UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance & Operations Committee

Thursday, June 11, 2009

8:30 a.m. - 10:30 a.m.

600 McNamara Alumni Center, East Committee Room

Board Members

Steven Hunter, Chair
Dean Johnson, Vice Chair
Clyde Allen
Linda Cohen
John Frobenius
Venora Hung

Student Representatives

A G E N D A

1. Resolution Related to Issuance of University Debt - Review/Action - R. Pfutzenreuter (pp. 2-5)

2. Issues Related to: Asset Allocation & Investment Performance - R. Pfutzenreuter/S. Mason/D. Gorence (pp. 6-15)

3. Issues Related to: President's Recommended Annual Operating Budget - R. Pfutzenreuter (pp. 16-18)

4. Consent Report - Review/Action - R. Pfutzenreuter (pp. 19-40)

5. Information Items - R. Pfutzenreuter (pp.41-60)

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance and Operations Committee **June 11, 2009**

Agenda Item: Resolution Related to Issuance of University Debt

☐ **review** ☒ **review/action** ☐ **action** ☐ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

In accordance with Board of Regents Policy: *Debt Transactions*, the Resolution Related to Issuance of University Debt is being presented for action.

Outline of Key Points/Policy Issues:

The University is requesting approval of the attached resolution authorizing the issuance and sale of commercial paper in the principal amount of up to $33,000,000 to finance that portion of the construction costs of TCF Bank Stadium (the "Stadium") to be paid by amounts due under sponsorship agreements or naming rights agreements for portions of the Stadium, or pledged for the purpose of contributing to the costs of the Stadium, and to finance the costs of issuance.

This issuance of commercial paper is expected to be the last external debt issued in connection with the construction of the Stadium.

Funding of the total cost of the Stadium is provided by:

- Series 2006-Special Purpose Revenue Bonds – State Supported Stadium Debt in the principal amount of $137,250,000, plus the premium received and interest earned on the unspent proceeds. Debt service on these bonds is provided by an annual appropriation from the State of Minnesota.

- Series 2009A – Tax-exempt general obligation bonds in the principal amount of $41,000,000, plus the premium received and interest earned on the unspent proceeds. Debt service on these bonds is provided by a student fee and the University's Department of Intercollegiate Athletics.

- Series 2009B – Taxable general obligation bonds in the principal amount of $17,035,000, plus interest earned on the unspent proceeds. Debt service on these bonds will be provided by payments due from TCF under the Naming Agreement over a period of 20 years.

- Private donations, sponsorships, game day parking fees, and other University revenues.

Background Information:

- The University implemented a commercial paper program in October 2005 in connection with the defeasance of the Series 1996A general obligation bonds. Merrill Lynch is the dealer for the program, selected in 2005 through a competitive bidding process.

- The issuance of commercial paper helps to diversify the University's debt portfolio because commercial paper is short-term debt issued at variable interest rates, which have been historically more favorable than long-term fixed rates.

- Commercial paper is an ideal financing vehicle for bridging short-term needs, as its maximum maturity is 270 days, though it can be rolled over as needed until the University is ready to pay it off.

- The University currently has $263,600,000 in commercial paper outstanding.

- Board approval was granted previously for bond issuances for stadium financing as follows:

    - Resolution Relating to Issuance of Debt – July 12, 2006 ($137,250,000)

    - Resolution Relating to Issuance of Debt – September 12, 2008 ($17,035,000)

    - Resolution Related to Issuance of University Debt – November 14, 2008 ($41,000,000)

President's Recommendation for Action:

The President recommends approval of the Resolution Related to Issuance of University Debt.

REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

ISSUANCE OF UNIVERSITY DEBT

WHEREAS, the University is constructing a new open-air football stadium on the east bank of the Twin Cities campus, to be called “TCF Bank Stadium”; and

WHEREAS, it has been proposed that the University issue commercial paper to finance that portion of the cost of TCF Bank Stadium to be paid with funds to be received in the future pursuant to sponsorship agreements, naming rights agreements for portions of TCF Bank Stadium, and in payment of gift amounts pledged for TCF Bank Stadium (together, “Stadium Pledges”); and

WHEREAS, the commercial paper is proposed to be issued under the University’s existing commercial paper program authorized by the Board of Regents in resolutions approved unanimously at its meeting of November 8, 1996, as supplemented and amended in resolutions approved unanimously at its meeting of September 9, 2005 (the “Commercial Paper Program”); and

WHEREAS, the commercial paper will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee, or pursuant to an Order of the University; and

WHEREAS, the Indenture of Trust or Order pursuant to which the commercial paper will be issued will contain the terms of such commercial paper and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such commercial paper;

NOW, THEREFORE, BE IT RESOLVED, by the Regents of the University of Minnesota, as follows:

1. To provide financing for Stadium Pledges and to pay costs of issuance of such financing, the University hereby authorizes the issuance of additional commercial paper pursuant to the Commercial Paper Program in the principal amount of up to $33,000,000 (the “Commercial Paper”). The Commercial Paper shall be general obligations of the University and shall mature no later than December 31, 2029.

2. The Treasurer is authorized to negotiate with one or more banks, investment banking firms or financial institutions engaged by the University as the dealer for the Commercial Paper, the terms and conditions upon which the Commercial Paper shall be sold and issued, and to approve the terms of such sale and issuance.

3. In connection with the Commercial Paper Program and the issuance of the Commercial Paper, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order of the University or any supplement or amendment thereto under which the Commercial Paper is to be issued in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Commercial Paper in accordance with such Indenture of Trust or Order of the University or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the Commercial Paper may be by facsimile.

4. In addition, the Treasurer is further authorized to negotiate with one or more commercial banks, insurers or other credit support or liquidity facility providers the terms and conditions of any credit support or liquidity facility for the Commercial Paper, and the President and Treasurer are authorized to execute and deliver any agreements of the University with the provider of any such credit support facility or liquidity facility. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel.

5. The Treasurer is authorized to approve the Official Statement, Offering Memorandum, Offering Circular or other offering material to be prepared and distributed by the University to any purchaser or potential purchaser of any of the Commercial Paper (however so entitled, the "Offering Memorandum"), and the Treasurer is authorized to execute and deliver the Offering Memorandum.

6. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Commercial Paper.

7. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Commercial Paper certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of the Commercial Paper and the Commercial Paper Program as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the University as to the truth of all statements contained therein.

8. The execution of any document by the appropriate officers of the University herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, Offering Memorandum, purchase agreement with the initial purchaser or purchasers of the Commercial Paper or Commercial Paper Program may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance and Operations Committee **June 11, 2009**

Agenda Item: Issues Related to: Asset Allocation & Investment Performance

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter
Stuart Mason, Chief Investment Officer
Doug Gorence, CIO, University of Minnesota Investment Advisors

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

This presentation is in response to a request by the Finance and Operations Committee. It combines the endowed assets of the University and shows various concentrations across managers, fund assets, and asset classes. This presentation also combines the portfolios for an overall asset allocation picture of the endowed assets.

Outline of Key Points/Policy Issues:

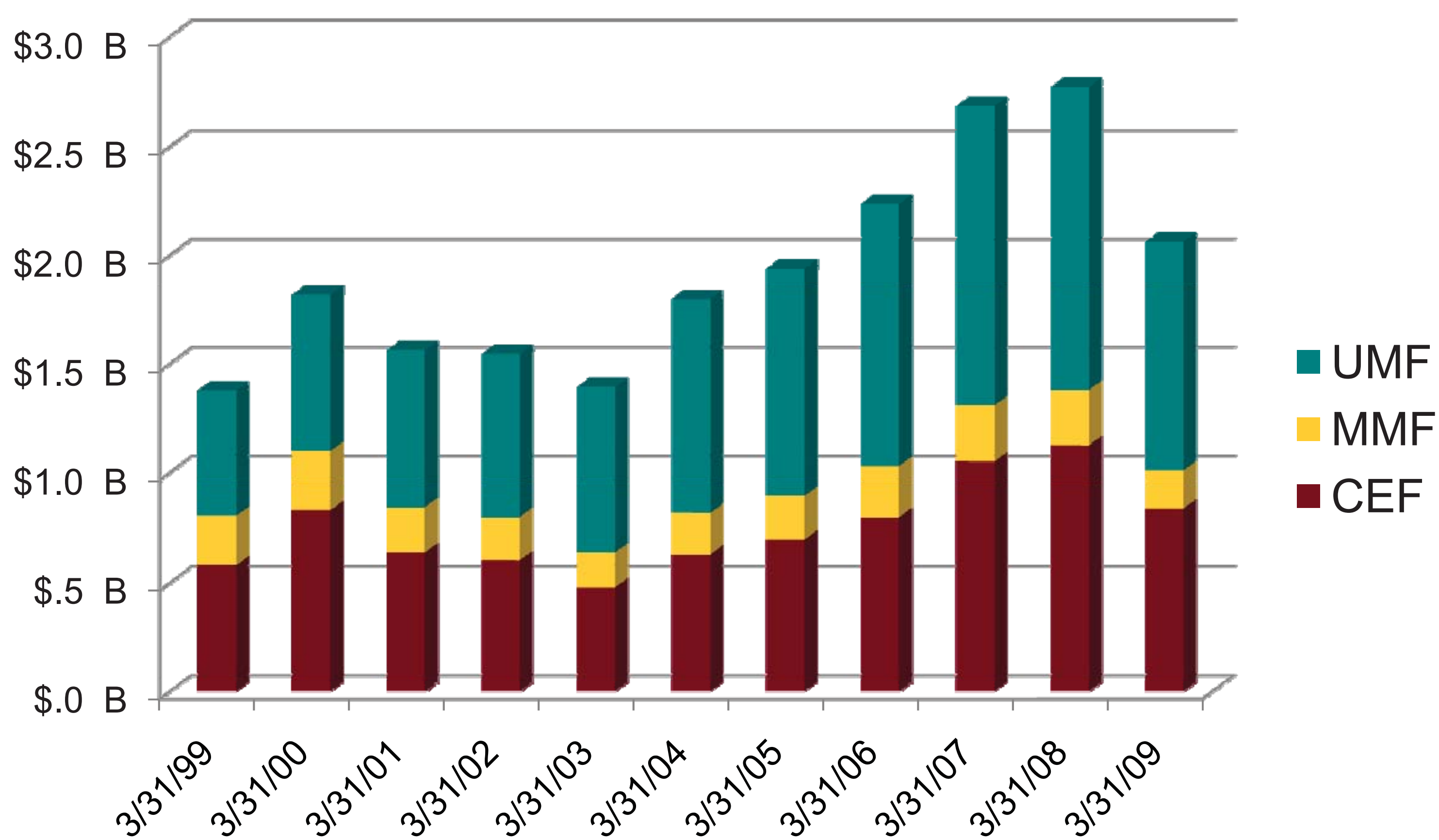
The total endowed assets of the University, inclusive of the Consolidated Endowment Fund (CEF), the University of Minnesota Foundation (UMF), and the Minnesota Medical Foundation (MMF), was $2.1 billion as of March 31, 2009. The one-year return for the combined portfolio as of March 31, 2009 was a negative 23.3%, with a ten-year return of a positive 4.68%.

