

Year 2003-04

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance and Operations Committee
October 9, 2003**

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, October 9, 2003 at 2:00 p.m. in the Black Box Theater, Room 120 Humanities and Fine Arts Building on the University of Morris campus.

Regents present: William Hogan, presiding; Clyde Allen, Anthony Baraga, Dallas Bohnsack, John Frobenius, and Maureen Reed

Staff present: Executive Vice President and Provost Christine Maziar; Executive Director Ann Cieslak; Associate Vice Presidents Steve Cawley, Stuart Mason, and Richard Pfitzenreuter.

Student Representatives present: Travis Amiot and Joshua Colburn.

**ISSUES RELATED TO: ANNUAL CAPITAL FINANCING AND DEBT MANAGEMENT
REPORT**

Associate Vice President Pfitzenreuter introduced Carole Fleck, Director of the Office of Budget and Finance, and John Augustine, Managing Director of Lehman Brothers, who presented the Annual Capital Financing and Debt Management Report.

Augustine reviewed information on the history of taxable and tax-exempt interest rates from 1983 to present, the University's debt profile, and bond rating determinants, as found in the materials on file in the Board Office. He reported that a number of financial indicators, including an analysis of student demand, market position, and a well-diversified revenue base that continues to yield positive operating results, places the institution solidly in the strong "Aa" category.

ISSUES RELATED TO: SIX-YEAR CAPITAL PLAN

Associate Vice President Pfitzenreuter presented the financial implications and funding sources that support the Six-Year Capital Plan. He stated that the Plan totals approximately \$736 million, financed through a mix of state funding, University long-term debt obligations, short-term bridge financing, unit level resources or fundraising, and public or private partnerships. A copy of the presentation is on file in the Board Office.

Pfitzenreuter summarized the administrative guidelines for capital project funding, noting that units are required to have a portion of funds in hand before projects proceed. Short-term bridge funding is available to meet some remaining costs. He also presented preliminary estimates of the additional annual operating and debt costs

resulting from full implementation of the Six-Year Capital Plan. Pfitzenreuter reported that the total request for the 2004 Six-Year Capital Plan is lower than the 2003 Capital Plan request due to an increased emphasis in building preservation and renewal.

ISSUES RELATED TO: ASSET MANAGEMENT ANNUAL REPORT

Associate Vice President Mason introduced Assistant Director Chris Suedbeck, Office of Asset Management (OAM). Mason stated that the presentation would cover four University investment funds: the Consolidated Endowment Fund (CEF); Long-Term Reserves (GIP); Short-Term Reserves (TIP); and RUMINCO Insurance Fund. The OAM currently oversees \$1.2 billion in assets including the CEF and operating reserves of the University.

Mason presented the Annual Asset Management Report as of June 30, 2003 as found in the materials on file in the Board Office. He summarized the asset allocation and returns against benchmarks for each quarter of the reporting period. He noted that stock values shifted significantly and bonds out-performed most other asset classes. Mason reported on the performance of the CEF to the targets established by the Board of Regents, noting that the OAM is decreasing the percentage of funds invested in international and domestic equity funds and increasing the alternative investment category which may reduce volatility of the portfolio.

CONSENT REPORT

The committee voted unanimously to recommend approval of the following, as detailed in the docket materials, and including:

Purchase of Goods and Services Over \$250,000

- To Affymetrix, Inc. for \$750,000 for GeneChip® Expression Arrays as needed for the period November 1, 2003 through September 30, 2004 for the Biomedical Genomics Center.
- To the City of Chanhassen for an estimated \$419,133 for one-half of the cost of constructing the Minnewashta Waterline Project. This project will provide chilled water for the Visitor Center at the Landscape Arboretum now under construction, as well as water service for other buildings at the Landscape Arboretum.
- To J. P. Morgan Chase Bank, a wholly owned bank subsidiary of J. P. Morgan Chase & Co., for a liquidity facility to support the Regents of the University of Minnesota Variable Rate General Obligation Bonds Series 2001C for a 5-year period beginning December 18, 2003, totaling up to but not exceeding \$1,500,000.
- To Landesbank Hessen-Thuringen Girozentrale (“Helaba”) for a liquidity facility to support the Regents of the University of Minnesota Variable Rate General Obligation Bond Series 1999A for a 364-day period beginning December 2003, totaling up to but not exceeding \$265,000.
- To Oracle Support Services for \$420,000 to provide technical software support for the period of November 25, 2003 through November 24, 2004 for the office of Information Technology.
- To Royall & Company to increase the estimated annual amount of the current contract from \$240,000 to \$350,000 for direct marketing projects for the Office of Admissions for the period of August 1, 2003 through July 31, 2004.

A motion was made and seconded and the committee voted unanimously to recommend approval of the

Consent Report.

INFORMATION ITEMS

Associate Vice President Pfitzenreuter announced that negotiations with PeopleSoft for a new financial system have been successfully completed.

The meeting adjourned at 3:40 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary