

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance & Operations Committee

Wednesday, July 11, 2012

10:30 - 11:30 a.m.

600 McNamara Alumni Center, West Committee Room

Board Members

John Frobenius, Chair
Venora Hung, Vice Chair
Clyde Allen
Richard Beeson
Laura Brod
Thomas Devine

Student Representatives

A G E N D A

1. Resolution Related to: Enterprise Systems Upgrade Project - Review/Action - T. Mulcahy/S. Studham/A. Hill (pp. 2-4)
2. Consent Report - Review/Action - R. Pfutzenreuter (pp. 5-11)



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

July 11, 2012

Agenda Item: Resolution Related to: Enterprise Systems Upgrade Project

review review/action action discussion

Presenters: Vice President Timothy Mulcahy
Vice President & CIO Scott Studham
Andrew Hill, Program Director, Enterprise Systems Upgrade Project

Purpose:

policy background/context oversight strategic positioning

To provide an overview of the Enterprise Systems Upgrade Project, including history, rationale, vision, governance, and approve a total project budget of \$83,500,000.

Outline of Key Points/Policy Issues:

This presentation will update the Finance and Operations Committee on the continuation of the Enterprise Systems Upgrade (PeopleSoft ERP) project, including work during the next several years to upgrade student, financial, and HR systems and to reexamine and reform relevant business processes as the foundation for capabilities and enhancements needed in the future.

The Enterprise Systems Upgrade (PeopleSoft ERP) project budget is \$83,500,000. The project timeline spans July 2012 through July 2016 and includes the following components:

Project Administration	\$ 4,130,000
Hardware	\$ 8,320,000
Software	\$ 4,170,000
Implementation Partner	\$ 29,400,000
University Staffing/Backfill	<u>\$ 37,480,000</u>
Grand Total	\$ 83,500,000

In December 1997, the Board of Regents approved the original financing plan for enterprise systems projects which also included the establishment of a 0.7% assessment of total salaries in selected fund classes in all academic and administrative units. The assessment was established as a permanent systematic method of assessing units for the purpose of paying for

the development, implementation, maintenance and replacement of institutional business systems. The rate of assessment was increased to 1.25% in FY 2000. The assessment has paid for the original human resource and student system replacements initiated in 1997 and the most recent finance system replacement along with periodic recurring budget needs relating to institutional enterprise systems requirements.

Enterprise business systems are a key to the University's plan to improve quality and to deliver services efficiently. The enterprise assessment was created to recognize that all units should share in providing the resources to meet institutional business system needs and budgetary responsibilities. Salaries were chosen as the appropriate assessment base because a portion of the assessment was being used to pay for the human resources/payroll enterprise systems and it was believed to be the most appropriate way to ensure a fair distribution of costs.

The enterprise assessment financing strategy will also be used to support the expenditures needed for the upcoming enterprise systems upgrade project. The administration will discuss options to financing the current enterprise systems upgrade project and also discuss long term financial requirements for enterprise systems projects.

Background Information:

The purpose of the Enterprise Systems Upgrade project is to continue to contribute to the University's goal of establishing itself as a leading institution by providing an enterprise solution, backed by processes, systems and methodologies across administrative functions, that:

- keeps information appropriately kept at an enterprise level;
- provides accurate, timely, and comprehensive access to that information;
- supports risk management;
- simplifies, streamlines and integrates business processes;
- reduces implementation, modification and support costs by using the packaged solution, as much as possible, out-of-the-box or "vanilla";
- increases value to the University through increased functionality, enhancements and user friendliness; and
- is flexible, adaptable, intuitive and reliable.

President's Recommendation for Action:

The President recommends approval of the resolution.



REGENTS OF THE UNIVERSITY OF MINNESOTA
RESOLUTION RELATED TO
ENTERPRISE SYSTEMS UPGRADE PROJECT

WHEREAS, the purpose of the Enterprise Systems Upgrade Project is to continue to contribute to the University's goal of establishing itself as a leading higher education institution by providing best in class enterprise business systems; and

WHEREAS, vendor support for the University's current enterprise application software officially ends in December 2012 and can be extended to at least December 2014; and

WHEREAS, the Enterprise Systems Upgrade Project will include replacement of the University's current student and human resource systems, require significant system integration activities between enterprise systems, and upgrades to the existing enterprise financial system; and

WHEREAS, the objective of the Enterprise Systems Upgrade Project is to improve overall administrative business processes, utilizing the latest PeopleSoft application architecture, re-evaluating previous implementation decisions with a focus on reducing the number of unsupported modifications, and to add value through increased system functionality and user friendliness; and

WHEREAS, the University recently completed a project planning phase to help scope the implementation phase and to provide high level documentation outlining opportunities for business process redesign.