Asset Allocation & Investment Performance

University of Minnesota

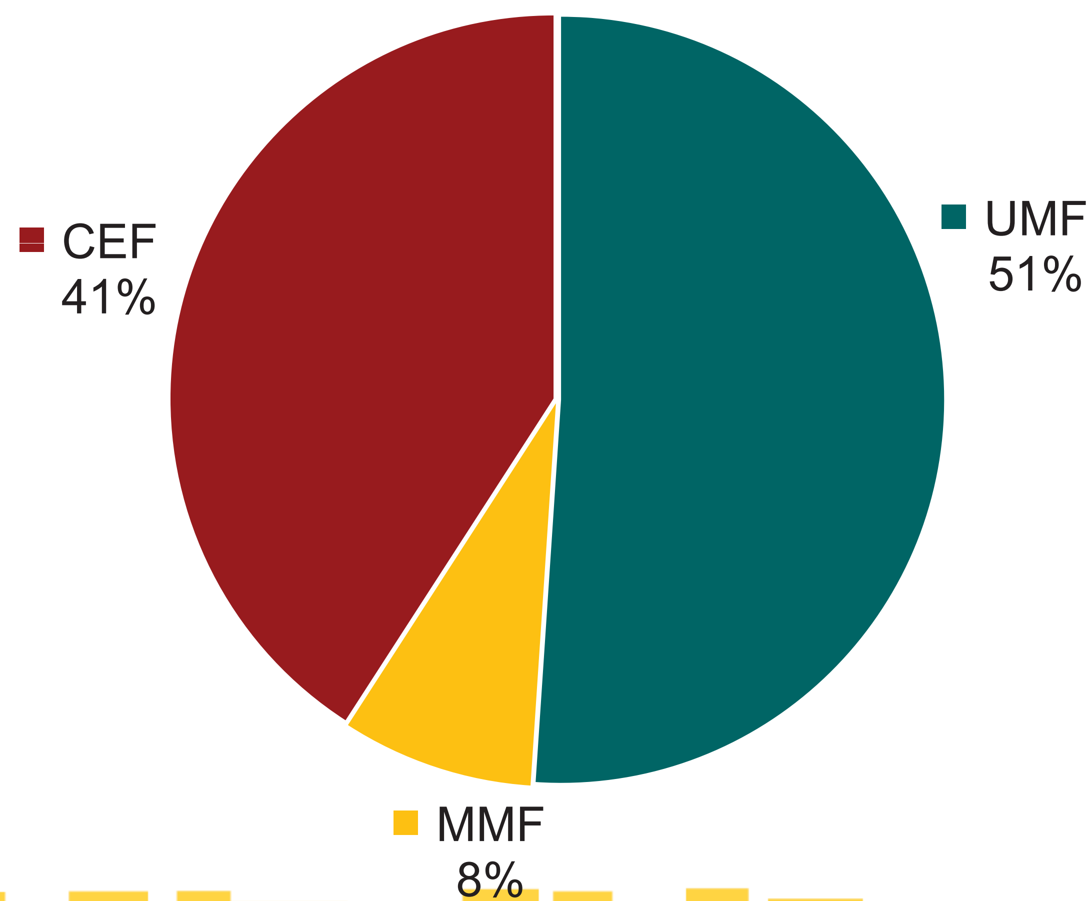
Endowment Assets

10-Year Historical Balance



Endowment Allocation
March 31, 2009

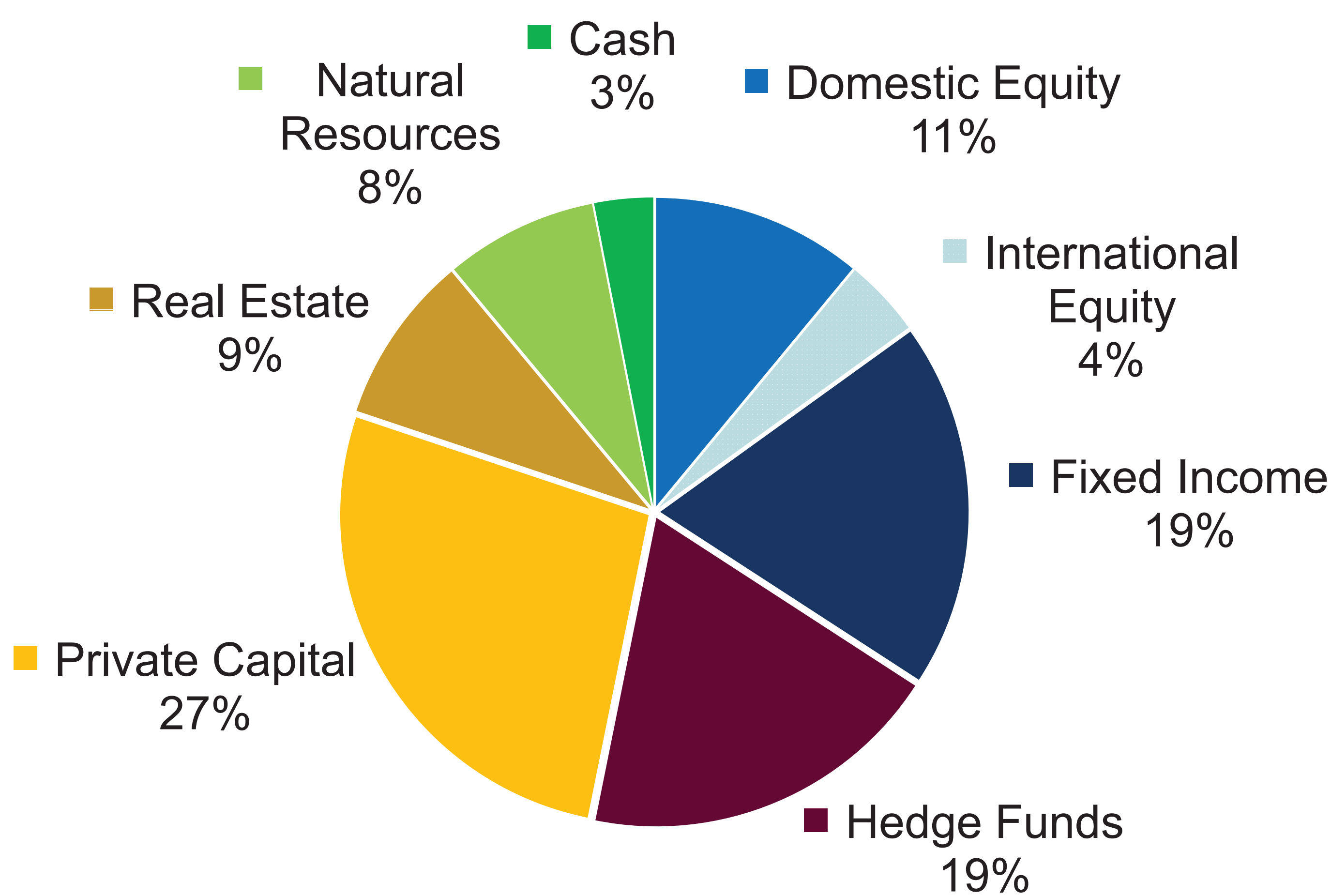
Total University of Minnesota Funds: 2.1 billion



University of Minnesota

Combined Asset Allocation

March 31, 2009



University of Minnesota

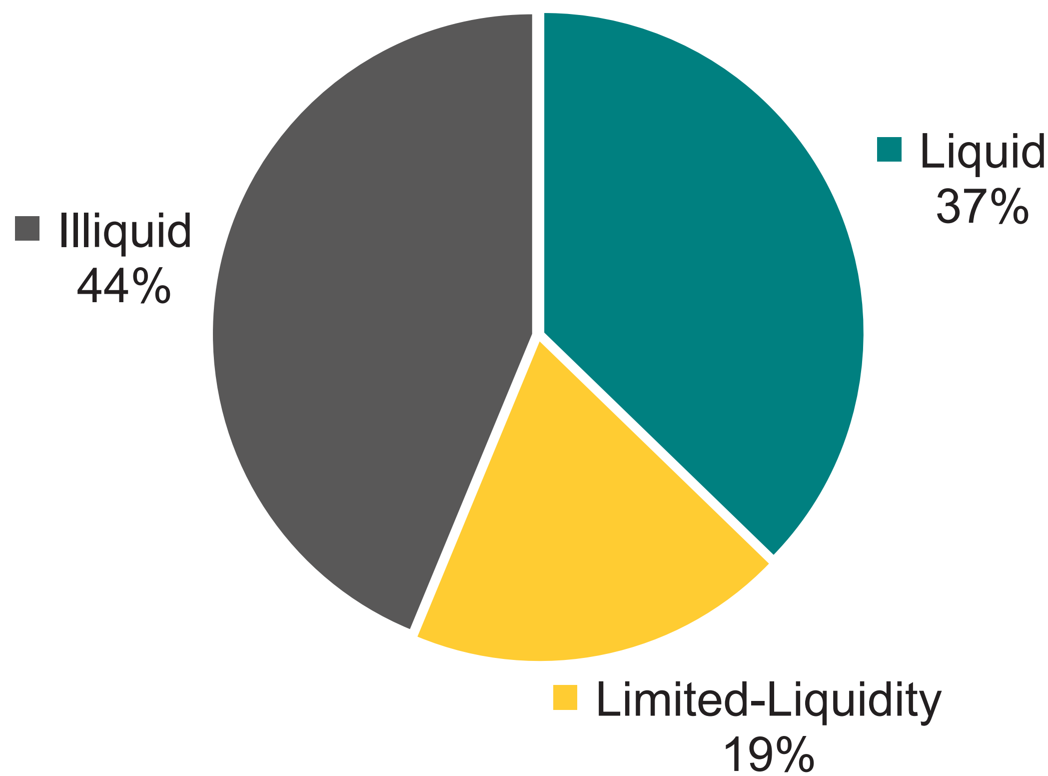
Combined Asset Allocation

March 31, 2009

	UMF	CEF	MMF	Total
Domestic Equity	4.2%	2.9%	3.9%	11.0%
Int'l Equity	2.2%	1.2%	0.6%	4.0%
Fixed Income	9.9%	6.5%	2.8%	19.2%
Hedge Funds	14.6%	4.2%	0.3%	19.1%
Private Capital	10.7%	16.1%	0.2%	27.0%
Real Estate	3.3%	5.3%	0.2%	8.8%
Natural Resources	3.9%	3.9%	0.0%	7.8%
Cash	2.2%	0.9%	0.0%	3.1%
% in Total University Funds	**51.0%**	**41.0%**	**8.0%**	**100%**

University of Minnesota

Liquidity Profile – Combined
March 31, 2009



Liquid Asset: Offer daily or monthly liquidity
Limited Liquidity: Offer quarterly, semi-annual or annual liquidity
Illiquid Asset: Private partnership structure

Top 10 Firm Exposures – Combined
March 31, 2009

Investment Firm	% of Total Funds	Exposure
PIMCO	4.3%	$90 M
Fortress	2.9%	$59 M
AIG	2.6%	$53 M
Trust Company of the West	2.5%	$52 M
Goldman Sachs	2.3%	$48 M
Barclays Global	2.2%	$45 M
Baupost	2.0%	$40 M
GMO	1.9%	$40 M
Laurus	1.9%	$40 M
Firebird	1.9%	$39 M
Total	24.5%	$506 M

University of Minnesota

Top 10 Fund Exposures - Combined
March 31, 2009

Fund Name	% of Total Funds	Exposure
PIMCO Total Return Fund II	3.1%	$65 M
BGI Alpha Tilts Fund	2.2%	$45 M
TCW Total Return Fund	2.1%	$44 M
Baupost Value Partners IV	2.0%	$40 M
Convexity Capital	1.7%	$36 M
Laurus Offshore Fund	1.5%	$30 M
AWJ Master Fund	1.4%	$29 M
GMO US Quality	1.3%	$26 M
FAF Advisors Bond	1.3%	$28 M
River Source Bond	1.3%	$27 M
Total	17.9%	$370 M

University of Minnesota

Endowment Performance

March 31, 2009

	1-Year	3-Year	5-Year	10-Year
UMF	-20.40%	-3.00%	3.20%	6.30%
MMF	-25.79%	-7.53%	-1.51%	-0.40%
CEF	-25.01%	-4.64%	3.08%	3.42%
Total	**-23.25%**	**-4.25%**	**2.54%**	**4.68%**

University of Minnesota

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance and Operations Committee **June 11, 2009**

Agenda Item: Issues Related to: President's Recommended Annual Operating Budget

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

Annual Operating Budget FY10

This agenda item represents an overview of the President's Recommended Operating Budget Plan for FY10 (see pp. 62-142 of the Board of Regents docket). The primary drivers of changes in the budget are changes in state appropriations, internal University reallocations and budget reductions, and increases in tuition and fee revenue.

This agenda item will also provide an overview of a variety of specific financial issues, including academic investments, general operating costs, tuition rates, and related fees.

Outline of Key Points/Policy Issues:

The Finance and Operations Committee will be provided detail regarding the operating budget plans for the upcoming fiscal year in order to ensure that the Board has a broad understanding of the financial and operating recommendations of the President.

The President's Recommended Operating Budget for FY10 contemplates total incremental resources to address University needs and expenses of $139,800,000 relating specifically to changes in state appropriations, University internal reallocations, tuition income, and federal stimulus funds from the American Recovery and Reinvestment Act (ARRA).

As a result of the enactment of the ARRA, the University of Minnesota was appropriated $15,273,000 for FY09 and $74,050,000 for FY10 by the 2009 Minnesota Legislature. The total amounts to $89,323,000. These funds will be allocated consistent with the requirements and guidelines of the ARRA and the specific requirements enacted by the 2009 Minnesota Legislature.

ARRA funds will be placed into a newly created federal fund in order to specifically track and report on the use of these funds. In addition, the University will be required to submit requests for reimbursement of expenditures made by the University to the State of Minnesota, which will then transfer the federal funds to the University. The budget plan includes the expenditure of 56% (or $50,000,000) of the federal stimulus funds for mitigation of tuition. The remaining 44% (or $39,300,000) will be used as a target pool of funds to retain jobs of talented faculty and staff and to invest to reduce operating costs/enhance revenue, obtain long-term productivity gains, and reshape and strengthen the University's long-term financial future through investments with a high rate of return. It is currently estimated that approximately $51,000,000 of these funds will be expended during FY10 and $38,300,000 in FY11.

The budget recommendations for FY10 have been built on a framework of significantly lower state appropriations, resulting in significant budget reductions and reallocations and an increased reliance on tuition revenue. The table below outlines the overall reduction in the University's state general fund appropriations compared to base level funding for FY10 and FY11.

	FY10	FY11	Biennium
University Base Level Funding	$702,592,000	$702,592,000	$1,405,184,000
Enacted Appropriation	$623,417,000	$677,311,000	$1,300,728,000
Change from Base	($79,175,000)	($ 25,281,000)	($ 104,456,000)

The biennial reduction in the University's appropriation totals 7.6% compared to base level funding. In addition to the reduction of $79,175,000 in FY10, the University also must adjust for an additional $2,550,000 reduction in state appropriations for FY10 enacted during the 2008 Legislative Session. The combined change in state O&M appropriations totals $81,725,000 for FY11. The enacted appropriation increases by $53,894,000 for FY11 compared to FY10. This increase in funding for FY11 may be subject to further unallotment.

At the beginning of each biennium the University prepares a President's Recommended Annual Operating Budget Plan for the upcoming fiscal year as well as a Preliminary Operating Budget Plan for the following fiscal year. In order to adhere to that framework, the University is making a preliminary estimate of the likely impact of the Governor's unallotment actions.

The President's Preliminary Operating Budget Plan for FY11 is built on an assumption that the Governor will further reduce the University's FY11 enacted appropriation of $677,311,000 by an estimated $73,000,000. The state still faces a shortfall of approximately $2.7 billion for the current biennium. The Governor has announced that unallotment actions will be taken to balance the state budget. The Governor has stated that higher education will be included in the unallotment process. It is generally understood that due to the interaction between E-12 education and higher education with respect to the federal stimulus money made available to the State of Minnesota through the ARRA that the Governor will not unallot from FY10 appropriations levels. In addition, it is generally understood that the maximum amount of unallotment that can be implemented on both the University of Minnesota and the Minnesota State Colleges and Universities System amounts to approximately $146,000,000. If the Governor chooses to unallot on both the University of Minnesota and the Minnesota State Colleges and Universities System, it is mostly likely to occur in the second year of the biennium. Any unallotment will reduce the University's FY11 appropriation of $677,311,000.

While no final decision has been made by the Governor regarding unallotment and it is still unclear regarding the timeline, the University is assuming for preliminary FY11 budget planning that one half, or roughly $73,000,000, of the potential $146,000,000 unallotment is made to the currently authorized state appropriation for FY11 of $677,311,000. This assumption would lead to an adjusted FY11 appropriation of $604,311,000 million and result in a further reduction of $19,100,000 compared to the University's FY10 appropriation of $623,311,000. This unallotment, in conjunction with the original reduction in the University's base level of funding, would mean a reduction of $177,472,000 for the biennium or approximately 12.6%. It is possible that the unallotment could reduce the University's authorized 2010-2011 appropriation to $591.1 million, which represents the minimum level of maintenance required by the ARRA.

In order to address the significant decline in state appropriations for FY10, the University is undertaking budget reductions totaling $94,900,000, or approximately ***5.2%***. All academic and support units are subject to budget reductions in FY10.

In addition to budget reductions, the University plans to increase tuition rates sufficient to yield an additional $41,000,000 in revenue. The increase for undergraduate students will be offset by federal stimulus funds that will reduce the increase to no more than $300, or roughly ***3.125%*** for all Minnesota resident undergraduate students.

The FY10 budget framework includes:

Resource Plan

• Change in State Appropriations	–$81,800,000
• University Budget Reductions	$94,900,000
• One-time Reallocations	–$3,600,000
• Student Tuition Revenue	$41,000,000
• Federal Stimulus	$89,300,000
Total Incremental Resources	$139,800,000

Expenditure Plan

• Required Fringe Benefit Costs	$20,800,000
• Founders Scholarship Program	$3,600,000
• Facility Operations	$10,100,000
• Contractual Obligations/Investments	$16,000,000
• Federal Stimulus (ARRA)	$51,000,000
Total Incremental Expenditures	$101,500,000
Balance Forward	$38,300,000*

*Note: Balance Forward reflects timing of expenditures of federal stimulus funds primarily related to cost of tuition mitigation programs for FY11.

The expenditure plan for FY10 includes financing $20,800,000 in projected fringe benefit costs. The University is not planning to implement a general wage increase for FY10. The assumption is subject to collective bargaining. Recurring investments in this budget are aligned with the University's strategic planning framework and are directed toward the most critical academic and service priorities to maintain the strength and secure the long-term future of the University. Some of the investments were identified as priorities and included within the University's biennial budget proposal to the state for the 2010-2011 biennium. Due to the large reduction in state appropriations, opportunities to advance a broad range of major University initiatives have been curtailed. Instead, decisions have been made to strategically fund a select number of focused, critical investments - on top of the required spending increases for fringe benefits, facilities operations, and the Founders Free Tuition Program. The expenditure plan also includes $51,000,000 of anticipated expenditures during FY11 from stimulus funds and an additional $38,300,000 in FY11. The $89,300,000 in stimulus spending includes $34,500,000 for the purpose of mitigating tuition increases for Minnesota resident undergraduates in FY10 and FY11. In addition, it is important to note that the University is launching the new Middle-Income Scholarship program, which will be funded initially at $7,800,000 for FY10 and FY11 from federal stimulus funds.

The President's Recommended Operating Budget for FY10 also provides detail regarding a preliminary financial plan for FY11. This year's budget development includes, for the first time, an extension of the practice of providing financial information through the President's Recommended Operating Budget Plan for FY10 and Preliminary Financial Plan for FY11 by including an additional two-year outlook. This additional information provides a very preliminary look at the potential financial challenges facing the University in FY12 and FY13.

The President's Recommended Fiscal Year 2009-10 Operating Budget Plan includes, for the first time, the portrayal of the operating budget plan in the framework of the annual financial statement. The financial statements represent management's forecast of the University's consolidated Statement of Net Assets and consolidated Statement of Revenues, Expenses, and Changes in Net Assets for June 30, 2009 and June 30, 2010 projected based on the University's budgeted revenues and expenditures and management assumptions related to investments, debt, and capital assets. The forecast statements for June 30, 2009 also take into consideration actual amounts through December 31, 2009.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance and Operations Committee **June 11, 2009**

Agenda Item: Consent Report

☐ **review** ☒ **review/action** ☐ **action** ☐ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

General Contingency
To approve allocations from General Contingency greater than $250,000.

Purchase of Goods and Services over $250,000
To approve purchases of goods and services over $250,000, in compliance with Board of Regents Policy: *Board Operations and Agenda Guidelines*.

Outline of Key Points/Policy Issues:

General Contingency
There are no items in the General Contingency report requiring Board approval.

Purchase of Goods and Services Over $250,000

- To Applied Biosystems for $566,605.94 for the purchase of reagents and consumables for detecting diseases in Minnesota livestock and poultry for the period of July 1, 2009 through June 30, 2010 for the Veterinary Diagnostic Laboratory. The reagents and consumables will be purchased with departmental funds currently available for this testing. See enclosed documentation regarding basis for vendor selection.

- To Applied Business Communications, Inc.; Dell-Comm, Inc.; MP Nexlevel; Telcom Construction; Tri Comm, Inc.; and Underground Piercing, Inc. for an estimated $400,000 of contract labor for Outside Cable Placement and Inside Infrastructure Construction/ Cabling and Termination and $30,000 for emergency restoration cabling as needed for the period of July 1, 2009 through June 30, 2010 for the Networking and Telecommunications Services (NTS) department, a division of the Office of Information Technology. This purchase of contract labor by NTS has been budgeted for FY10. It will be centrally funded as part of the Data Network funding. Vendors were selected through a competitive process.

- To Blue Cross Blue Shield of Minnesota for an estimated $14,608,069 for the third year contract period of a six-year award for a partially self-funded Student Health Benefit Plan for Twin Cities, Duluth, Crookston, Morris, and Rochester students for Boynton Health Service. The cost of the plan is borne entirely by students purchasing the plan. Vendor was selected through a competitive process.

- To Collins Electrical Systems, Inc.; Comlink Midwest, Inc.; Dell-Comm, Inc.; Parallel Technologies, Inc.; Parsons Electric Co.; Performance Cable Systems, Inc.; and Tri Com Communications, Inc. for an estimated $600,000 of contract labor for Horizontal Wiring services as needed for the period of July 1, 2009 through June 30, 2010 for the Networking and Telecommunications Services (NTS) department, a division of the Office of Information Technology. This purchase of contract labor by NTS has been budgeted for FY10. It will be centrally funded as part of the Data Network funding. Vendors were selected through a competitive process.

- To Computer Concepts & Services, Inc. for an additional $400,000 for the purchase of essential analysis and programming services during the period of May 1, 2008 through May 31, 2010 for the University of Minnesota Veterinary Diagnostic Laboratory (VDL). This will bring the total contract amount to $875,000. VDL licensing fees, user fees, and corporate gifts provide sources of funding for modifications specified by the VDL. This has been budgeted for in FY10. Vendor was selected through a competitive process.

- To Cultural Insurance Services International (CISI) for an approximate yearly cost of $270,000 for international traveler health insurance as needed for the period of August 1, 2009 through July 20, 2010 for the Office of International Programs (OIP). The insurance coverage will be purchased by OIP and partner units on behalf of the travelers who will be billed for the insurance as part of a comprehensive program fee or as a stand-alone cost. The units will experience only a pass-through of money, thus this contract will be self-supporting and self-sustaining. Vendor was selected through a competitive process.

- To Idexx Distribution Corp. for $962,929.04 for the purchase of test kits for detecting diseases in Minnesota livestock and poultry for the period of July 1, 2009 through June 30, 2010 for the Veterinary Diagnostic Laboratory. These kits will be purchased with laboratory funds. See enclosed documentation regarding basis for vendor selection.

- To Northwest Airlines for $321,202 for charter service for the 2009 football season for team travel for away football games. The away games are scheduled from September 5 to October 24, 2009. Charter service will be purchased with funds from Intercollegiate Athletics auxiliary revenues as part of the football travel budget. Vendor was selected through a competitive process.

- To SHI International Corp., a Microsoft Education Large Account Reseller, for an estimated $2,875,000 to provide software licensing for commonly used Microsoft products for all University of Minnesota students (all campuses) for the period of July 1, 2009 through June 30, 2012 for the Office of Information Technology (OIT). OIT will purchase the Student Campus Agreement with O&M funds for a total of $2,525,000. The remaining $350,000 (representing the cost of physical media for these Microsoft purchases) will be recovered through a nominal charge to the student upon purchase (ranging from $10 to $15 per disk, depending on specific software purchased). Vendor was selected through a competitive process.

- To SHI International Corp., a Microsoft Education Large Account Reseller, for an estimated $2,100,000 to provide software licensing for specified Microsoft products for all University of Minnesota faculty and staff for the period of July 1, 2009 through June 30, 2012 for the Office of Information Technology (OIT). OIT will purchase the faculty/staff Campus Agreement with O&M funds. Vendor was selected through a competitive process.

- To Solutionary, Inc., a managed security services provider (MSSP), for an estimated $650,000 to monitor 310 network devices for the University of Minnesota. This contract is for a period from August 1, 2009 through July 31, 2012 with an option for two one-year renewals for OIT Security, a division of the Office of Information Technology. These security services are centrally (O&M) funded. This expense will be budgeted for FY10, FY11, and FY12. Vendor was selected through a competitive process.

- To the State of Minnesota Office of Enterprise Technology for an estimated $775,000 for network connections between the Twin Cities and its campuses in Duluth, Crookston, Morris, Rochester, and 18 extension offices for the period of July 1, 2009 through June 30, 2010 for Networking and Telecommunications Services, a division of the Office of Information Technology. This purchase has been budgeted for FY10. It will be centrally funded as part of the Network funding. See enclosed documentation for basis of vendor selection.

- To Stevens Community Medical Center (SCMC) for $387,430.40 for provision of medical services for UMM Health Service for the period of July 1, 2009 through June 30, 2013. Student health service fees provide funding for the contract. The annual contract fee is budgeted in the annual UMM Health Services operating budget. Vendor was selected through a competitive process.

- To Unisource for $375,000 for paper stock as needed for the period of July 1, 2009 through June 30, 2010 for Printing Services for use at their main plant facility and their copy centers. Payment for these purchases will be made with Printing Services department funds. Vendor was selected through a competitive process.

- To WiscNet, a division of the University of Wisconsin – Madison, Department of Information Technology, for $310,000 for Membership fees and Network Operation Services to operate BOREAS-Net for the period of July 1, 2009 through June 30, 2010 for Networking and Telecommunications Services, a division of the Office of Information Technology. This purchase has been budgeted for FY10. The costs are to be split among the BOREAS-Net Participants. The University of Minnesota's portion of the costs (31%) will be centrally funded as part of the Network funding. Vendor was selected through a competitive process.

Background Information:

General Contingency
Allocations from the General Contingency in excess of $250,000 require Board approval. Allocations of less than $250,000 are reported in the Board of Regents Finance and Operations Committee each month in which the Committee meets.

President's Recommendation for Action:

The President recommends approval of the Consent Report.

General Contingency

2008-09 General Contingency:

		Recipient	Allocation	Balance	Purpose
		FY2009 General Contingency		**$1,400,000**	
		Carryforward from FY2008 into FY2009	896,843	2,296,843	
	1	VP for University Relations	22,000	2,274,843	Media relations efforts for Republican National Convention
	2	VP for University Relations	50,000	2,224,843	Campus-area neighborhood employee housing incentive
*	3	VP for University Relations	250,000	1,974,843	Campus-area neighborhood/district plan and vision
	4	Assoc VP for Campus Planning and Project Development	60,000	1,914,843	Predesign of exercise and wellness center for Cooke Hall
	5	Assoc VP for Campus Planning and Project Development	95,000	1,819,843	Predesign work for Cooke Hall renovation
	6	Associate VP for Auxiliary Services	63,000	1,756,843	Request for Proposal process for Dining Services
	7	General Counsel	46,000	1,710,843	Move of Records Office
	8	Sr VP for Academic Affairs and Provost	100,139	1,610,704	Weisman Art Museum collection digitization project
	9	Assoc VP for Campus Planning and Project Development	175,000	1,435,704	Update to Twin Cities Campus Master Plan
	10	Assoc VP for Campus Planning and Project Development	(13,393)	1,449,097	Return unused funds from East Cliff mech. system
	11	Executive Director for the Board of Regents	15,602	1,433,495	Additional expenses related to BOR meeting on UMD campus
	12	Chancellor for the University of Minnesota Morris	80,117	1,353,378	Finance Director Position year 1 of 3
	13	Sr VP for System Academic Administration	55,000	1,298,378	Awards and Incentives Recognition (AIR) Program
	14				
	15	**New items this reporting period:**			
	16				
	17	Associate Vice President and Controller	249,000	$1,049,378	Strategic Purchasing Project
	18	Assoc VP for Campus Planning and Project Development	12,770	$1,036,608	Eastcliff boiler and water heater efficiency project
	19	Dean of the College of Education and Human Development	32,785	1,003,823	Transition costs related to new Finance Director
	20				
	21	**Balance as of May 31, 2009**		**1,003,823**	
	22				

* Subject to Board approval due to cost of $250,000 or more

PURCHASE OF GOODS AND SERVICES OVER $250,000

To Applied Biosystems for $566,605.94 for the purchase of reagents and consumables for detecting diseases in MN livestock and poultry for the period of July 1, 2009 through June 30, 2010 for the Veterinary Diagnostic Laboratory.

Due to the high volume of molecular diagnostic testing at the Minnesota Veterinary Diagnostic lab, we needed to maintain our high throughput PCR testing capabilities and introduce a more automated platform for the nucleic acid extractions we perform. In addition, there are supplies and reagents in this contract that we have used for years and that we need to continue to use in order to maintain consistency of results. We also need to ensure a consistent and reliable supply of reagents and consumables for this large volume of testing.

Without a reliable supply of reagents and consumables, we cannot fulfill the needs of our poultry and livestock producing clients in this state and around the country. Furthermore, without the high throughput and automation capabilities of these reagents and consumables, we risk decreasing our efficiency and throughput and repetitive motion injuries to our personnel.

Through an extensive validation process, we determined the best reagents, consumables and equipment to use in our testing in a head to head comparison between the most respected vendors in this field.

The reagents and consumables will be purchased with departmental funds currently available for this testing.

Submitted by: James E. Collins, Director
Veterinary Diagnostic Laboratory
248 VET DL, 1333 Gortner Avenue
St. Paul, MN 55108
Phone: 612-625-9289
Fax: 612-624-8707

Approval for this item requested by:

Date: 5/26/09

Dr. Frank Cerra, Senior Vice President

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because we have compared and thoroughly validated the Applied Biosystems' MagMAX-96-well Viral 1 kit against the kit from Qiagen, the only other company that has a competing product. The prices for both kits are comparable, however the kit from Applied Biosystems was chosen after this validation due to its performance, ease of use, and reliable results.

Also, both the MicroAmp 96 well Rxn Plate and the RNAse inhibitor from Applied Biosystems have been used in our lab for over 10 years. It is necessary to continue using Applied Biosystems reagents and consumables to maintain consistency of results for Veterinary Diagnostic Laboratory clients.

Negotiations with the supplier have resulted in discounts ranging from 0% to 55%.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.

Purchase of Goods and Services over $250,000

To Applied Business Communications, Inc, Dell-Comm, Inc., MP Nexlevel, Telcom Construction, Tri Comm, Inc., and Underground Piercing, Inc., for an estimated $ 400,000 of contract labor for Outside Cable Placement and Inside Infrastructure Construction/Cabling and Termination and $30,000 for Emergency restoration cabling as needed for the period of July 1, 2009 through June 30, 2010 for the Networking and Telecommunications Services (NTS) department, a division of the Office of Information Technology (OIT.)

NTS requires supplemental labor in order to connect phones, computers, printers, and faxes to the University's network in a timely manner.

NTS maintains and supports approximately 90,000 voice, data, and video connections. A portion of the support and maintenance provided to University customers on the Twin Cities Campus is a service including moves, adds, and changes (MAC) which frequently involves the placement and termination of copper and fiber optic cable. NTS also builds and maintains the core infrastructure of cable and fiber both in and between buildings. Without this service the University will be unable to connect phones, computers, printers, and faxes to the network.

These contractors are being selected as the result of a competitive RFP process done in March, 2007 which rated them highly in service, experience, and price. This is a multiple-award contract so a sufficient number of vendors will be available for the various projects during the year. This purchase is the second of four optional renewals.

This purchase of contract labor by NTS has been budgeted for FY10. It will be centrally funded as part of the Data Network funding.

Submitted by:
Diane Wollner
Director of Finance
Office of Information Technology
Phone: (612) 626-1311

Approval of this item is requested by:

Vice President and Chief Information Officer

5-1-2009
Date

Purchase of Goods and Services over $250,000

To Blue Cross Blue Shield of Minnesota for an estimated $14,608,069 for the third year contract period of a six-year award for a partially self funded Student Health Benefit Plan (SHBP) for Twin Cities, Duluth, Crookston, Morris and Rochester students for Boynton Health Service.

This estimate is based on a projection of 9819 covered students, their spouses/domestic partners and their children as covered dependents. This contract is for medical plan expenses incurred during the period of August 24, 2009 through August 31, 2010 and claims paid from August 24, 2009 through August 31, 2011.

In November 2006, Gerald Rinehart, Vice Provost of Student Affairs, appointed a University Committee to conduct a request for proposal process for administrative services and stop loss coverage for the partially self funded Student Health Benefit Plan.

In January 2007, the University of Minnesota requested insurance company proposals to provide student health benefits coverage for the 2007-08 and 2008-09 plan years for students attending the University of Minnesota.

The proposal from Blue Cross Blue Shield of Minnesota (BCBSMN) came in with a reduction from the 2006-07 plan year rate for their administrative services of 35%, a decrease of 37% in the cost for stop loss coverage. In addition to the excellent cost reduction of the BCBSMN services, the committee was able to achieve the following: 1.) Administrative fees are fixed for the first three years of this award and cost increases for years 4, 5 and 6 are limited to CPI, 2.) limits to the increase in the fee for stop loss coverage for the first three years of this award, 3.) guaranteed enrollment on an individual BCBSMN plan without proof of insurability once a student is no longer eligible for the Student Health Benefit Plan, and 4.) cost savings to students of over $5 million over the next six years.

The 2009 renewal quote from Blue Cross Blue Shield of Minnesota came with a projected increase in the cost of claims of 5.75% but no increase in their administration services and stop loss coverage for the upcoming year.

There are several components to this program that determine the cost of coverage for the students. Considering the increased cost of claims, in addition to the increase in the capitation projection for services and administrative costs at Boynton, we are able to limit the overall increase in cost of coverage to students for the 2009-10 academic year to 6.5%. The average monthly rate for the basic Student Health Benefit Plan will increase $9.25 from $142.00 to $151.25. The program has adequate reserves to meet all obligation of the partial self funding and provide the same level of coverage to students for the upcoming year. The cost of the plan is borne entirely by students purchasing the plan.

Submitted by: Edward P. Ehlinger, MD, MSPH
Director and Chief Health Officer
Boynton Health Services; W334
Phone: 612-625-1612

Approval for this item requested by:

Gerald Rinehart, Vice Provost, Office of Student Affairs

4/27/09
Date

Purchase of Goods and Services over $250,000

To Collins Electrical Systems Inc., Comlink Midwest, Inc., Dell-Comm, Inc., Parallel Technologies, Inc., Parsons Electric Co., Performance Cable Systems, Inc., and Tri Com Communications, Inc. for an estimated $600,000 of contract labor for Horizontal Wiring services as needed for the period of July 1, 2009 through June 30, 2010, for the Networking and Telecommunications Services (NTS) department, a division of the Office of Information Technology (OIT).

NTS requires supplemental labor in order to connect phones, computers, printers, and faxes to the University's network in a timely manner.

NTS maintains and supports approximately 90,000 voice, data, and video connections. A portion of the support and maintenance provided to University customers on the Twin Cities Campus is a service including moves, adds, and changes (MAC) which frequently involves the placement and termination of copper and fiber optic cable. NTS also builds and maintains the core infrastructure of cable and fiber both in and between buildings. Without this service the University will be unable to connect phones, computers, printers, and faxes to the network.

These contractors were selected as the result of a competitive RFP issued in March, 2006 which rated them highly in service, experience, and price. This is a multiple-award contract so a sufficient number of vendors will be available for various projects during the year. This purchase is the third of four optional renewals.

This purchase of contract labor by NTS has been budgeted for FY10. It will be centrally funded as part of the Data Network funding.

Submitted by:
Diane Wollner
Director of Finance
Office of Information Technology
Phone: (612) 626-1311

Approval of this item is requested by:

Vice President and Chief Information Officer — Date: 5-1-2009

Purchase of Goods and Services over $250,000

To Computer Concepts & Services, Inc. for an additional $400,000 for the purchase of essential analysis and programming services during the period of May 1, 2008 through May 31, 2010 for the University of Minnesota Veterinary Diagnostic Laboratory (VDL). This will bring the total contract amount to $875,000.

The University of Minnesota Veterinary Diagnostic Laboratory has developed proprietary laboratory information management (LIMS) software that has been licensed to the North Carolina Department of Agriculture (University of Minnesota Patent Technology Marketing Software License Agreement L1458). The North Carolina Department of Agriculture has also licensed the Online Submission component of the LIMS software (L1872). This contract is to purchase the analysis and programming skills necessary to maintain, modify and implement the LIMS software as stated in the license agreements. These agreements are the result of collaborative efforts by the parties involved to track and analyze animal health data as it relates to animal and zoonotic diseases such as swine influenza ("swine flu"), West Nile virus, chronic wasting disease, salmonella, anthrax, and tuberculosis.

Analytical and programming skills are also required for ongoing development of system enhancements to address regulatory issues such as the U.S. Animal Identification Plan, Participation in the National Animal Health Network, and for rapid response to disease outbreaks. Furthermore, many laboratory operational issues such as the addition of an entirely new laboratory discipline, introduction of a quality management system required to maintain accreditation status, instrument interfaces for new testing procedures, customer service enhancements, and rapid compilation and transmission of complex infectious disease informatics as well as basic maintenance are incorporated into and addressed by the information system.

Through a competitive bid process, Computer Concepts & Services best demonstrated the necessary experience and skill sets as well as cost effectiveness to carry out the necessary tasks and was awarded the contract in May 2008.

VDL licensing fees, user fees and corporate gifts provide sources of funding for modifications specified by the VDL. This has been budgeted for in FY10.

Submitted by: James E. Collins, Director
Veterinary Diagnostic Laboratory
University of Minnesota
1333 Gortner Avenue
St. Paul, MN 55108
Phone: (612) 625-9289
Fax: (612) 624-8707
colli002@umn.edu

Approval for this item requested by:

Frank B. Cerra, Senior Vice President
Academic Health Centers

5/26/09
Date

Purchase of Goods and Services over $250,000

To Cultural Insurance Services International (CISI) for an approximate yearly cost of $270,000 for international traveler health insurance as needed for the period of August 1, 2009 through July 20, 2010 for the Office of International Programs.

The Office of International Programs is responsible for providing the international traveler health insurance as mandated by Risk Management to students, staff and faculty traveling overseas on University business.

Through a competitive bid process, CISI provided the best price and coverage options for the contract period as well as the lowest possible annual increase of 3%. CISI will provide international health coverage, health evacuation, repatriation, accidental death insurance in addition to security services and evacuation. This is the first year of the contract with an additional four one-year options to renew.

The insurance coverage will be purchased by OIP and partner units on behalf of the travelers who will be billed through EFS for the insurance as part of a comprehensive program fee or as a stand-alone cost. The units will experience only a pass-through of the money, thus this contract will be self-supporting and self-sustaining.

Submitted by: Stacey Tsantir, International Health, Safety and Compliance Coordinator
Office of International Programs
100 University International Center
331 17th Ave SE
Minneapolis, MN 55414

Approval for this item requested by:

Robert Jones

5-22-09
Date

PURCHASE OF GOODS AND SERVICES OVER $250,000

To Idexx Distribution Corp. for $962,929.04 for the purchase of test kits for detecting diseases in MN livestock and poultry for the period of July 1, 2009 through June 30, 2010 for the Veterinary Diagnostic Laboratory.

Due to the amount of testing that we provide for our clients annually, it is necessary to order large quantities of test kits from Idexx Distribution Corp. These kits are used to test Minnesota livestock and poultry. This is an important service to Minnesota farmers.

This is a direct contract with the manufacturer of these kits. The accrediting body of the Veterinary Diagnostic Laboratory (The American Association of Veterinary Laboratory Diagnosticians) and the Minnesota Board of Animal Health require the use of Idexx diagnostic test kits to ensure inter-laboratory consistency within the United States.

Our laboratory has been buying these kits from Idexx for over 18 years. Idexx developed these tests and no other source is available for most of these kits. We want to continue using them to ensure our accreditation and maintain the integrity and consistency of research results.

These kits will be purchased with laboratory funds.

Submitted by: James E. Collins, Director
Veterinary Diagnostic Laboratory
248 VET DL, 1333 Gortner Avenue
St. Paul, MN 55108
Phone: 612-625-9289
Fax: 612-624-8707

Approval for this item requested by:

Dr. Frank Cerra, Senior Vice President

Date: 5/26/09

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because the accrediting body of the Veterinary Diagnostic Laboratory (The American Association of Veterinary Laboratory Diagnosticians) and the Minnesota Board of Animal Health require the use of these IDEXX diagnostic test kits to ensure interlaboratory consistency within the United States.

These kits have been purchased from IDEXX for over 18 years. IDEXX developed these tests. It is necessary to continue using IDEXX kits to ensure accreditation and maintain consistency of results for Veterinary Diagnostic Laboratory clients.

Procedures undertaken to ensure reasonableness of price included:

This is a manufacturer direct contract with the manufacturer of these kits. In comparing pricing to our past contract with Idexx, pricing of the EIA AGID, EIA CELISA, Salmonella AB, M. PT (Johne's), BVDV AG and BVDV AB kits have remained the same as in the past year. Idexx is lowering our price on one kit, the APP-APXIV-2PI, by 1%. The remaining kits on this award have had price increases of 5%. All kits except the kits that come from Europe are purchased at a discounted price. The discount varies from 0% and 30%, which is determined by the quantity of the kits we purchase

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.

Purchase of Good and Services over $250,000

To Northwest Airlines for $321,202 for charter service for the 2009 football season for team travel for away football games. The away games are scheduled from September 5 to October 24, 2009.

Every year, Intercollegiate Athletics, with the assistance of Purchasing Services, prepares an RFP to request bids for charter air service for team travel to the away football games. Due to the size of the team and travel party, air charter service is the most efficient and effective manner of transportation to away competitions.

The cost of air transportation, including the cost of charters, continues to increase. Through the competitive bid process, Northwest Airlines has provided the most cost effective financial proposal while meeting the aircraft size requirements to transport the travel party.

Charter service will be purchased with funds from ICA auxiliary revenues as part of the football travel budget.

Submitted by: Joel Maturi
Intercollegiate Athletics
250 Bierman Field Athletic Building
Minneapolis, MN 55455
Phone: (612) 624-2100

5/19/09

Vice President / Chief of Staff

Date

Purchase of Goods and Services over $250,000

To SHI International Corp., a Microsoft Education Large Account Reseller, for an estimated $2,875,000 to provide software licensing for commonly used Microsoft products for all University of Minnesota students (all campuses), for the period July 1, 2009 through June 30, 2012 for the Office of Information Technology (OIT).

This is a renewal of a Campus Agreement subscription from Microsoft. This subscription program is an annual comprehensive licensing program specially created to address the unique needs of higher education institutions. This subscription is for Microsoft Office and Windows operating system upgrades.

Utilizing this Agreement ensures that Microsoft software will be available to University of Minnesota students. This subscription benefits students by supporting standardization of documents, analysis and presentations in their educational career. Licensing for these Microsoft products is greatly simplified since this license is based on the number of full-time equivalent (FTE) students.

This Agreement includes Microsoft Office 2003 Professional for Windows, Office Enterprise 2007 for Windows and Office 2008 for MacOS X. For operating system upgrades this Agreement includes Windows Vista Business and Windows Vista Ultimate. Upon graduation students will receive a perpetual license of the current product version.

The vendor was selected as a result of a competitive bid process among Microsoft Education Large Account Resellers. Microsoft is offering an additional 10% discount for this three-year Agreement.

OIT will purchase the Student Campus Agreement with O&M funds for a total of $2,525,000. The remaining $350,000 (representing the cost of the physical media for these Microsoft products) will be recovered through a nominal charge to the student upon purchase (ranging from $10 to $15 per disk depending on specific software purchased).

Submitted by: Diane Wollner
Chief Financial Officer, OIT
203 Johnston Hall
Mpls. Campus
Phone: (612) 626-1311
Fax: (612) 626-0076

Approval of this Item is requested by:

Vice President and CIO

5-22-2009
Date

Purchase of Goods and Services over $250,000

To SHI International Corp., a Microsoft Education Large Account Reseller, for an estimated $2,100,000 to provide software licensing for specified Microsoft products for all University of Minnesota faculty and staff for the period July 1, 2009 through June 30, 2012 for the Office of Information Technology (OIT).

This is a renewal of a Campus Agreement subscription from Microsoft. This subscription program is a comprehensive licensing program specially created to address the unique needs of higher education institutions. This subscription is for Microsoft Office and Windows operating system upgrades.

Utilizing this agreement ensures that Microsoft software will be available to our staff and faculty for University business use only. This subscription is a benefit to faculty and staff in that it supports standardization of documents, analysis and reports. Licensing for these Microsoft products is greatly simplified since this license is based on number of full-time equivalents (FTE) of faculty and staff. Rather than trying to keep track of which specific computers are using which specific versions of Microsoft Office and have upgraded operating systems, we only need to report the number of FTEs of faculty and staff.

This Agreement includes Microsoft Office 2003 Professional for Windows, Office 2007 Enterprise for Windows, Office 2004 for MacOS X, Office 2008 for MacOS X and Visual Studio Pro for 2008. For operating system upgrades this Agreement includes Windows XP Professional, Windows Vista Enterprise and Windows XP Tablet PC.

The vendor was selected as a result of a competitive Request for Proposal (RFP) process among Microsoft Education Large Account Resellers. In addition, Microsoft is offering an additional 10% discount for this three-year Agreement.

OIT will purchase the faculty/staff Campus Agreement with O&M funds.

Submitted by: Diane Wollner
Chief Financial Officer, OIT
203 Johnston Hall
Mpls. Campus
Phone: (612) 626-1311
Fax: (612) 626-0076

Approval of this Item is requested by:

Vice President and CIO

5-21-2009
Date

Purchase of Goods and Services over $250,000

To Solutionary, Inc. a managed security services provider (MSSP), for an estimated $650,000 to monitor 310 network devices for the University of Minnesota. This contract is for a period from August 1, 2009 through July 31, 2012, with an option for two one-year renewals for OIT Security, a division of the Office of Information Technology (OIT).

Solutionary, Inc. is a managed security services provider dedicated to protecting networks and electronic assets of companies, banks and universities worldwide. They provide comprehensive assessment, managed services, professional services and security monitoring, utilizing sophisticated software and expert analysts to review, track and report potential security issues relating to a specific list of University servers, firewalls and intrusion detection systems (IDS).

Solutionary, Inc. was selected through a competitive Request for Proposal (RFP) process. Negotiations with the vendor resulted in concessions of almost $280,000 over the three-year contract period.

Security monitoring of specifically designated critical computer servers, related firewalls and intrusion detection systems is provided 24X7X365 to decrease the risk of undetected intrusion and, unify threat management. When a potential security issue is discovered, Solutionary security analysts notify designated University personnel to initiate appropriate follow-up investigations and actions. Additionally, Solutionary provides technical data and monthly technical reports to the University.

These security services are centrally (O&M) funded. This expense will be budgeted for FY10, FY11 and FY12.

Submitted by: Diane Wollner
Chief Financial Officer, OIT
203 Johnston Hall
Mpls. Campus
Phone: (612) 626-1311
Fax: (612) 626-0076

Approval of this Item is requested by:

Vice President and CIO

5-18 2009
Date

Purchase of Goods and Services over $250,000

To the State of Minnesota Office of Enterprise Technology for an estimated $775,000 for network connections between the Twin Cities and its campuses in Duluth, Crookston, Morris, Rochester, and 18 extension offices for the period July 1, 2009 through June 30, 2010 for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT).

This service allows the coordinate campuses and 18 extension offices to connect to the University of Minnesota's Twin City campus for Internet usage and inter-campus network communications.

These connections enable coordinate campus and extension offices access to the Internet, Enterprise and research applications, and instructional video. Without this service no access would be possible to the Internet, Enterprise and research applications, and instructional video.

The State of Minnesota Office of Enterprise Technology (OET) operates an extensive network throughout the state. We have a Joint Powers agreement with the State of Minnesota for Internet cost-sharing. Because of this partnership, the state is willing to heavily discount the fees it charges to the University for coordinate campus and extension office network connections run over the State-owned network.

This purchase has been budgeted for FY10. It will be centrally funded as part of the Network funding

Submitted by:
Diane Wollner
Director of Finance
Office of Information Technology
Phone: (612) 626-1311

Approval of this item is requested by:

Vice President and Chief Information Officer   5/6/2009
Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because:

The University of Minnesota (the University) has an integrated strategy in place with the State of Minnesota (the State). This strategy allows the University to utilize the State's strength to provide out-state network connections at a discounted price to the University's coordinate campuses. This strategy also allows the State to use the University's management of Internet connectivity to facilitate their Internet connections. The State pays for ½ of the University's Internet provider bills (reimbursing to the University, on average, $48,000 per quarter) and the University pays the State for network access to coordinate campuses. MnSCU also utilizes the State's network for their Internet access. The integrated strategy the University has created is critical to Minnesota's academic strategies. MnSCU for example, is setting up their main data center on campus. The State has already set up equipment on campus as a disaster recovery hot spot. Networking and Telecommunications Services, a division of the Office of Information Technology, has been given use of fiber optic pathways that will be utilized in the future to interconnect important projects such as the BOREAS network.

This partnership with the State reduces the University's concern about technical issues while the University is moving forward with other projects such as Voice over IP and BOREAS.. All standards are not in place to easily interoperate these applications across different manufacturers' equipment. This is particularly true when it comes to class of service parameters that control how traffic is treated from and to the end points. Since the standards are not completely set yet to interoperate between different manufacturers, utilizing one network from and to the University's partners allows the University to move forward and not have technology issues impede progress.

Procedures undertaken to ensure reasonableness of price included:

The University asked the State for pricing using existing state contracts vendors for similar network services with redundancy (redundant pathways to each campus.) The charge from the State to the University for network services is about ½ of what the cost would be if the University used a State contract vendor (if the primary pathway fails, the State routes us on another path to the destination at no charge. Any other vendor would charge monthly fees for both pathways.) The State currently charges the University $45,113 per month for the Wide Area Network usage. For that fee the University is allowed temporary increases in usage at no cost. Contracting with a vendor on the State of MN contract list would cost at least $49,190 per month for the same usage and they charge fees if the University temporarily increases its usage.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.

Purchase of Goods and Services $250,000 and over

To Stevens Community Medical Center (SCMC) for $387,430.40 for provision of medical services for UMM Health Service for the period of July 1, 2009 through June 30, 2013. The annual costs for this contract period would be $94,000 for FY 2010, $94,000 for FY 2011, $97,760 for FY 2012 and $101,670.40 for FY 2013.

UMM Health Service is the on-campus student health service providing outpatient clinic services for UMM students. All regularly enrolled students who pay a mandatory health service fee use Health Services with no additional charges for clinic visits. Services include physician consultation, medical treatment and those medications most often needed by students.

SCMC will provide Health Services medical director, primary medical care services for students including on-campus physician staffing for three hours each morning during the academic year, afternoon off-campus clinic services and coordinated pharmacy services.

The medical services RFP issued in Spring 2009 for the period of July 1, 2009 through June 30, 2013, included the option of four additional one-year terms covering the 2013-14, 2014-15, 2015-16 and 2016-17 academic years.

The RFP resulted in only one proposal which was from SCMC. UMM's Health Services Committee reviewed and evaluated the proposal. It was determined that SCMC is able to provide all services requested, using physicians to provide primary medical care services five days a week for more comprehensive service for UMM students at a reasonable price. Cost of all services provided for FY 2010 is only a 5.3% increase over FY 2009.

Student health service fees provide funding for the contract. The annual contract fee is budgeted in the annual UMM Health Services operating budget.

Submitted by: Henry Fulda, Assistant Vice Chancellor for Student Life
Office of Residential Life
Morris Campus
Phone: (320) 589-6470

Approval for this item requested by:

Jeanne Olson-Loy
Vice Chancellor for Student Affairs

5/12/09
Date

Purchase of Goods and Services over $250,000

To Unisource for $375,000.00 for paper stock as needed for the period of July 1, 2009 through June 30, 2010 for Printing Services for use at their main plant facility and their copy centers.

The paper stock associated with this contract is specified by University departments for the various printing and publications they order from Printing Services. Unisource bid the paper stock as specified.

Through the competitive bid process, Unisource provided the best price and availability of the specified paper stocks for the contract period.

Payment for these purchases will be purchased with Printing Services department funds.

Submitted by: Laurie Scheich, Associate Vice President,
Auxiliary Services (612-624-0542);
Dianne Gregory, Director, Printing Services, (612-625-2585);
David Hoel, Manager, Printing Services, (612-625-6356)

Approval for this item requested by:

Kathleen O'Brien
Kathleen O'Brien, Vice President for University Services

5/1/09
Date

Purchase of Goods and Services over $250,000

To WiscNet, a division of the University of Wisconsin – Madison, Department of Information Technology, for $310,000 for Membership fees and Network Operation Services to operate BOREAS-Net for the period July 1, 2009 through June 30, 2010 for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT).

> *BOREAS-Net is a collaborative project of Iowa State University, the University of Iowa, the University of Minnesota – Twin Cities, and the University of Wisconsin – Madison. Through a collaboration contract signed March 16th, 2006, the University of Minnesota acts as the fiscal agent for the BOREAS-Net project.*
>
> *BOREAS-Net provides the participating institutions high speed network access to other Regional, National, and International Research and Education networks in Chicago and Kansas City. This connectivity is necessary for the institutions to participate and collaborate in a multitude of research projects across multiple disciplines. WiscNet provides troubleshooting, ongoing maintenance, engineering, provisioning, information management, and reporting and project management - all with a strong focus on communications among BOREAS member institutions.*
>
> *Proposals to provide these services were sought as part of an RFP sent out in October, 2005 to purchase Dark fiber for the BOREAS-Net Project. None of the proposals for these services were considered acceptable and were far in excess of costs proposed by WiscNet. Further, through its annual budgeting process the BOREAS Oversight Group (BOG) will monitor the cost effectiveness of continuing to use WiscNet for these network operations services.*
>
> *This purchase has been budgeted for FY10. The costs are to be split between the BOREAS-Net Participants. The University of Minnesota's portion of the costs (31%) will be centrally funded as part of the Network funding.*

Submitted by:
Diane Wollner
Director of Finance
Office of Information Technology
Phone: (612) 626-1311

Approval of this item is requested by:

[signature]	5-6-2009
Vice President and Chief Information Officer	Date

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance and Operations Committee **June 11, 2009**

Agenda Item: Information Items

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☒ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

Quarterly Investment Advisory Committee Update
To provide the Board of Regents with a summary of the quarterly meeting of the Investment Advisory Committee (IAC) held on May 13, 2009.

Quarterly Asset Management Report
To report on the quarterly results of investment performance for the period ended March 31, 2009. The Office of Investments & Banking (OIB) prepares this report on the assets it oversees for review by the Investment Advisory Committee and the Board of Regents.

Quarterly Debt Management Advisory Committee Update
To report on the June 10, 2009 meeting of the Debt Management Advisory Committee (DMAC).

Outline of Key Points/Policy Issues:

Quarterly Investment Advisory Committee Update

Mr. Mason presented the Consolidated Endowment Fund Performance Summary for the period ending March 31, 2009. The portfolio declined 7.16% for the quarter and was impacted by the steep declines in private real estate valuations and significant declines in international public equity. These were partially offset by very positive returns in the hedge fund portfolio and a meaningful overweight in fixed income securities that produced a positive return.

The IAC continued its discussion about rebalancing to Board policy asset allocation targets and concluded that was currently not possible because of an overweight in private capital and private real assets. The committee suggested that some additional equity exposure should be added by the use of futures to move closer to the targets and to reflect the changing economic environment, which has begun to stabilize over the last quarter.

Mr. Mason led a discussion to update the committee on the portfolio liquidity. The portfolio currently has over $300 million in liquid investments to fund upcoming capital calls and future distribution requirements. These investments include both public fixed income and public equity investments.

Members of the committee encouraged OIB to continue to build the fixed income portfolio, seek ways to reduce the unfunded commitment level, and begin to explore public stock managers in Asia and other emerging markets as a way to take advantage of the commodity price inflation that is expected as the economy regains its footing as continued global stimulus begins to have an effect.

Quarterly Asset Management Report

- The invested assets of the University totaled approximately $1.4 Billion on March 31, 2009.
- The Consolidated Endowment Fund value as of March 31, 2009 was $843.5 Million, a decrease of $276.6 Million over the last 12 months after distributions. The total investment return of the endowment was -25.0% over the last 12 months compared to a benchmark return of -25.4%.
- The value of the short-term reserves (TIP) was $494.2 Million as of March 31, 2009. The investment return on the portfolio over the last 12 months was -0.5% compared to a benchmark return of 2.9%.
- Total outstanding debt on March 31, 2009 was $830.0 Million. The effective interest rate on all outstanding debt obligations was 3.86%.

