

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance and Operations Committee

July 8, 2004

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, July 8, 2004, at 2:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Chancellor Samuel Schuman; Vice President Richard Pfutzenreuter; Executive Director Ann Cieslak; Associate Vice Presidents Steve Cawley, Gail Klatt, Stuart Mason, and Michael Volna.

Student Representatives present: Bobak Ha'Eri and Joshua Jacobsen.

IMPLICATIONS OF FEDERAL BUDGET ON HIGHER EDUCATION

Vice President Pfutzenreuter introduced John Engelen, Director of Federal Relations, to present federal budget developments and proposed federal legislation that may have implications for higher education.

Engelen discussed the University's success in competing for federal research funds. He noted that the University receives 95% of Minnesota's federal research dollars, but added that significant new federal research funding is unlikely to become available.

Engelen noted other significant issues facing the University: no growth in student aid funding; visa access for international students and scholars; increased restrictions on laboratory, information, and equipment access due to federally-imposed rules; proposed changes in withholding rules for the Federal Insurance Contributions Act, which would restrict the student exemption to exclude medical residents and graduate students; and growing bipartisan concern regarding rising costs and accountability at universities.

A copy of the presentation is on file in the Board Office.

FINANCIAL SYSTEMS REPLACEMENT PROJECT UPDATE

Vice President Pfutzenreuter introduced Associate Vice Presidents Volna and Cawley to update the committee on the financial systems replacement project as detailed in the docket materials and associated handout.

Volna summarized the goals of the project: to implement a financial system that will satisfy the needs of colleges and departments and support multiple business models; to improve business processes and reduce costs; and to support increased accountability, strong internal controls, and fiscal compliance. Volna

reported that the first phase of the implementation project is proceeding on schedule and that results of several key preliminary projects have been positive.

COMMITTEE WORKPLAN 2004-05: PRELIMINARY DISCUSSION

Vice President Pfutzenreuter presented the draft committee workplan for September 2004-05, as described in the handout on file in the Board Office. The workplan covers four categories: Oversight of Invested Assets, Oversight of Capital Financing and Bonded Indebtedness, Oversight of Financial Management and Budget, and Board of Regents Policy Rewrites. Pfutzenreuter noted that reporting activities are grouped by topic and will continue to be presented to the committee on schedule.

Committee members suggested aligning the committee workplan with priorities identified by the Board in its workplan for the coming year; aligning the workplan with the charge to the committee; and developing ways to streamline the committee's oversight responsibilities while assuring that the Board continues to meet its fiduciary responsibilities in light of current and evolving standards.

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report as detailed in the docket materials and including:

- To Blue Cross and Blue Shield of Minnesota for the fourth year of a five-year contract for a partially self-funded Student Health Benefit Plan with a maximum estimated expenditure of \$7,897,000 for students at the University of Minnesota Twin Cities campus. The contract is for medical expenses incurred during the plan year of August 24, 2004 through August 23, 2005 and claims paid between August 24, 2004 and February 28, 2006.
- To Center for Academic Programs Abroad for an amount not to exceed \$717,750 for study abroad academic credit programs for the Learning Abroad Center during the 2004-05 academic year.
- 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 Telecommunication Services, Inc. for an estimated \$500,000 of contract labor for horizontal wiring services as needed for the period of July 1, 2004 through June 30, 2005 for the Networking and Telecommunications Services Department, a division of the Office of Information Technology.
- To Embryon for \$1,499,805 for the initiation and development of the Multiple Sclerosis Outreach Colloquium in conjunction with the University of Minnesota Office of Continuing Medical Education.
- To The Horizon Group to add \$168,430 to a contract for \$85,615 for a total of \$254,045 to assist in the Request for Proposal and Implementation phases of the Electronic Medical Records system project for Boynton Health Service.

- To Idexx Distribution Corp. for \$687,500 for the purchase of PRRS-XR, Johnes AB and G1 kits as needed for the period July 1, 2004 through June 30, 2005 for the Veterinary Diagnostic Laboratory.
- To Meyer Boswell Books, Inc., for \$350,000 for the purchase of the Clarence Darrow Collection for the Law Library.
- To Nelson Chrysler-Dodge-GM, Inc., Thane Hawkins Polar Chevrolet, and Walden Fleet Group for an estimated \$900,00 for vehicles as needed for the period July 15, 2004 to July 14, 2005 for Fleet Services, a division of University Services.
- To Qiagen, Inc. for \$818,280 for the purchase of OneStep RT-PCR kits, QuantiTect Probe PCR kits, and DNA Blood BioRobot 9604 kits as needed for the period July 1, 2004 through June 30, 2005 for the Veterinary Diagnostic Laboratory.
- To Rigaku/MSU for \$590,000 for High-Throughput X-Ray Data Collection Systems for the Biochemistry, Molecular Biology, and Biophysics Department.
- To US Bank Voyager Fleet for a fuel charge card program to charge an estimated \$1,800,000 in fuel for University vehicles for the period June 1, 2004 to May 31, 2010.

New Investment Managers

The Office of Asset Management (OAM) proposes engaging the following investment managers to invest target allocations of the Consolidated Endowment Fund (CEF). The proposed investments have been reviewed and are recommended by the Investment Advisory Committee and each also has been reviewed with Cambridge Associates. Each recommendation has been developed after thorough review by OAM of the asset class relative to current market conditions, and managers have been selected after interviewing top performing firms identified from recommendations by peer institutions, Cambridge, and others.

- Domestic Equity

Private Capital Management

- \$15 million
- Domestic small/mid cap public equity manager
- Focus on capital preservation
- Benchmark: Russell 2000

- Private Capital

Goldman Sachs Vintage III Fund

- \$10 million commitment
- Secondary private capital focus
- Fund will have both a multi-private equity sector and global geographic focus
- Target return: 20% net IRR to LPs

A motion was made and seconded to recommend approval of the Consent Report.

In response to questions raised regarding the purchase of services from Embryon, Ginny Jacobs, Director, Office of Continuing Medical Education (CME) clarified that the donor pharmaceutical company will have no influence on the content of the program. As standard practice CME does not allow the use of trade names and insists that therapeutic options be presented in a manner that avoids commercial bias.

The committee voted unanimously to recommend approval of the Consent Report.

INFORMATION ITEMS

There were no information items this month.

The meeting adjourned at 3:43 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary