

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance & Operations Committee
May 10, 2007

A meeting of the Finance and Operations Committee of the Board of Regents was held on Thursday, May 10, 2007 at 10:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Clyde Allen, presiding; Anthony Baraga, John Frobenius, Venora Hung, Steven Hunter, and Dean Johnson.

Staff present: Senior Vice President Frank Cerra; Vice Presidents Steve Cawley and Richard Pfitzenreuter; Acting Executive Director Carol Kraus; and Associate Vice Presidents Gail Klatt, Stuart Mason, Beth Nunnally, and Michael Volna.

Student Representatives present: Cassie McMahon and Nathan Wanderman.

**ISSUES RELATED TO: ENTERPRISE FINANCIAL SYSTEM REPLACEMENT
PROJECT UPDATE**

Associate Vice Presidents Volna and Cawley presented an update related to the Enterprise Financial System Replacement Project. Volna noted that the committee received its last project update in December 2006. The presentation included discussion of the technical design and build phases, development of test plans and scripts, and the conversion of financial data from existing systems to the new system. Volna stated the project continues to be on schedule, remains within budget, and is on track for a University wide release in July 2008.

In response to questions from the committee, Cawley noted the Enterprise Financial System interface with the existing Oracle PeopleSoft program has been successful with continuing support from Oracle. Volna observed that the new program provides a broader range of reports than available in the past.

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

ISSUES RELATED TO: BUDGET ALLOCATION MODEL

Vice President Pfitzenreuter and Associate Vice President Nunnally presented issues related to the budget allocation model. Pfitzenreuter described the current strategies and innovations for the budget model implemented in July 2006, including the development of service level agreements for cost pools, analysis of full costing for various centers or external sales opportunities, improved communication of budget allocation decisions, and the development of a more structured process for academic input into support services strategies and goals. Nunnally noted that the Academic Health Center has successfully navigated the paradigm shift in budget allocation and cost shifting and is using the model to prepare their budget forecast.

Regent Frobenius suggested the budget allocation topic return to a future meeting to explore the possibility of extending the model beyond the college to

department and unit levels. Regent Allen added that he would like to have further discussions about the use of the model for financial planning.

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

ISSUES RELATED TO: ANNUAL CAPITAL IMPROVEMENT BUDGET FY 2008

Vice President Pfutzenreuter presented information related to the Annual Capital Improvement Budget FY2008 (Budget). The proposed Budget includes authorized projects totaling \$86.6 million to begin design or construction during FY2008.

Pfutzenreuter explained that the capital planning process is comprised of two components. The first component is the Annual Capital Improvement Budget for the coming fiscal year in which projects with completed predesigns and financing plans are approved to proceed with design and construction. The second component is the Six-Year Capital Improvement Plan that establishes the institution's capital priorities for an additional five years and becomes the basis for continued capital and financial planning. Funding for projects contained in the Six-Year Capital Improvement Plan has not been identified.

Pfutzenreuter reported that approximately 40 percent of the cost of projected projects would be funded through State Capital Appropriations, with 9.9 percent of the total cost supported through University issued debt. He noted that the Annual Capital Improvement Budget for FY2008 would be reviewed by the Board at its May 11, 2007 meeting, and on the agenda for action at its June 8, 2007 meeting.

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

CONSENT REPORT

Vice President Pfutzenreuter presented the Consent Report, as detailed in the docket, including the Purchase of Goods and Services over \$250,000 to:

- To Apache Group for an estimated \$252,119 for can liners (trash bags), to be stocked at the University Stores for use in University departments, for the period from June 1, 2007, through May 31, 2008.
- To Applied Business Communications, Inc., Christensen Utilities, Dell-Comm, Inc., MP Nexlevel, Telcom Construction, Tri Comm, Inc., and Underground Piercing, Inc., for an estimated \$1,700,000 of contract labor for Outside Cable Placement and Inside Infrastructure Construction/Cabling and Termination and \$56,000 for Emergency restoration cabling as needed for the period of July 1, 2007, through June 30, 2008, for the Networking and Telecommunications Services (NTS) department, a division of the Office of Information Technology (OIT).
- To Applied Physics Systems, dba 2G Enterprises, for \$427,950 for a Model 755 Superconducting Rock Magnetometer for the Institute of Rock Magnetism in the Department of Geology and Geophysics.
- To Blue Cross and Blue Shield of Minnesota for the first two-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 at an estimated \$22,711,808 for Boynton Health Service.

- To Blue Cross Blue Shield of Minnesota for the estimated amount of \$4,830,000 for purchase of Medicare supplemental insurance offered to University retirees and dependents through the University of Minnesota Office of Human Resources Employee Benefits for the one year period of January 1, 2008, through December 31, 2008.
- To Delta Dental for an estimated annual amount of \$710,000 for administering a self-funded UPlan dental plan option offered to University employees, retirees, and dependents through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2008, through December 31, 2009.
- To HealthPartners for the estimated amount of \$2,400,000 for purchase of Medicare supplemental insurance offered to University retirees through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2008, through December 31, 2008.
- To HealthPartners for an estimated annual amount of \$250,000 for administering a self-funded UPlan dental plan option offered to University employees, retirees, and dependents through the University of Minnesota Office of Human Resources Employee Benefits for the two-year period of January 1, 2008, through December 31, 2009.
- To Idexx Distribution Corp. for \$870,216 for the purchase of test kits for detecting diseases in Minnesota livestock and poultry as needed for the period July 1, 2007, through June 30, 2008, for the Veterinary Diagnostic Laboratory.
- To KLN Steel Products Company for \$425,707 for the purchase of new room furnishings (beds, loft kits, desks, chest of drawers and wardrobes) for student rooms in Clayton A. Gay Hall, University of Minnesota Morris Campus.
- To Laidlaw Transit for \$42,000,000 for the University of Minnesota Campus Shuttle Bus Service for the period of July 1, 2007, through June 30, 2017, for Parking and Transportation Services.
- To Medica for the estimated amount of \$880,000 for purchase of Medicare supplemental insurance offered to University retirees through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2008, through December 31, 2008.
- To Minnesota Life/ING for purchase of life insurance coverage offered to University employees through the University of Minnesota Office of Human Resources Employee Benefits for the two-year period of January 1, 2008, through December 31, 2009, at the following estimated annual amounts for 2008:

Estimated University paid coverage:	
Basic Life	\$1,890,000
Estimated Employee paid coverage:	
• Additional Employee Life	\$1,400,000
• Spouse/Same-Sex Domestic Partner Life	\$430,000
• Child Life	\$25,000
• Optional Employee AD&D	\$51,000
• Optional Spouse AD&D	\$8,000
Total	\$3,804,000

Rates are within amounts included in the 2007 fringe benefits budget. Vendor was originally selected through a competitive process.

- To Northwest Airlines in the amount of \$323,935 for air charter service for the 2007 football season away games. Games are scheduled from September 15, 2007, to November 10, 2007.
- To Qiagen, Inc. for \$989,400 to renew a contract to purchase OneStep RT-PCR custom kits and QIAamp DNA Blood BioRobot 9604 custom (extraction) kits as needed for the period July 1, 2007, through June 30, 2008, for the Veterinary Diagnostic Laboratory.
- To Siemens Medical Solutions USA, Inc. for \$591,241 for MAGNETOM TIM Upgrade of the 3.0 Tesla magnetic scanner housed in the Center for Magnetic Resonance Research (CMRR).
- To UCare for the estimated amount of \$1,040,000 for purchase of Medicare supplemental insurance offered to University retirees through the University of Minnesota Office of Human Resources Employee Benefits for the one-year period of January 1, 2008, through December 31, 2008.

Approval of New Investment Managers

The Office of Asset Management (OAM) proposes engaging four new investment managers to invest target allocations of Consolidated Endowment Fund. The proposed managers have been reviewed and are recommended by the Investment Advisory Committee.

- REAL ASSET PORTFOLIO: OIL AND GAS

Energy Spectrum Partners V

- \$15 million investment.
- Mid-stream energy fund investments.
- Domestic Focus.
- 20+% net IRR on prior funds.

- REAL ASSET PORTFOLIO: PRIVATE REAL ESTATE

Fidelity Real Estate Growth Fund III

- \$15 million investment.
- Selective niche domestic markets.
- Smaller investment size.
- 15% net IRR on prior funds.

JP Morgan Greater Europe Opportunity Fund

- €12 million (euro) investment.
- Selective niche markets.
- Central and Eastern Europe focus.
- Strong track record on prior investments.

- PRIVATE EQUITY PORTFOLIO: DISTRESSED DEBT

Matlin Patterson Global Partners III

- \$20 million investment.
- Global distressed debt.
- Control oriented distressed.
- 20+% return in prior funds.

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

INFORMATION ITEMS

Vice President Pfutzenreuter referred committee members to the Information Items contained in the docket materials, including:

- Emergency Approvals
- Financial Oversight: Key Indicators

The meeting adjourned at 11:40 a.m.



Carol E. Kraus
Acting Executive Director and
Corporate Secretary