Debt Management Advisory Committee Update

The agenda for the meeting held on June 10, 2009, included:

- Pricing Structure on the Series 2009C & D University bonds sold in April 2009
- Resolution Related to Issuance of University Debt that is being presented as a separate agenda item in this month's Finance & Operations Committee
- Near-term University debt plans
- Moody's rating focus on special risks during recession and credit crisis

Quarterly Report

March 31, 2009

University of Minnesota

Office of Investments & Banking

Value of Funds

U of M Managed Funds	Mar. 2009	Jun. 2008 ($ in mil)	Jun. 2007
Consolidated Endowment Fund (CEF) *	843.5**	1,140.3	1,167.7
Long-Term Reserves (GIP) ***	38.3	33.9	31.3
Short-Term Reserves (TIP) *** (market value)	494.2	612.0	548.4
Invested Assets Related to Indebtedness	37.1	76.3	171.2
Total	**1,413.1**	**1,881.9**	**1,918.6**
Other			
U of M Foundation Managed Funds	1,054.3	1,384.7	1,413.0
MN Medical Foundation Funds	166.7	248.8	262.0
RUMINCO Ltd.	28.9	31.9	39.1
Basic Faculty Retirement Plan	1,017.6	2,401.3	2,511.9
* *Includes the Market Value of the Permanent University Funds*	*377.7*	*471.8*	*482.2*
** *Includes $89.8 million TIP and $8.6 million GIP investments (market value)*			
*** *Balances exclude investment in CEF*			

Highlights – CEF

- Total Assets: $843.5 million*

Quarterly Return	-7.2%	Benchmark (1)	-5.8%	Benchmark (2)	-7.4%
One year Return	-25.0%	Benchmark (1)	-25.4%	Benchmark (2)	-27.3%

  - $68.3 million decrease over the previous quarter

*****CEF balance includes $89.8 million TIP and $8.6 million GIP investments (market value)

Benchmark (1): CEF Custom Index
Benchmark (2): 70% Russell 3000/30% BC AGG

Highlights – TIP, GIP

- TIP Market Value: $494.2 Million (excludes CEF Investment)

Quarterly Return	-0.0%	Benchmark	0.1%
One year Return	-0.5%	Benchmark	2.9%

  – $ 78.4 million increase over the previous quarter

- GIP Total Assets: $46.9 million (includes $8.6 million CEF Investment)

Quarterly Return	-0.8%	Benchmark	0.1%
One year Return	-2.7%	Benchmark	3.1%

  – $ 4.7 million decrease over the previous quarter

Highlights – RUMINCO, LT Debt

- RUMINCO Total Assets: $28.9 Million

Quarterly Return	0.2%	Benchmark	-7.4%
One year Return	-13.7%	Benchmark	-27.2%

  – $0.6 million decrease over the previous quarter

- Long Term Debt:

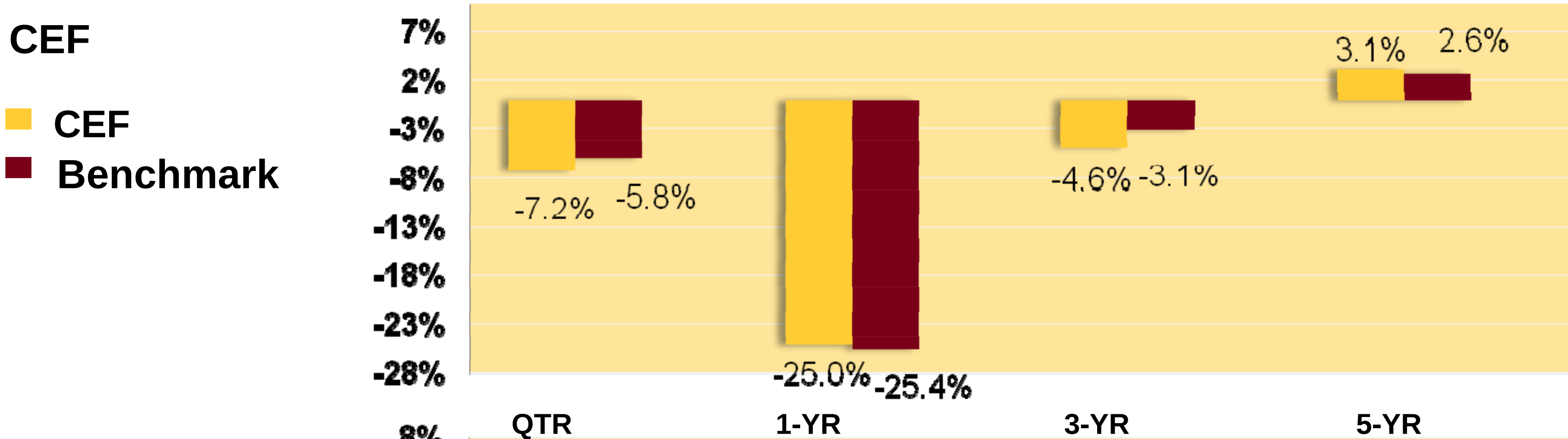
  Total Outstanding Debt Obligation of the University

University Issued Fixed Rate Debt*	$533.7 million
University Issued Variable Rate Debt*	$119.8 million
State Issued Infrastructure Development Bonds (IDBs)	$45.7 million
State Supported Debt (2006) Revenue Bond	$130.8 million

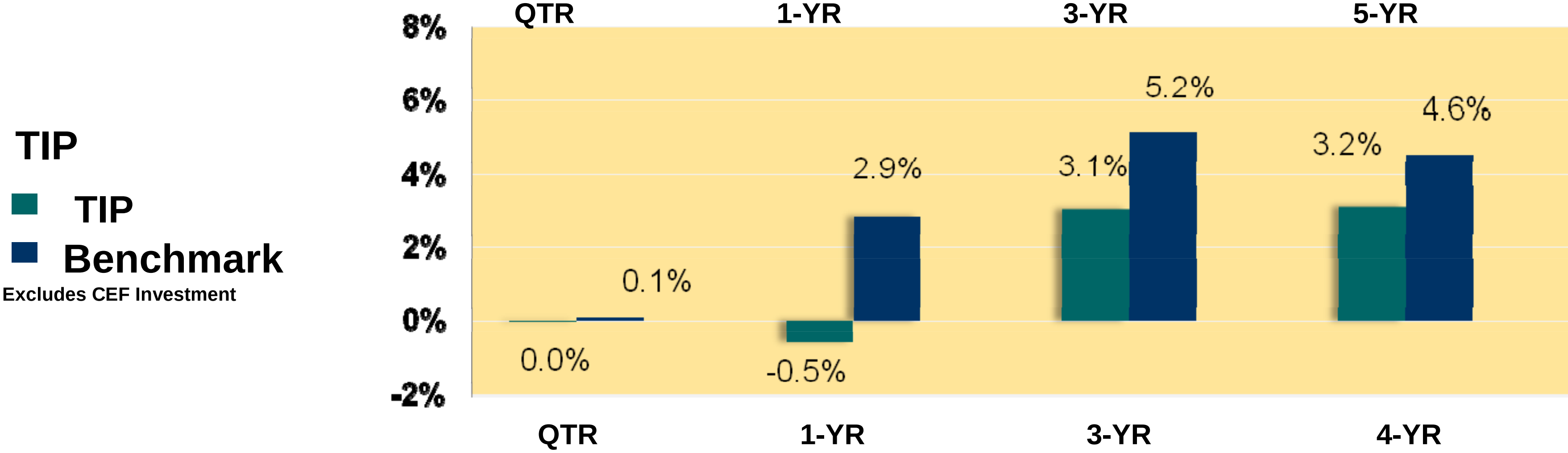
* Adjusted for interest rate swaps

Portfolio Returns

CEF



TIP



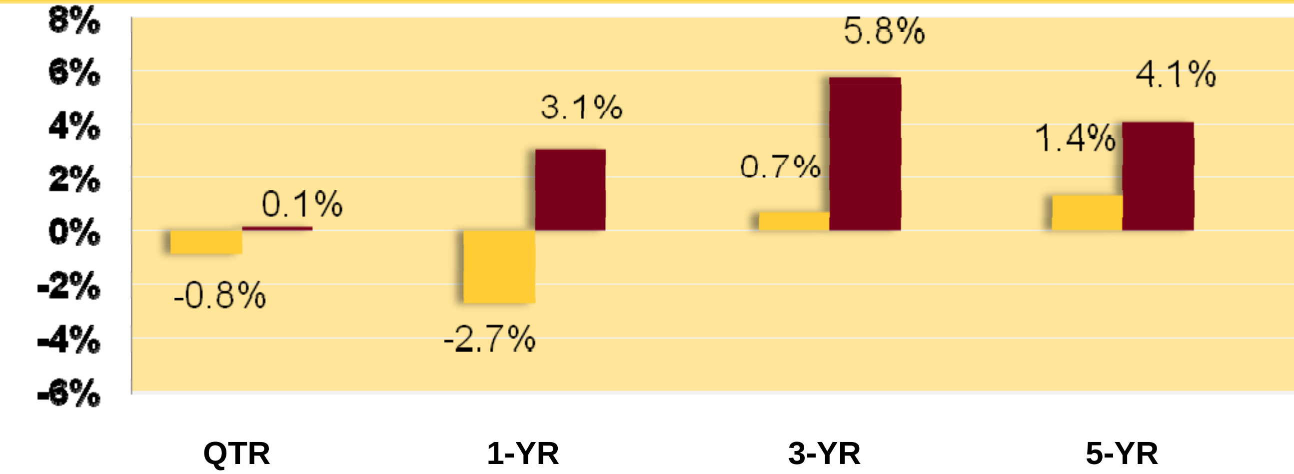
* Excludes CEF Investment

Portfolio Returns

GIP

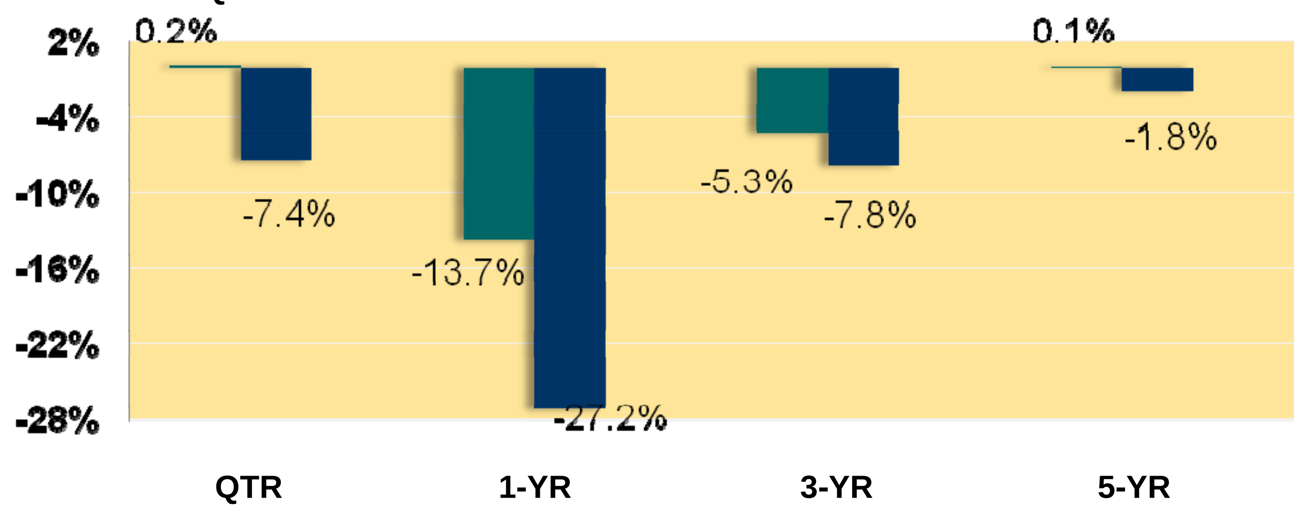
GIP
Benchmark

* Includes CEF Investment



RUMINCO

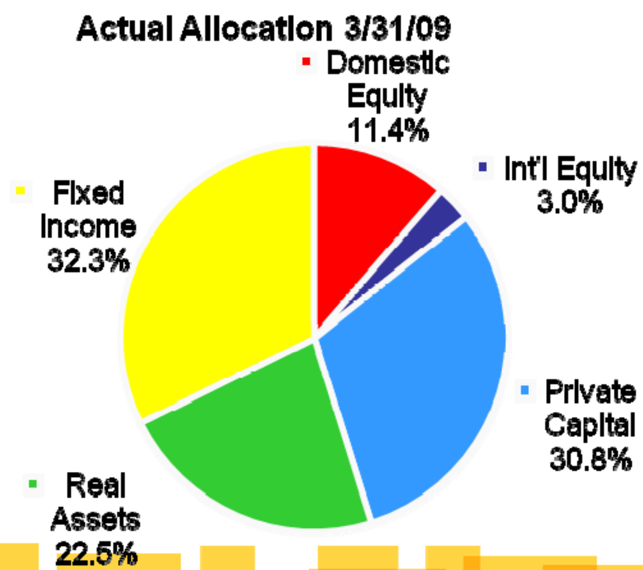
RUMINCO
Benchmark

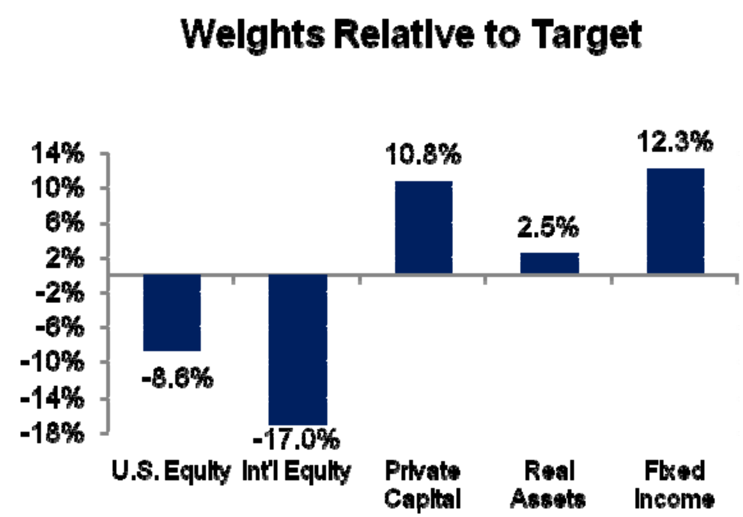


CEF Analysis

Asset Allocation

	Target	3/31/09	12/31/08	06/30/08	06/30/07	Range
Public Equity	40.0%	14.4%	26.4%	34.5%	50.0%	35-45%
Private Capital	20.0%	30.8%	30.8%	24.1%	15.2%	15-25%
Real Assets	20.0%	22.5%	23.4%	21.0%	16.5%	15-25%
Fixed Income	20.0%	32.3%	19.4%	20.4%	18.3%	15-25%





