providing funding for the conference.
- To PeopleSoft for \$309,652 to continue software maintenance and support for PeopleSoft Human Resources Software for the period of March 22, 2003 through March 21, 2004 for the Applications Development and Maintenance department in the Office of Information Technology. An annual expenditure for maintenance and support will be necessary for as long as the Human Resources software is in use at the University. Software maintenance and support services are purchased from the licensor of the software.
- To Underground Piercing, Inc., Dell-Comm, Inc., Applied Business Communications, Inc., Orius Telecommunications Services, Inc., and ComLink Midwest, Inc. to provide as called for an estimated \$950,000 of contract labor for Outside Cable Placement and Inside Infrastructure Construction/Cabling and Termination as needed for the period of March 1, 2003 through June 30, 2004 for the Networking and Telecommunications Services department. Vendor was selected through a competitive process.

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

## **FINANCIAL REPORTING: PART I**

Associate Vice Presidents Pfitzenreuter and Volna provided an overview of existing financial reports (as found in the docket materials) and proposed new reports (as found in materials on file in the Board Office) to assist the Board in fulfilling its fiduciary responsibilities.

In response to questions from Regents Bell and Berman regarding the Board's oversight responsibilities, Pfitzenreuter and Volna advised that they typically provide financial information at the institutional level. Regent Berman suggested that Board members receive additional information and updates on investments and endowment funds.

Regents Baraga and Keffeler requested that more information be provided on variances and suggested that the administration recommend appropriate areas and thresholds for exception reporting. Pfitzenreuter noted that in Part II of this discussion he will present administrative recommendations to respond to issues identified in Part I.

## **ANNUAL INSURANCE AND RISK MANAGEMENT REPORT**

Associate Vice President Pfitzenreuter introduced Associate Vice President Volna and Cary Jones, Director of Risk Management and Insurance, who presented the Annual Insurance and Risk Management Report (on file in the Board Office). Volna reported that the University's total cost of risk for fiscal year 2002 was \$7.7 million, compared with \$7.2 million for the prior fiscal year. The increase was due primarily to commercially purchased property insurance. Self-insurance costs, such as workers' compensation, general/professional liability, auto liability, and non-profit organization liability, have remained

relatively stable over the past five years.

The committee briefly discussed the University's savings of an estimated \$11 million in liability insurance premiums and loss expenses over the past 5 years with self-insurance through RUMINCO, Ltd. This represents a savings of approximately 48% over commercially purchased insurance.

Volna observed that RUMINCO's liabilities are primarily loss reserves, which have dropped significantly since 1998. The combination of rising assets and falling liabilities has resulted in a \$2 million increase in equity to the University since last year and a \$6.7 million increase in equity available to RUMINCO over the last five years. RUMINCO's net income has gone from a negative \$12,000 in 1998 to \$2.6 million. In four of the past five years RUMINCO has issued dividends back to the University, which offset the premiums and fund the self-insurance program.

In response to a question from Regent Neel, Jones explained that malpractice insurance for staff is now provided through the University of Minnesota Physicians practice plan while residents are covered through his office, but he will provide a more detailed breakdown of current vs. previous malpractice insurance coverages through RUMINCO.

## INFORMATION ITEMS

Associate Vice President Pfitzenreuter referred the committee to a number of Information Items detailed in the docket materials, including:

- Annual Report on Central Reserves
- Refinancing of Series 1993A Bonds
  - Carlson School Fixed Income Fund
  - Two Emergency Approvals of Purchases Greater than \$250,000

In response to a question from Regent Berman, Fleck agreed to provide additional information regarding refinancing of the bonds.

The meeting adjourned at 4:10 p.m.

**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**

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