

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance & Operations Committee

Wednesday, July 7, 2010

9:30 a.m. – 10:45 a.m.

600 McNamara Alumni Center, East Committee Room

Board Members

John Frobenius, Chair
Venora Hung, Vice Chair
Clyde Allen
Richard Beeson
Steven Hunter
Patricia Simmons

Student Representatives

Martin Chorzempa
Matt Privratsky

A G E N D A

1. University of Minnesota Identity Theft Prevention Program Resolution - Review/Action - M. Volna (pp. 2-7)
2. Resolution Related to: Issuance of Debt for State-Supported Biomedical Facilities - Review/Action - R. Pfutzenreuter/C. Fleck (pp. 8-13)
3. Issues Related to: University Tax Compliance Activities & Programs - R. Pfutzenreuter/K. Farmer (p. 14)
4. Committee 2010-11 Workplan Discussion - J. Frobenius/R. Pfutzenreuter (p. 15)
5. Consent Report - Review/Action - R. Pfutzenreuter (pp. 16-28)
6. Information Items - R. Pfutzenreuter (p. 29)



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

July 7, 2010

Agenda Item: University of Minnesota Identity Theft Prevention Program Resolution

review review/action action discussion

Presenters: Associate Vice President Michael Volna

Purpose:

policy background/context oversight strategic positioning

To approve the University's Identity Theft Prevention Program, as required by federal law and the Red Flags Rule promulgated by the Federal Trade Commission.

Outline of Key Points/Policy Issues:

There are four elements to the program: Identification of Red Flags, detection of Red Flags, response, and program review. The program calls on each college or major administrative unit to assess the risks of identity theft associated with their activities and to develop procedures appropriate to their organization and the risks identified. A template is provided. The plan provides pertinent background information, definitions, and frequently asked questions. The Controller's Office will coordinate information and training sessions and will provide a repository for the procedures. The program calls for procedures to be reviewed at least annually.

Identity theft prevention programs from other higher education institutions, including the Big Ten and the Minnesota State Colleges and Universities System, were reviewed when preparing the program for the University of Minnesota.

Background Information:

The Fair and Accurate Credit Transactions Act was passed by Congress in 2003. The original date for Red Flags Rule compliance was November 1, 2008. The Federal Trade Commission has since extended the compliance date to December 31, 2010.

President's Recommendation for Action:

The President recommends approval of the resolution.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO IDENTITY THEFT PREVENTION PROGRAM

WHEREAS, the Federal Trade Commission issued a regulation known as the “Red Flags Rule,” 16 C.F.R. Part 681, requiring financial institutions and creditors that hold certain covered accounts to develop and maintain a written identity theft prevention program that detects and responds to red flags for identity theft; and

WHEREAS, the federal regulation requires approval of the initial written program by either the institution’s governing board or an appropriate committee of the board; and

WHEREAS, the University of Minnesota maintains certain accounts that are appropriate subjects of an identity theft prevention program; and

WHEREAS, the Board of Regents has determined that the identity theft prevention program accompanying this resolution and entitled, “University of Minnesota Identity Theft Prevention Program,” is in the best interest of the University of Minnesota and its students, employees, and other community members.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents of the University of Minnesota:

1. Approves the “University of Minnesota Identity Theft Prevention Program”, and
2. Directs that the President or delegate exercise responsibility for overseeing, communicating, administering, and maintaining the identity theft prevention program; for training staff as necessary to effectively implement the program; and for exercising appropriate and effective oversight of any service provider arrangements performing any services for the University relative to covered accounts.

UNIVERSITY OF MINNESOTA

IDENTITY THEFT PREVENTION PROGRAM

INTRODUCTION

The Fair and Accurate Credit Transactions Act (FACTA) of 2003 directed the Federal Trade Commission (FTC) to issue regulations and guidelines regarding the detection, prevention, and mitigation of identity theft. In November 2007, the FTC issued the regulations commonly known as the “Red Flags Rule”. (Certain warning signs or indicators of identity theft are known as “Red Flags”.) In addition, the Red Flags Rule also establishes requirements for requestors of credit reports who note that a consumer’s reported address “substantially differs” with the address noted on the credit report itself.

The regulations apply to financial institutions and creditors, and are effective December 31, 2010. The University must comply with the Red Flags Rule since it engages in activities subject to the regulations such as issuing student loans, extending credit for purchase of goods or services, and requesting consumer credit reports.

SUMMARY OF UNIVERSITY OF MINNESOTA PROGRAM

The following is the University of Minnesota’s official **Identity Theft Prevention Program**. This Program is intended to set the framework for mitigating the risk of identity theft to the University’s students, faculty, staff, and individuals seeking credit for products or services rendered by the University.

There are four main elements to the University’s Identity Theft Prevention Program:

1. Identification of Red Flags,
2. Detection of Red Flags,
3. Response to Red Flags, and
4. Program review.

Each college or major administrative unit should assess the risks of identity theft associated with their day-to-day operations and develop reasonable processes and procedures in each of these four areas. To the extent possible, the department should incorporate existing policies and procedures that control or mitigate the risks identified.

1. IDENTIFICATION OF RED FLAGS

Red Flags are warning signs of possible identity theft. According to the Red Flags Rule, a red flag is a pattern, practice, or specific activity that indicates the possible existence of identity theft.

When developing processes and procedures, the collegiate or administrative unit must incorporate relevant red flags from sources such as:

- The Red Flags Rule which provides twenty-six examples of Red Flags;
- Incidents of identity theft that the college, administrative unit, or University has experienced;
- Methods of identity theft that the college, administrative unit, or University has identified that reflect changes in identity theft risks; and
- Applicable supervisory guidance.

2. DETECTION OF RED FLAGS

The specific controls and processes for detecting red flags may differ across University locations and departments. Each location or department responsible for managing and/or maintaining covered accounts must perform a regular assessment of the relative risk of identity theft and apply controls and processes commensurate with the risk.

Examples of red flag detection controls and processes may include (not a conclusive list):

- Requiring the presentation of government-issued identification documents to verify identity
- Comparing the information provided on an application for credit with information provided by a consumer reporting agency
- Validating information provided by an individual with credible references

The controls and processes for detecting red flags will apply both when opening and modifying covered accounts.

SPECIAL REQUIREMENTS RELATING TO THE USE OF CONSUMER REPORTING AGENCIES FOR EVALUATING INDIVIDUAL CREDITWORTHINESS OR VERIFYING IDENTITY

In certain cases, the University may verify identity and/or evaluate an individual's creditworthiness via consumer reporting agencies (CRAs). This includes the process of obtaining background checks from a CRA. For these circumstances, the University has additional responsibilities pursuant to the Red Flags Rule.

When a unit receives notice from a consumer reporting agency of an address discrepancy for a consumer (i.e., the subject of the background check), the unit must have and follow reasonable procedures to confirm that it has the right report for the right person. Further, the unit must have and follow reasonable procedures to furnish the correct address to the CRA that reported the discrepancy.

METHODS TO FORM A REASONABLE BELIEF OF AN INDIVIDUAL'S IDENTITY

The Red Flags Rule identifies three general methods to enable the University's locations and departments to form a reasonable belief regarding the identity of an individual: a Customer

Identification Program, reliance on the University's or unit's own records to verify identity, or reliance on other third-party sources to verify identity. If such a reasonable belief is not formed as a result of adopting any of these methods, the location or department must consider this a "red flag" and respond accordingly.

3. RESPONDING TO RED FLAGS

The processes and controls for preventing identity theft should be commensurate with the risk of the likelihood of identity theft to students, faculty, staff, or other individuals seeking credit for products or services offered by the University. Aggravating factors that could increase the likelihood of identity theft may vary across University locations and departments that maintain covered accounts. These factors may include size, location, and constituent base of any given University department. The degree with which the University *outsources to third parties* certain services may also be considered an aggravating factor leading to increased identity theft risk.

The Red Flags Rule identifies some examples of appropriate responses to an instance of identity theft:

- Monitor a covered account for evidence of identity theft
- Alert the victim and/or victim's advocate
- Change any passwords, security codes, or other security devices that permit access to a covered account
- Reopen a covered account with a new account number
- Do not open a new covered account
- Close an existing covered account
- Cease attempts to collect on a covered account or avoid selling a covered account to a debt collector
- Notify law enforcement
- Determine that no response is warranted under the particular circumstances

Each University location and department with covered accounts must implement its own process for appropriately responding to actual or suspected cases of identity theft. These processes must, at a minimum, address:

- Mechanism (available to all) for securely reporting actual or suspected identity theft
- Mechanism for discovering cases of identity theft not reported by the victim (or a victim's advocate)
- Mechanism for alerting appropriate authorities regarding a reported case of identity theft
- Mechanism for investigating facts related to an identity theft report (where appropriate)
- Mechanism to maintain the security and confidentiality of identity theft reports
- Mechanism to follow up with victim(s) post incident

4. REVIEWING THE PROGRAM

In an effort to maintain effectiveness, this Program will be reviewed on a regular basis (at least annually). The fluidity of identity theft vulnerabilities, techniques and actors compels the University to regularly review identity theft risks and adjust the Program accordingly.

In cases where a material change occurs, the Program must be reviewed on an ad hoc basis. The Red Flags Rule identifies some examples that may lead to an ad hoc review based upon certain material changes to the University's operations:

- The experiences of the University with identity theft
- Changes in methods of identity theft
- Changes in methods to detect, prevent, and mitigate identity theft
- Changes in the types of accounts that the University offers or maintains
- Changes in the business arrangements of the financial institution or creditor, including mergers, acquisitions, alliances, joint ventures, and service provider arrangements

Each college or major administrative unit will annually assess the risks of identity theft associated with their activities and shall report the results of this assessment to the Controller's Office.

Units with established identity theft prevention processes and procedures shall review their processes and procedures on a regular basis (at least annually), update their processes and procedures as needed, and report all material changes to the Controller's Office.

PROGRAM OVERSIGHT RESPONSIBILITIES

The Controller's Office is responsible for maintaining this overall program. The Controller's Office will:

- arrange for appropriate communication of the program details,
- arrange for appropriate training events,
- provide a template for departments to use in completing their processes and procedures, and
- maintain a record of department's risk assessment and processes and procedures related to this program.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

July 7, 2010

Agenda Item: Resolution Related to: Issuance of Debt for State-Supported Biomedical Facilities

review review/action action discussion

Presenters: Vice President/CFO Richard Pfitzenreuter
Carole Fleck, Director, Debt Management

Purpose:

policy background/context oversight strategic positioning

In accordance with Board of Regents Policy: *Debt Transactions*, the Resolution Related to Issuance of Debt for State-Supported Biomedical Facilities is being presented for action.

Outline of Key Points/Policy Issues:

On the Twin Cities campus, the University is constructing four buildings, collectively referred to as the Biomedical Sciences Research Facilities (the "Facilities"), to be used as research facilities and laboratories for biomedical science and biomedical technology. It is contemplated that the Facilities will benefit the state's economy, advance the biomedical technology industry, benefit human health, and facilitate research collaboration between the University and other private and public institutions in Minnesota.

The University is requesting approval of the attached financing resolution authorizing the issuance and sale of bonds up to an aggregate principal amount of \$100,000,000 to finance a portion of the second and third projects within the Facilities.

Background Information:

On March 10, 2006, the Board of Regents approved the Resolution Related to Minnesota Biomedical Sciences Research Facilities Authority.

The 2008 Minnesota Legislature enacted Sections 137.61 to 137.65 of the Minnesota Statutes, providing that upon the making of certain certifications, the State will transfer to the University up to 75 percent of project costs, not to exceed \$219,000,000 (the "Biomedical Science Research Funding Legislation").

In November 2008, pursuant to the Biomedical Science Research Funding Legislation, the Board authorized the issuance of bonds in one or more series in the total principal amount of up to \$292,000,000.

In November 2009, pursuant to the November 2008 Authorization, the Board authorized the issuance of bonds in one or more series up to an aggregate principal amount of \$53,200,000, with additional series subject to the further approval of the Board. It is contemplated that this indebtedness will be issued this calendar year, as well as the \$100,000,000 currently proposed for authorization.

President's Recommendation for Action:

The President recommends approval of the resolution.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO ISSUANCE OF DEBT FOR STATE-SUPPORTED BIOMEDICAL FACILITIES

WHEREAS, on March 10, 2006, the Board of Regents (Board) of Regents of the University of Minnesota (University) approved a resolution which requested that the Minnesota Legislature provide funding to assist in the construction or renovation of capital facilities and related equipment supporting biomedical sciences research (Facilities);

WHEREAS, the 2008 Minnesota State Legislature enacted Sections 137.61 to 137.65 of the Minnesota Statutes (Biomedical Science Research Funding Legislation), which provides that, on the condition that certain required certifications are made by the Board and the Commissioner of Finance, the State will transfer to the University up to 75 percent of the project costs for each of four projects approved by the Board, provided that the principal amount of bonds issued by the University to pay the state's share of the costs must not exceed \$219,000,000 (State Funding);

WHEREAS, Section 137.63, Subd. 2 of the Biomedical Science Research Funding Legislation requires that (i) the University, either acting on its own or in collaboration with another private or public entity, must pay at least 25 per cent of the project costs for each of the projects funded by the Biomedical Science Research Funding Legislation and (ii) the Board must not use tuition revenue to do so;

WHEREAS, Section 137.64, Subd. 1 of the Biomedical Science Research Funding Legislation provides that for each project approved by the Board, (i) the Commissioner of Management and Budget of the State of Minnesota (Commissioner) must certify that the Board has, by Board resolution, approved the maximum project cost and complied with the requirements of Section 137.63, Subd. 2; and (ii) the Board must certify to the Commissioner the amount of the annual payments of principal and interest required to service the bonds issued to fund such project and the actual amount of the

State's annual payment to the University under Section 137.64, Subd. 2 of the Biomedical Science Research Funding Legislation; and

WHEREAS, in November, 2008, pursuant to the Biomedical Science Research Funding Legislation, the Board authorized the issuance of Bonds in one or more series in the total principal amount of up to \$292,000,000 (November 2008 Authorization), provided that authorization for each series is subject to the conditions that it has been or will be certified by the Board in compliance with Secs. 137.63, Subd. 2 and 137.64, Subd. 1 of the Biomedical Science Research Funding Legislation;

WHEREAS, in November, 2009, pursuant to the November 2008 Authorization, the Board authorized the issuance of Bonds in one or more series up to an aggregate principal amount of \$53,200,000;

WHEREAS, it is now proposed that the University proceed, pursuant to the November 2008 Authorization, with an additional issuance and sale of Bonds up to an aggregate principal amount of \$100,000,000 (a total of \$153,200,000 to date).

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

1. As additional Bonds to be issued pursuant to the November 2008 Authorization, the Treasurer is authorized to approve the terms of one or more series of bonds up to a maximum project cost and an aggregate principal amount of \$100,000,000, including but not limited to the principal amount thereof, the maturity date or dates thereof, the interest rate or rates thereon, and the provisions, if any, with respect to the redemption of such Bonds prior to the stated maturity thereof, provided that if the interest rate on any series of Bonds shall be a fixed rate as provided in the Indenture of Trust or Order pursuant to which it is issued, the interest rate on any Bonds of such series may not exceed 8.00% per annum, and in no event shall any Bond mature later than 25 years following its date of issuance. The University, either acting on its own or in collaboration with another private or public entity, shall pay at least 25 per cent of the maximum project cost. The University shall not use tuition revenue to pay such costs.

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

3. In connection with the issuance of any series of Bonds, 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 Bonds are 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 Bonds 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 Bonds may be by facsimile.

4. The President and Treasurer are authorized to execute and deliver a purchase agreement with the initial purchaser or purchasers of any series of Bonds in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and General Counsel.

5. In addition, the Treasurer is further authorized to negotiate with one or more commercial banks, insurers or other credit support providers the terms and conditions of any credit support for any series of Bonds, 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. 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.

6. The Treasurer is authorized to approve the Preliminary Official Statement and the final Official Statement or any supplements or amendments thereto to be prepared and distributed by the University to any purchaser or potential purchaser of a series of Bonds, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto.

7. 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 Bonds. The Treasurer is authorized and directed to take all action that may be necessary or appropriate to inform the Commissioner of the directives stated in the first paragraph of this resolution and thereby enable the Commissioner to make the certification required by Section 137.64, Subd. 1, for this project.

8. As soon as practicable after the Bonds to be issued under this resolution have been sold and the underwriter for such Bonds has reported to the University the necessary information, the Treasurer is authorized and directed to certify to the Commissioner, on behalf of the Board, the amount of the annual payments of principal and interest required to service such Bonds and the actual amount of the State's annual payment to the University under Section 137.64, Subd. 2 with respect to such Bonds.

9. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Bonds 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 Bonds 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.

10. 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, final Official Statement, purchase agreement with the initial purchaser or purchasers of any series of Bonds or any other document to be executed by the President or Treasurer in connection with the Bonds 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

July 7, 2010

Agenda Item: Issues Related to: University Tax Compliance Activities & Programs

review review/action action discussion

Presenters: Vice President/CFO Richard Pfutzenreuter
Kelly D. Farmer, Director, University Tax Management Office

Purpose:

policy background/context oversight strategic positioning

Provide an update of general tax issues faced by colleges and universities as evidenced by Internal Revenue Service compliance initiatives.

Outline of Key Points/Policy Issues:

Colleges and universities have been the focus of some recent compliance initiatives by the Internal Revenue Service. These initiatives include (a) a comprehensive compliance questionnaire; (b) audits of colleges and universities selected from respondents to the compliance questionnaire; and (c) tax-exempt bond compliance checks.

The purpose of the discussion will be to apprise the Board of the tax issues that these initiatives are intended to address.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

July 7, 2010

Agenda Item: Committee 2010-11 Workplan Discussion

review review/action action discussion

Presenters: Regent John Frobenius
Vice President/CFO Richard Pfutzenreuter

Purpose:

policy background/context oversight strategic positioning

To discuss issues and priorities for inclusion in the 2010-11 Finance and Operations Committee Workplan.

Outline of Key Points/Policy Issues:

The 2010-11 Finance and Operations Committee Workplan is a summary of agenda items scheduled to be presented to the Finance and Operations Committee in September. The purpose of the discussion at the July 2010 Finance and Operations Committee meeting is to obtain topics of interest from committee members so that these interests and priorities can be appropriately scheduled into committee meetings for the 12-month period of September 2010 through July 2011.

Background Information:

The annual Finance and Operations Committee Workplan is discussed in the early part of each fiscal year for the upcoming 12-month period.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

July 7, 2010

Agenda Item: Consent Report

review review/action action discussion

Presenters: Vice President/CFO Richard Pfitzenreuter

Purpose:

policy background/context oversight strategic positioning

General Contingency

To seek approval for allocations from General Contingency greater than \$250,000.

Purchase of Goods and Services with a Value Greater than \$1,000,000

To seek approval for purchases of goods and services with a value greater than \$1,000,000.

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 with a Value Greater than \$1,000,000

- To Adecco Staffing for an estimated \$2,000,000 for administration of a temporary clerical work force management program for the period of July 1, 2010 through June 30, 2011 for the Office of Human Resources. The funding for this comes from the departments using those services. Vendor was selected through a competitive process.
- To Arthur J Gallagher Risk Management Services, Inc. for an estimated amount of \$351,000 for the period July 1, 2010 through June 30, 2012 to perform various insurance related activities for the University. This contract is funded through the Office of Risk Management and Insurance. Vendor was selected through a competitive process.
- To AudienceView Ticketing Corporation for \$2,050,000 for software, hosting and support of University ticketing system as needed for the period of August 31, 2010 through August 31, 2015 for all ticketing services for the University of Minnesota. The new agreement with AudienceView will be purchased by two separate business units, Athletics

and Non-athletics (Northrop and other units on campus). Athletics will fund 83% of the purchase through the annual athletics ticketing revenue stream of approximately \$20 million. Non-athletics will fund the remaining 17% of the purchase. See enclosed documentation regarding basis for vendor selection.

- To Blue Cross and Blue Shield of Minnesota for an estimated \$15,233,263 for a partially self-funded Student Health Benefit Plan for Twin Cities, Duluth, Crookston, Morris and Rochester students for Boynton Health Service. The program has adequate reserves to meet all obligations for the next two years of 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. Vendor was selected through a competitive process.
- To Midwestern Higher Education Compact for an estimated amount of \$2,711,000 for the period July 1, 2010 through June 30, 2011 to purchase property insurance for the University. This contract is funded through the Office of Risk Management and Insurance. Vendor was selected through a competitive process.
- To Ortega y Gasset Foundation (Spain); University Paul-Valery (Montpellier, France); CAPA (Florence, Sydney & London); VENUSA & EntreAmericas Learn and Travel (Venezuela); Jose Suarez & Dolores Lopez (MSID Ecuador); Fundacion Ortega y Gasset, Argentina (Buenos Aires, Argentina); Mohamud Jama (MSID Kenya); Ousmane Sene (MSID Senegal) and others to provide services to support overseas study abroad programs for FY 2010-11 for an estimated total of \$12,000,000. Costs for students participating on study abroad programs are based on a per student fee, which is very similar in most cases to the costs students would incur if they were paying tuition, fees, and room and board to attend classes on a University of Minnesota campus. The program fees cover the costs of the academic program and the administrative costs for the Learning Abroad Center. See attached documentation regarding basis for vendor selection.
- To Vistec Lithography Company for \$1,950,290 for a Model 5000+ Electron Beam Lithography System to be used for an indefinite period beginning November 1, 2010 for the Nanofabrication Center. The bulk of the funds for this purchase are provided through a Major Research Instrumentation Award from the National Science Foundation. The mandatory 30% match is provided jointly by the Vice President for Research, the Dean of the Institute of Technology, and the Center for Nanostructure Applications. See attached documentation regarding basis for vendor selection.

Background Information:

Approvals are sought in compliance with Board of Regents policy as follows:

- General Contingency: Reservation and Delegation of Authority, Sec. VII, Subd. 1.
- Purchase of Goods and Services with a Value Greater than \$1,000,000: Reservation and Delegation of Authority, Sec. VII, Subd. 6

President's Recommendation for Action:

The President recommends approval of the Consent Report.

General Contingency

2009-10 General Contingency:

Recipient	Allocation	Balance	Purpose
FY2010 General Contingency		\$1,000,000	
Carryforward from FY2009 into FY2010	729,523	1,729,523	
1 Vice President for Public Safety	100,000	1,629,523	Enhanced police enforcement for major University events
2 Chancellor University of Minnesota Crookston	100,000	1,529,523	Director of Assessment position, year 1 of 3.
3 Assoc. V.P. for Capital Planning and Project Management	90,000	1,439,523	Replacement of boiler in Eastcliff
4 Vice President for University Relations	131,000	1,308,523	TCF Bank Stadium suite - three year budget
* 5 Office of the President	250,000	1,058,523	Presidential Search and Transition
6 Executive Director, Board of Regents	61,000	997,523	New Deputy Director
* 7 General Counsel	858,162	139,361	Outside Legal Fees and Other Transactional Expenses
8 Vice Provost for Student Affairs	100,000	39,361	Architectural & Engineering Predesign of Greek Housing
9			
10 New items this reporting period:			
11			
12	(4,932)	44,293	Return unused funds from Eastcliff mechanical project
13	(73,100)	117,393	Unused funds from Veterans Tribute at TCF Bank Stadium
14			
15 Balance as of June 30, 2010		\$117,393	
16			
17			
18			
19			
20			
21			
22			

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

Purchase of Goods and Services over \$1,000,000

To Adecco Staffing for an estimated \$2,000,000 for administration of a temporary clerical work force management program for the period of July 1, 2010 through June 30, 2011 for the Office of Human Resources.

Adecco provides a temporary work force for the University of Minnesota departments on the Twin Cities campuses.

The Office of Human Resources recommends renewal of Adecco to continue administration of this program with the following pay rates for temporary workers based on market information for the 11 classifications:

<u>Classification</u>	<u>Pay Rate</u>
<i>Office Support Assistant</i>	<i>\$12.61/hour</i>
<i>Principal Office and Administrative Specialist</i>	<i>\$12.90/hour-\$17.02/hour</i>
<i>Executive Office and Administrative Specialist</i>	<i>\$13.60/hour- \$17.94/hour</i>
<i>Principal Accounts Specialist</i>	<i>\$12.90/hour - \$17.02/hour</i>
<i>Executive Accounts Specialist</i>	<i>\$13.60/hour - \$17.94/hour</i>
<i>Principal Operations/Student Services Specialist</i>	<i>\$12.66/hour</i>
<i>Executive Operations/Student Services Specialist</i>	<i>\$13.60/hour</i>
<i>Program/Project Specialist</i>	<i>\$14.55/hour</i>
<i>Accountant</i>	<i>\$13.40/hour - \$23.77/hour</i>
<i>Office Supervisor</i>	<i>\$13.89/hour - \$19.53/hour</i>
<i>Office Manager</i>	<i>\$13.89/hour - \$24.75/hour</i>

An RFP was issued in 2006 and Adecco was chosen. Adecco continues to provide an excellent level of service. This is the fourth and final one year renewal.

The estimated annual expense for temporary clerical services is \$2,000,000. The funding for this comes from the departments using these services.

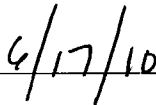
Submitted by:

Joe Kelly
Office of Human Resources
140 Morrill Hall
100 Church St SE
Minneapolis, MN 55455

Approval of this item is requested by:



VP or Exec. VP Signature



Date

Purchase of Goods and Services over \$1,000,000

To Arthur J Gallagher Risk Management Services, Inc. (AJG) for an estimated amount of \$351,000 for the period July 1, 2010 through June 30, 2012 to perform various insurance related services for the University.

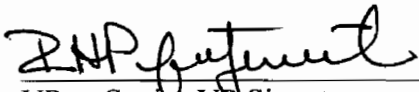
The Office of Risk Management and Insurance utilizes the services of an external firm in the administration of the University's risk management and insurance program. These services include insurance brokerage and placement, captive insurance administration, and risk management consulting and advisory services.

Through a Request for Proposal selection process conducted in 2007, AJG was selected because it exhibited the best understanding of the scope of services required, and provided a comprehensive and well-defined work plan for successfully delivering the services requested. AJG also provided the lowest cost proposal of all the respondents. The original contract was for a term of three years, with an option for an additional two years. The University has decided exercise the option to extend the contract for two additional one-year terms. This extension will increase the total value of the contract to \$1,137,350

This purchase is funded through the Office of Risk Management and Insurance.

Submitted by: Steven Paul Pardoe, Director,
Office of Risk Management and Insurance
Office of the Controller
207 West Bank Office Building
Phone: 612-625-0062

Approval for this item requested by:



VP or Senior VP Signature

6/24/10
Date

Purchase of Goods and Services over \$1,000,000

To AudienceView Ticketing Corporation for \$2,050,000 for software, hosting and support of University ticketing system as needed for the period of August 31, 2010 through August 31, 2015 for all ticketing services for the University of Minnesota.

Due to the need for more autonomy, greater cost containment and the reduction of University risk as it relates to Payment Card Industry (PCI) compliance, the new hosting agreement with AudienceView is a necessity.

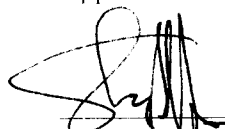
The major piece of this expanded contract involves the University changing from a ticketing platform hosted by the University OIT department to a new model that is hosted directly by AudienceView. In addition to being a better financial deal for the business units, the University's PCI compliance risk is negated by having AudienceView host the ticketing platform.

The University of Minnesota has invested four years of effort into the start-up, custom software development, integration, hardware, reporting, financial auditing and digital ticketing technology with AudienceView. The costs associated with switching to a new ticketing provider would be prohibitive.

The new agreement with AudienceView will be purchased by two separate business units, Athletics and Non-athletics (Northrop and other units on campus). Athletics will fund 83% of the purchase through the annual athletics ticketing revenue stream of \$20M. Non-athletics will fund the remaining 17% of the purchase.

Submitted by: Steven Rosenstone, VP Cultural and Scholarly Affairs
Suite 109 NMA, 0251
84 Church Street
Mpls. Campus
Phone: (612) 625-7651
Fax: (612)


Approval for this item is requested by:



Steve Rosenstone, VP Cultural and Scholarly Affairs

6/23/10

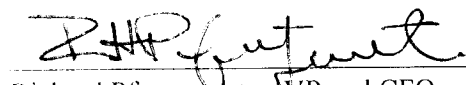
Date



Kathy Brown, VP and Chief of Staff

6/23/10

Date



Richard Pfutzenreuter, VP and CFO

6/23/10

Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because this is an extension and expansion of an existing relationship with AudienceView, our ticketing provider. The University of Minnesota has invested four years of effort into the start-up, custom software development, integration, hardware, reporting, and digital ticketing technology with AudienceView. The AudienceView product and service have performed well over the past four years. To start the process over with a new ticketing vendor, we would need to dedicate significant incremental resources to get to the same level of service and support we currently have with AudienceView.

The major piece of this expanded contract involves the University changing from a ticketing platform hosted by the University OIT department to a new model that is hosted directly by AudienceView. In addition to being a better financial deal for the business units, the University's PCI compliance risk is reduced by having AudienceView host the ticketing platform.

Procedures undertaken to ensure reasonableness of price included:

1. There has been an extensive cost analysis that compares what we currently spend on hosting the ticketing platform internally through OIT vs. hosting the platform directly with AudienceView. The costs of having AudienceView host the ticketing platform will be approximately \$100,000 less annually than it would be to host through OIT.
2. The start-up, integration and development costs associated with a new ticketing vendor would be significant a minimum of \$300,000 to \$500,000.

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 \$1,000,000

To Blue Cross and Blue Shield of Minnesota for an estimated \$15,233,263 for a partially self funded Student Health Benefit Plan (SHBP) for Twin Cities, Duluth, Crookston and Morris and Rochester Students for Boynton Health Service.

This estimate is based on a projection of 9,800 covered students, their spouses/domestic partners, and children as covered dependents. This contract is for medical plan expenses incurred from August 23, 2010, through August 31, 2011 and claims paid from August 24, 2010 through August 31, 2012. This is for the fourth year contract period of a six-year award.

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. After evaluating proposals from five different managed care/insurance organizations, the committee voted to award the new contract to the incumbent carrier, Blue Cross and Blue Shield of Minnesota.

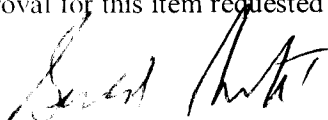
The 2010 renewal quote from Blue Cross and Blue Shield of Minnesota (BCBSMN) came with a projected increase in the cost of claims of 6.7%, a 3% increase in their administration services and no increase in the cost of stop loss coverage for the upcoming year.

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, with an offset of a growth of enrollment due to the increase of international students, we are able to limit the overall increase in the cost of coverage to students for the 2010-2011 academic year to 2%. The average monthly rate for the basic Student health Benefit Plan (SHBP) will increase \$3.00 from \$152.00 to \$155.00.

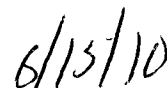
The program has adequate reserves to meet all obligations for the next two years of partial self-funding and provide the same level of coverage to students for the upcoming year. The cost of the plan is borne entirely by students purchasing the plan.

Submitted by: Edward P. Ehlinger, MD, MSPH
Director and Chief Health Officer
Boynton Health Service; W334
Phone: 612-625-1612
Fax: 612-625-1434

Approval for this item requested by:



Gerald Rinehart, Vice Provost, Office of Student Affairs



Date

Purchase of Goods and Services over \$1,000,000

To Midwestern Higher Education Compact (MHEC) for an estimated amount of \$2,711,000 for the period July 01, 2010 through June 30, 2011 to purchase property insurance for the University.

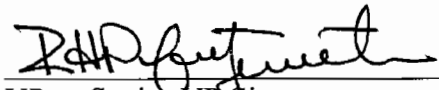
The Office of Risk Management and Insurance transfers the majority of financial risk associated with University property loss exposures to external insurance companies through the MHEC Master Property Insurance program.

For FY 2010-11, the Office of Risk Management and Insurance conducted a parallel Request for Proposal process, to compare and validate the service, coverage, and cost-effectiveness of the insurance offered by MHEC. Through that RFP process, The Office of Risk Management confirmed that MHEC continues to exhibit the best understanding of the scope of services required and provides a comprehensive and well-defined work plan for successfully delivering the services requested. For FY 2010-11, MHEC also provided the lowest cost proposal as compared to the pricing received through the parallel RFP process.

This contract is funded through the Office of Risk Management and Insurance.

Submitted by: Steven Paul Pardoe, Director,
Office of Risk Management and Insurance
Office of the Controller
207 West Bank Office Building
Phone: 612-625-0062

Approval of this item is requested by:



VP or Senior VP Signature

6/24/10

Date

Purchase of Goods and Services \$1 million and Over

To Ortega y Gasset Foundation (Spain); University Paul-Valery (Montpellier, France); CAPA (Florence, Sydney & London); VENUSA & EntreAmericas Learn and Travel (Venezuela); Jose Suarez & Dolores Lopez (MSID Ecuador); Fundacion Ortega y Gasset, Argentina (Buenos Aires, Argentina); Mohamud Jama (MSID Kenya); Ousmane Sene (MSID Senegal) and others to provide services to support overseas study abroad programs for FY 2010 - 11 for an estimated total of \$12,000,000.

The Learning Abroad Center at the University of Minnesota is one of the largest education abroad offices in the US and currently sends over 2500 students abroad annually, currently the 3rd highest number overall in the US. The LAC offers over 60 sponsored programs and 250 co-sponsored programs, including university partners around the world, language programs, internships, field research, and short-term faculty-led programs. U of M students have hundreds of options to choose from for resident credit and can use all U of M aid and scholarships. The office and University is internationally recognized for its Curriculum Integration initiative <http://umabroad.umn.edu/ci/index.html> and successes in sending students from underrepresented disciplines abroad and for study abroad in general. The Learning Abroad Center is anticipating increased enrollments each year due to the University of Minnesota's initiative to have 50% of students participating in a study abroad experience during their academic career. As a result of the study abroad initiatives, there is a need for additional contracted services from existing and new providers each year.

Contracts with the above international providers and others are for study abroad programs for Fiscal Year 2010-11 for all students going through the Learning Abroad Center. At this time, projected enrollments for providing study abroad academic credit programs around the world indicate that the total of all contracts with international providers for FY 2010-11 will not exceed \$12 million. Some of the program options include Study Abroad in Montpellier, France, MSID (Minnesota Studies in International Development) in Kenya, Senegal, Ecuador and India, as well as some short-term faculty led global seminars including Selling Dubai: An Emirate Emerges from the Sand and Sea and The Wonders of Water in Renaissance Italy.


The Learning Abroad Center contracts with international providers in order to provide services to support overseas study programs. Services include, but are not limited to the following:

- Student services – pre-departure and on-site orientation, airport transfers, room and board arrangements including home-stays, health and safety management, and in-country travel and liability insurance.
- Academic program and facilities – enrollment requirements, academic program design, delivery and procedures, course content, tutorial sessions, faculty hiring and support, transportation for course related travel, program evaluations, and administration and course assessment.

Costs for students participating on study abroad programs are based on a per student fee which is very similar in most cases to the costs students would incur if they were paying tuition, fees, and room and board to attend classes on the U of M campus. The program fees cover the costs of the academic program and the administrative costs for the Learning Abroad Center.

Submitted by: Martha Johnson, Director
Learning Abroad Center
Office of International Programs
645 Heller Hall
Minneapolis Campus
Phone: 612-626-0984
Fax: 612-626-8009

Approval for this item requested by:



Senior Vice President

6/15/2010

Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because a comprehensive and diligent process to select external administrators is used by the Learning Abroad Center (LAC).

External administrators, third parties who work with the LAC's directors to design and customize programs in particular cities for the University of Minnesota, are researched, and selected based on (1) their familiarity with and contacts in a particular city, (2) student and LAC's assessments of the external program administrator's past performance, (3) demonstrated ability to provide for the housing, health and safety of participants, and (4) references from other Universities. The continued success of the program depends on the administrator's ability to provide a safe, productive and memorable student experience in the particular country or city. The risk of vendor non-performance in this area is a risk to the program and a risk to the students. LAC's selection process is the optimal process to assure that the University's interests are protected for this type of purchase.

Costs for students participating on study abroad programs are based on a per student fee which is very similar in most cases to the costs students would incur if they were paying tuition, fees, and room and board to attend classes on the U of M campus. The program fees cover the costs of the academic program and the administrative costs for the Learning Abroad Center.

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 \$1,000,000

To Vistec Lithography Company for \$1,950,290 for Model 5000+ Electron Beam Lithography System to be used for an indefinite period beginning November 1, 2010 for the Nanofabrication Center.


The Nanofabrication Center is an Independent Service Organization within the University that supports the fabrication of micro and nano structures by hundreds of users, primarily faculty and graduate students. The current system in NFC is limited to feature sizes of 50 nanometers or larger. The proposed system will allow 8 nanometer features. The ability to fabricate much smaller features makes our users much more competitive for discovering new science, developing new technologies, and in bidding on competitive research grants.

A faculty committee was established to evaluate the three primary vendors of this type of equipment. The selected company had the best performance system and an excellent reputation with current users. The company has a new system on its factory floor that was declined by the original purchaser just prior to shipping. As a result, they were able to offer us this system at a 35% discount over the list price.

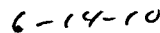
The bulk of the funds for this purchase are provided through a Major Research Instrumentation Award from the National Science Foundation. The mandatory 30% match is provided jointly by the Vice President for Research, the Dean of the Institute of Technology, and the Center for Nanostructure Applications.

Submitted by: Stephen Campbell, Nanofabrication Center Director
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Mpls Campus
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Fax: (612) 625-4583

Approval for this item requested by:



VP or Exec. VP Signature



Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because Vistec has offered a close-out unit to the University at an exceptional discount. Vistec is upgrading their system from handling substrate sizes of up to 150 mm, to being able to handle sizes up to 200 mm. The last remaining 150 mm system, called the EBP5000ES plus, was originally ordered by another customer, but that customer cancelled the order prior to system ship. Therefore, Vistec was able to offer the large discount on this one machine.

Procedures undertaken to ensure reasonableness of price included an evaluation by Stephen Campbell (Professor, ECE), Paul Crowell (Professor, Physics) and Steve Koester (Professor ECE), who examined the offered system and compared it with bids from two competitors. All three companies came to the University and presented their systems. Because of the Vistec discount the University was able to obtain a much more capable system than the competition at a lower price.

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



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

July 7, 2010

Agenda Item: Information Items

review review/action action discussion

Presenters: Vice President/CFO Richard Pfitzenreuter

Purpose:

policy background/context oversight strategic positioning

There are no information items for presentation this month.