CEF Returns

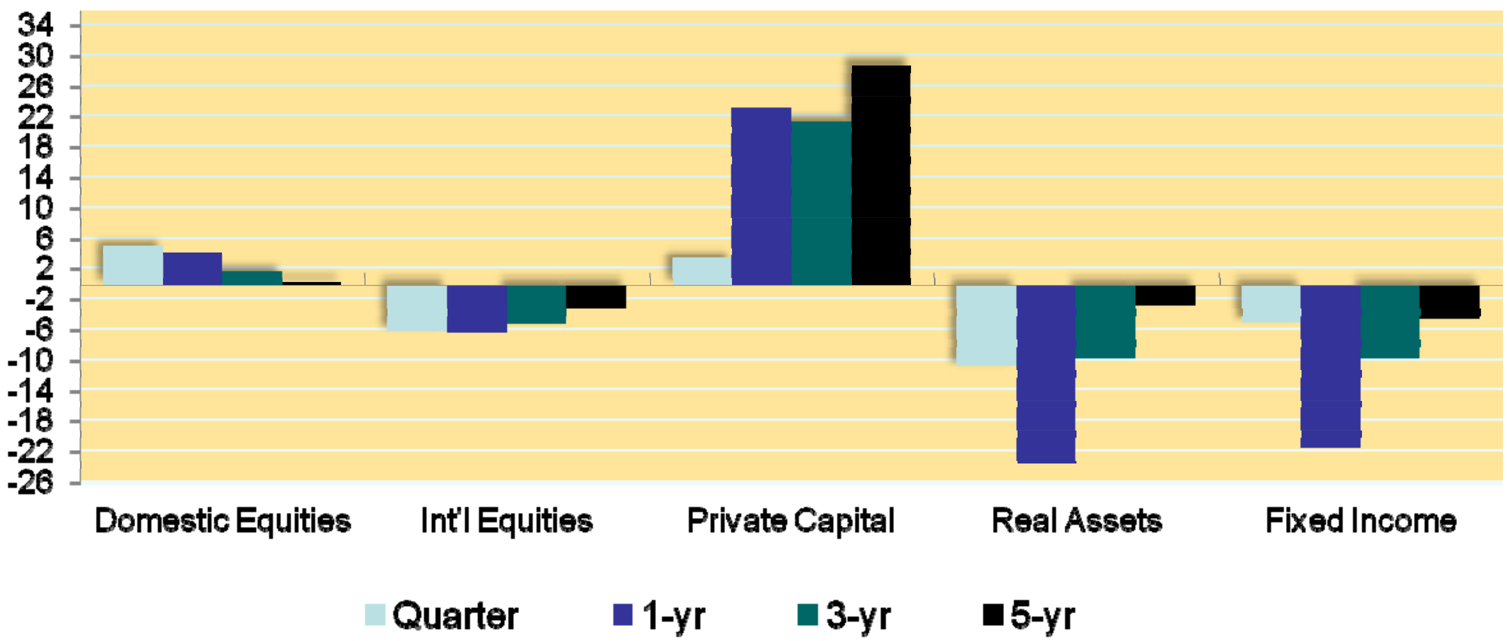
as of 03 31 2009

Asset Class & Benchmark Returns (%)	Quarter	1 year	3 year	5 year
Domestic Equity	**-6.0**	**-34.0**	**-12.0**	**-4.2**
Russell 3000	*-10.8*	*-38.2*	*-13.6*	*-4.6*
International Equity	**-17.0**	**-53.0**	**-18.5**	**-3.9**
MSCI EAFE	*-10.7*	*-46.5*	*-13.1*	*-0.7*
Private Capital	**-6.7**	**-13.2**	**10.2**	**27.1**
Russell 3000 + 300bp	*-10.1*	*-36.3*	*-10.9*	*-1.7*
Real Assets	**-8.9**	**-19.9**	**-3.7**	**3.6**
CPI + 400bp	*2.1*	*3.7*	*6.1*	*6.6*
Fixed Income	**-5.0**	**-18.5**	**-4.2**	**-0.6**
BC Aggregate	*0.1*	*3.1*	*5.8*	*4.1*

CEF Total Return (%)	-7.2	-25.0	-4.6	3.1
CEF Custom Index	*-5.8*	*-25.4*	*-3.1*	*2.6*
70 Russell 3000/ 30 BC AGG	*-7.4*	*-27.3*	*-7.8*	*-1.8*

CEF Analysis

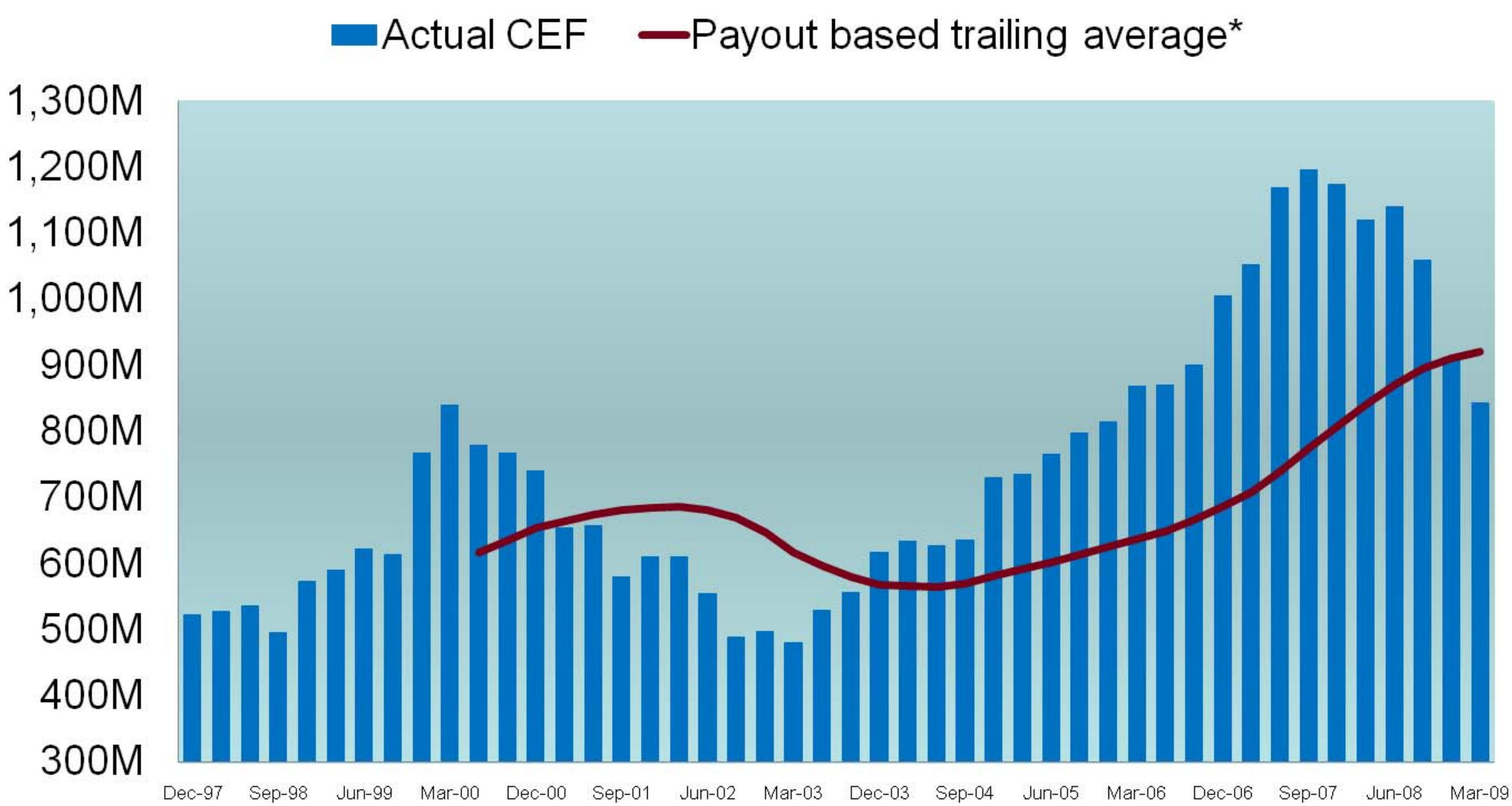
Returns Analysis – Returns Relative to Benchmarks (%)



	Quarter	1-yr	3-yr	5-yr
Domestic Equities	4.83	4.22	1.56	0.38
Int'l Equities	-6.32	-6.56	-5.36	-3.20
Private Capital	3.41	23.06	21.15	28.83
Real Assets	-11.00	-23.51	-9.85	-2.95
Fixed Income	-5.14	-21.62	-9.97	-4.70

CEF Analysis

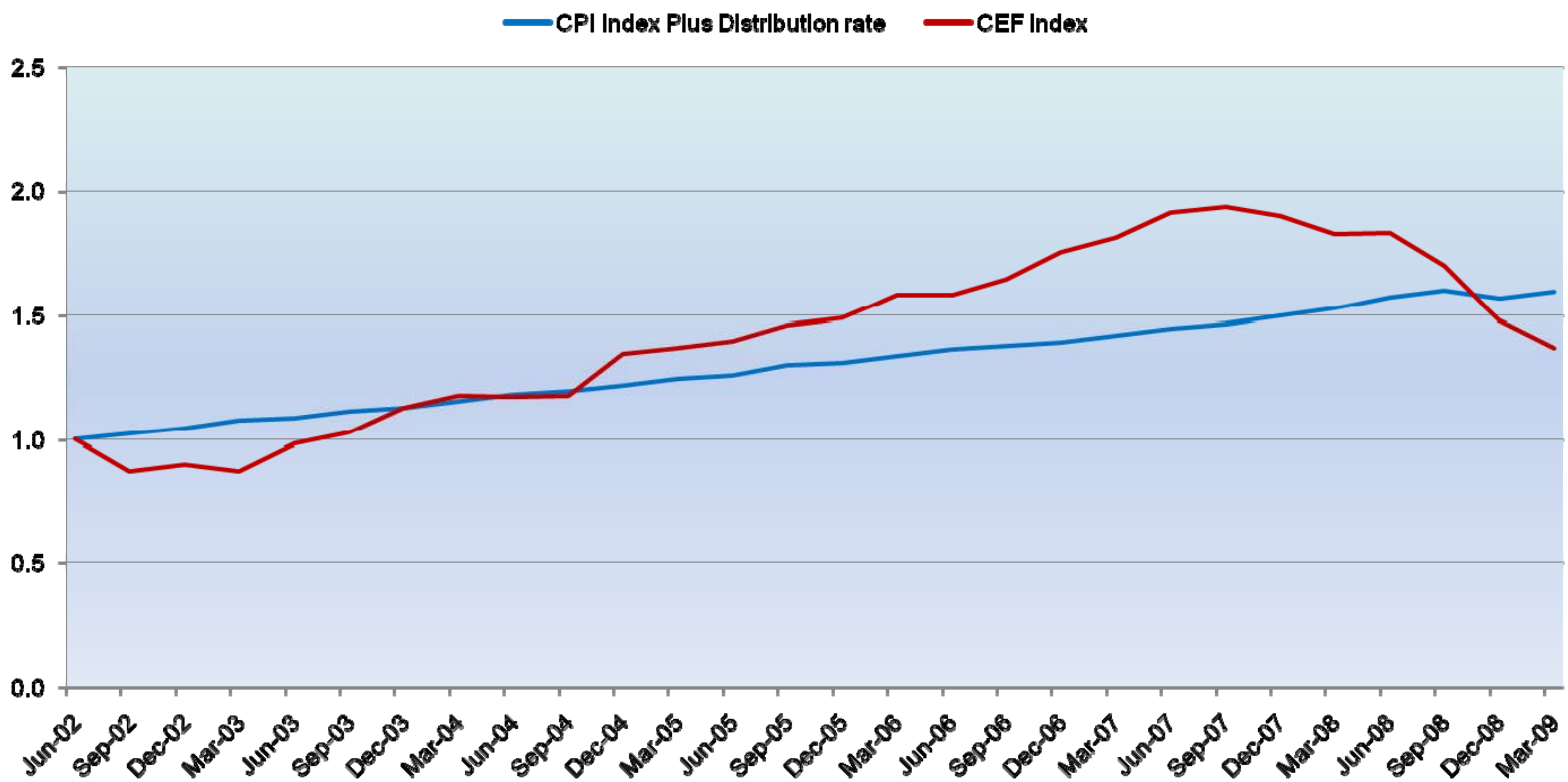
Actual CEF vs. Payout Based Trailing Average



* Payout rate was based on a three-year trailing average before June 04, and was gradually moved to a 5-year trailing average.

CEF Analysis

Inflation Index June 02 – March 09



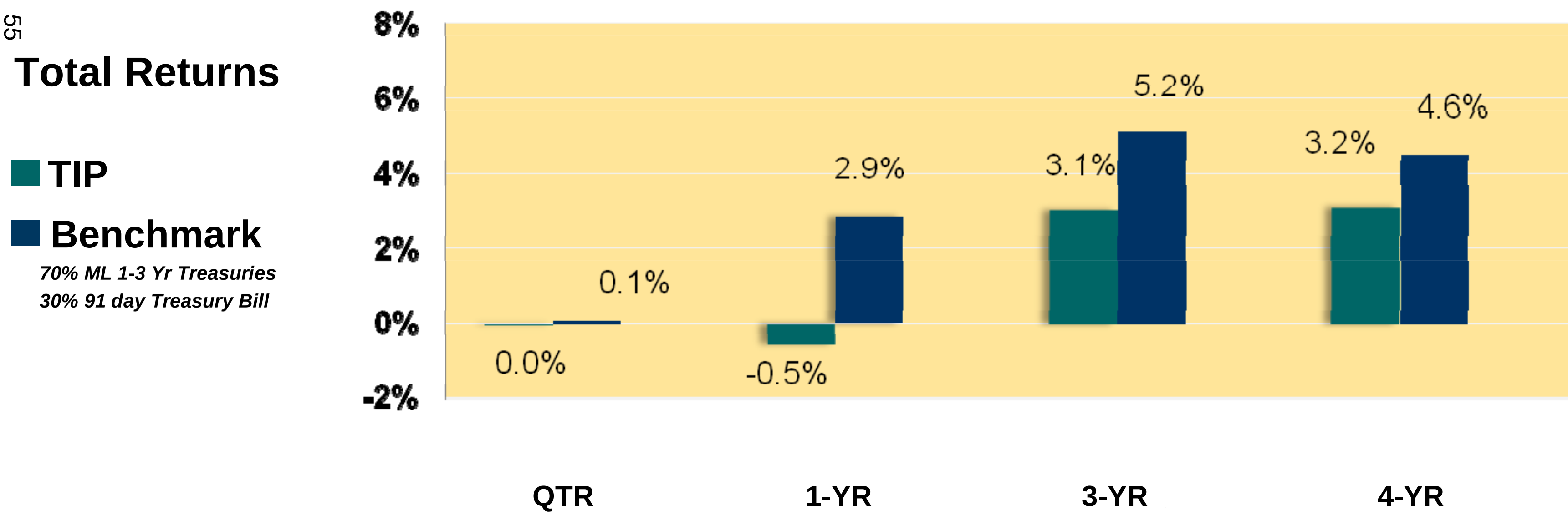
TIP Analysis

Market Value: $494.2 Million

Portfolio Characteristics

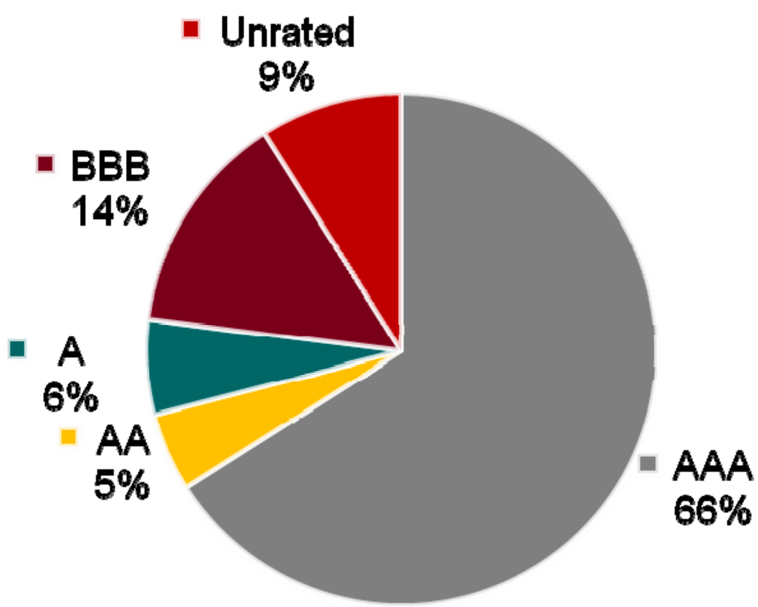
- Average duration: 0.95
- Average credit rating: AA
- Current Yield: 2.19%

Total Returns

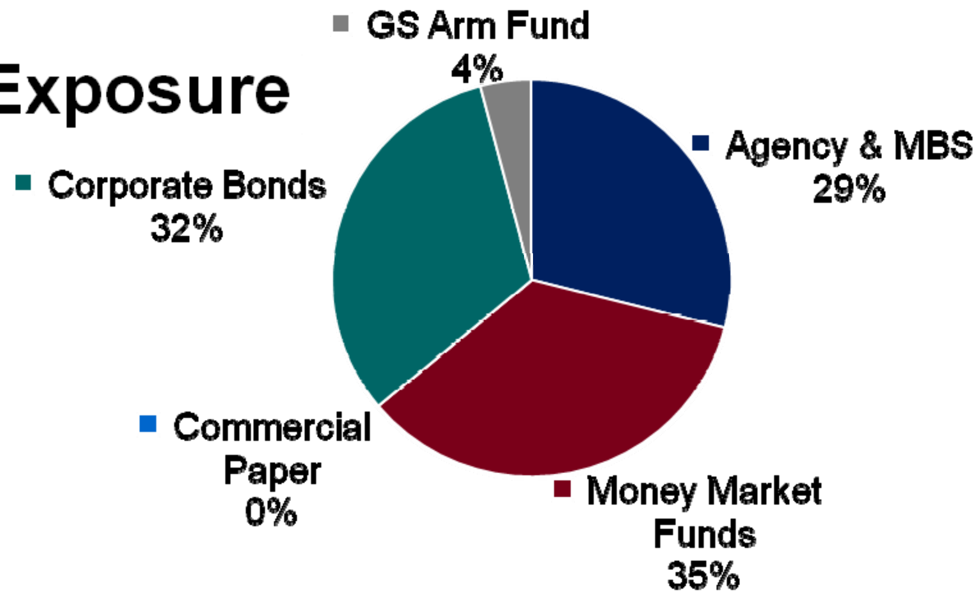


TIP Analysis

Credit Quality



Sector Exposure



TIP Returns

Asset Class (% of portfolio)	Quarter	1 year	3 year	4 year
Cash Equivalents (34.5%)	0.0	-0.5	3.1	3.2
Agency (25.9%)	0.6	4.0	5.2	4.7
Mortgage Pass Through (7.3%)	2.4	7.8	7.6	6.3
Corporate* (26.8%)	-1.8	-8.1	-1.5	-0.2

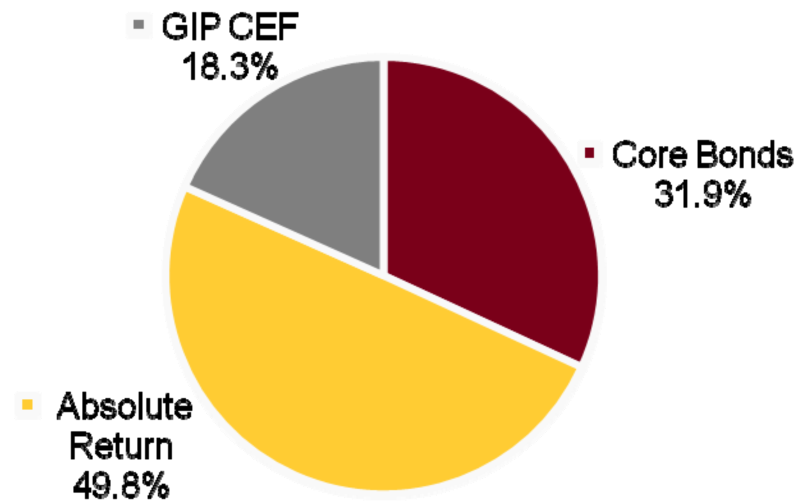
* Includes Commercial Paper

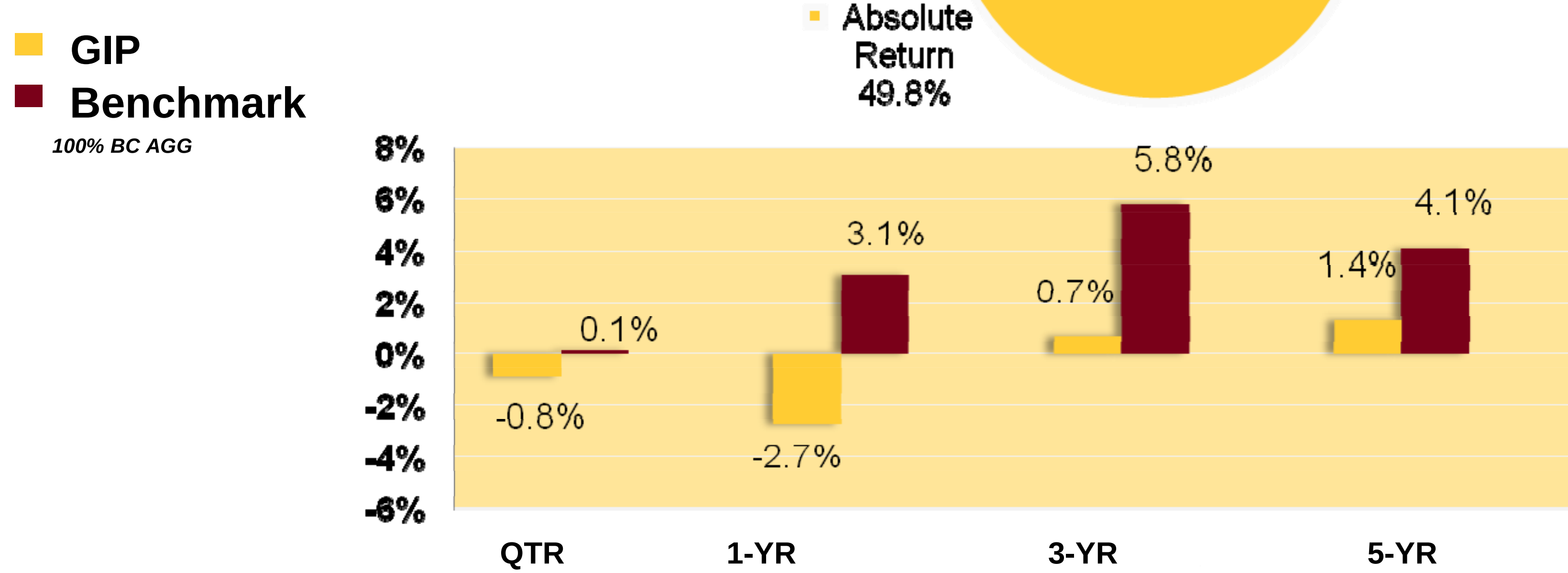
TIP Total Return (%)	**0.0**	**-0.5**	**3.1**	**3.2**
*TIP Index ***	*0.1*	*2.9*	*5.2*	*4.6*
3 Month T-Bill	*0.0*	*1.2*	*3.6*	*3.6*

** 70% - ML Treasury 1-3 year, 30% - 3 mo. T-Bill

GIP Analysis

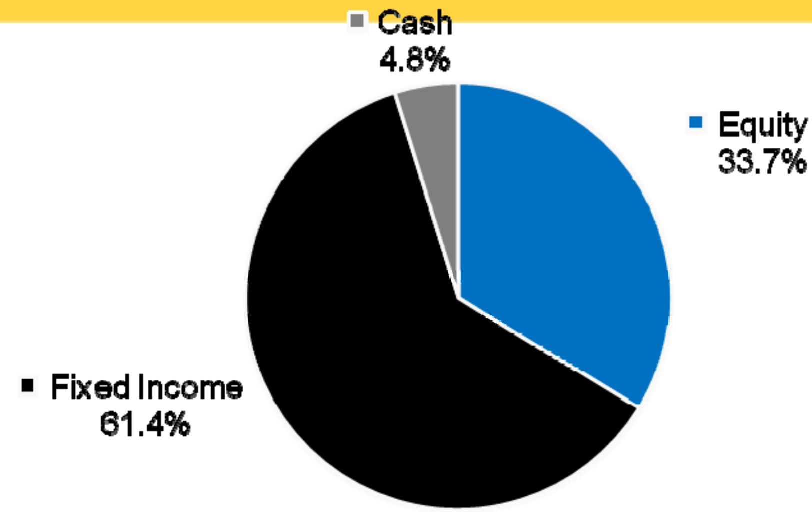
Total Assets: $51.6 Million.

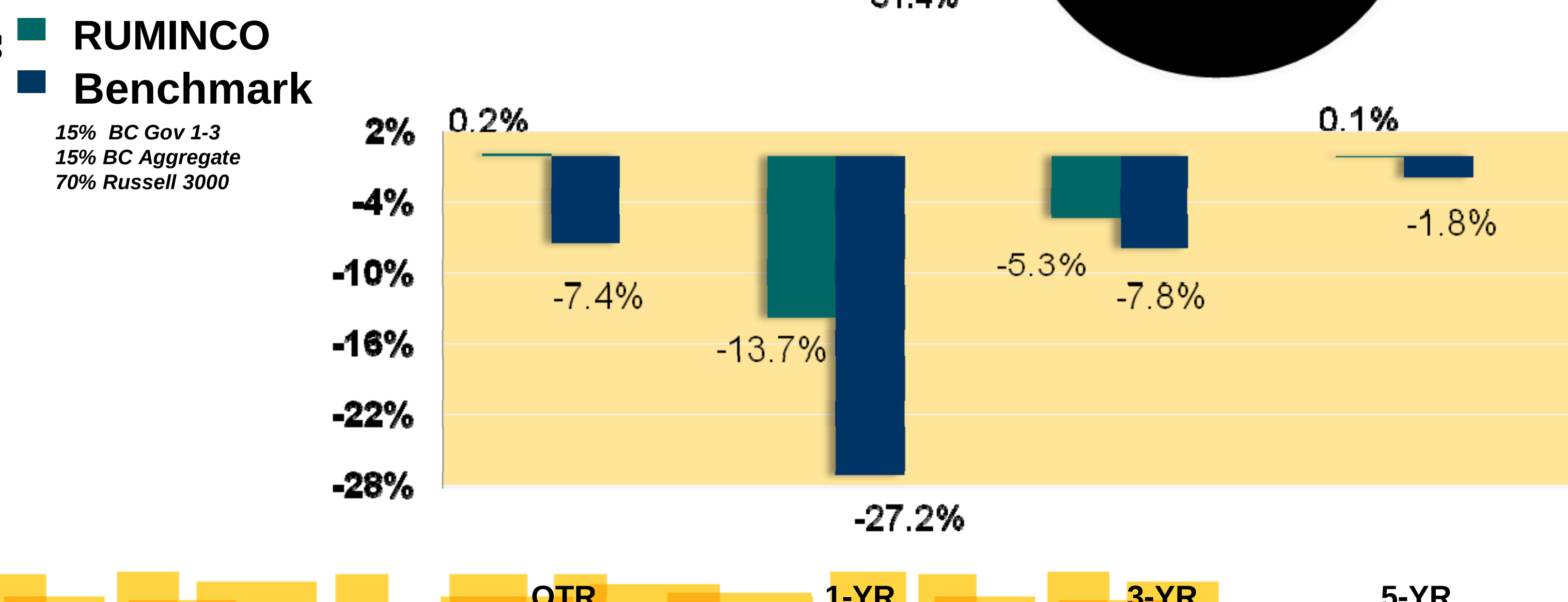




RUMINCO Analysis

Total Assets: $29.5 Million

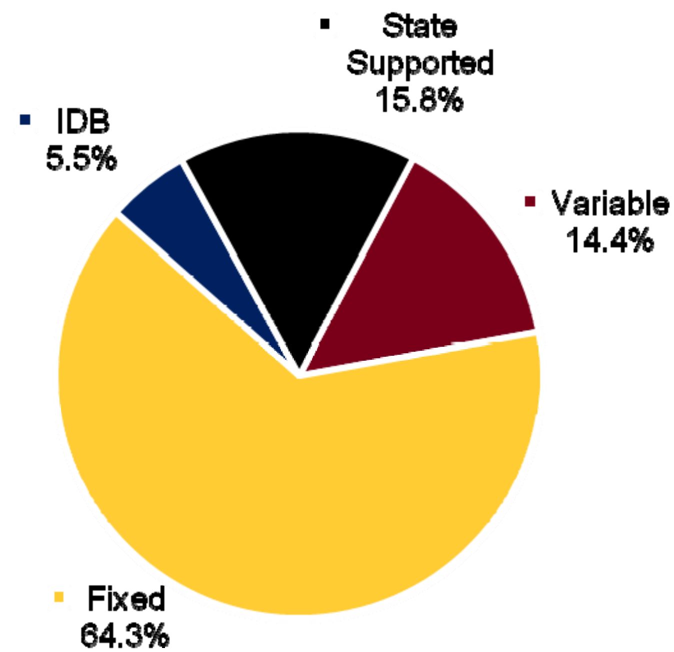




Long Term Debt Analysis

Total Debt: $830.0 Million

Long term Debt	In $ millions	Weighted Average rate
University Issued Fixed Rate Debt	*533.7*	*4.34%*
University Issued Variable Rate Debt	*119.8*	*1.26%*
Total University Issued Debt	**653.5**	**3.78%**
State Issued Infrastructure Development Bonds (IDBs)	*45.7*	*5.06%*
Total University Supported Debt	**699.2**	**3.86%**
State Supported Debt (2006 Revenue Bond)	*130.8*	*3.82%*
Total University Debt	**830.0**	**3.86%**



UNIVERSITY OF MINNESOTA