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents hereby approves a multi-year enterprise upgrade project budget in an amount not to exceed \$83,500,000 through June 30, 2016 and directs the administration to provide, not less than annually, an update and status report to the Finance & Operations Committee of the Board of Regents. The report must include: 1) an analysis of budget to actual expenditures, 2) progress and milestones toward accomplishing improvements in overall administrative business processes and associated expenses and 3) accomplishments to date to provide increased functionality to end-users.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

July 11, 2012

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

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

To seek approval for purchases of goods and services of \$1,000,000 and over.

Outline of Key Points/Policy Issues:

General Contingency

An expenditure of \$285,763 for the Eastcliff Roof Replacement Project.

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

- To BlueCross and BlueShield of Minnesota for an estimated \$17,466,500 for a partially self-funded Student Health Benefit Plan (SHBP) for Twin Cities, Duluth, Crookston, Morris and Rochester students for Boynton Health Services. The program has adequate reserves to meet all obligations for the next two years of partially 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 CedarCrestone, an Oracle Platinum Partner, along with its subcontractor, CIBER, Inc., for up to an estimated \$29,400,000 to assist with the upgrade of enterprise-wide PeopleSoft systems for the period July 15, 2012, through December 31, 2014, for the University of Minnesota. University O&M resources, provided through the Enterprise Assessment, will fund this project. Vendor was selected through a competitive process.

- To Dodge of Burnsville, Saxon Fleet Services, and Thane Hawkins Polar Chevrolet Inc., for an estimated \$12,500,000 for vehicles for the central motor pool as needed for Fleet Services, a division of Parking & Transportation. The initial period of the contract is for August 1, 2012, through July 31, 2015, with an option to renew the contract for one additional two-year term. The initial contract estimate would be \$7,500,000 and the renewal term estimate would total \$5,000,000. Rented or leased vehicles in the central motor pool are funded by charging departments a monthly or daily fee. Any vehicle purchased on behalf of a department is funded by the department at the time of purchase. Vendors were selected through a competitive process.
- To SHPS for the estimated amount of \$1,300,000 for administration of health care and dependent care flexible spending accounts for the six-year period of January 1, 2013, through December 31, 2018, through the University of Minnesota Office of Human Resources Employee Benefits. The administrative fees are funded on an annual basis through the fringe pool. Vendor was selected through a competitive process.

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 \$1,000,000 and Over: Reservation and Delegation of Authority, Sec.VII, Subd. 6
- Commercial Transactions or Other Matters Subject to Board Approval: Reservation and Delegation of Authority, Sec. 1, Subd. 5.
- Approval of Underwriter: Debt Transactions, Sec. III., Subd. 1.

President's Recommendation for Action:

The President recommends approval of the Consent Report.

General Contingency

2011-12 General Contingency:		Allocation	Balance	Purpose
	Recipient			
	FY2012 General Contingency		\$1,000,000	
	Carryforward from FY2011 into FY2012	91,986	1,091,986	
1	Exec Dir Office for Business & Community Economic Dev	55,000	\$1,036,986	Awards, Incentive & Recognition Program
2	Return of unused funds	(28,799)	1,065,785	Eastcliff Security System upgrade
3				
4	New items this reporting period:			
5				
6	Student Affairs	30,000	1,035,785	Forensic Assessment of Greek Housing
7	Facilities Management	285,763	750,022	Eastcliff Roof Replacement Project
8				
9	Balance as of June 30, 2012		750,022	
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Purchase of Goods and Services \$1,000,000 and over

To Blue Cross and Blue Shield of Minnesota for an estimated \$17,466,500 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 11,142 covered students, their spouses/domestic partners, and children as covered dependents. This contract is for medical plan expenses incurred during the plan year from August 24, 2012, through August 31, 2013, and claims paid from August 24, 2012, through February 28, 2014. This is the sixth 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.

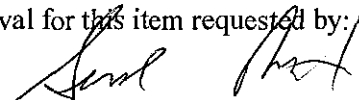
The 2012 renewal quote from Blue Cross and Blue Shield of Minnesota (BCBSMN) came with a projected increase in the cost of claims of 1.8%, a 2% increase in their administration services and a 5% increase in the cost of stop-loss coverage for the upcoming year.

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 reinforcement of the waiver process (students will be required to provide proof of coverage to waive the plan), we are able to provide benefit enhancements in the area of contraceptive services and transgender benefits without an increase in the cost of coverage to students for the 2012-2013 academic year. The average monthly rate for the basic Student Health Benefit Plan (SHBP) is \$158.33.

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: Carl Anderson
Chief Operating Officer
Boynton Health Service; W224
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 \$1,000,000 and over

To CedarCrestone, an Oracle Platinum Partner, along with its subcontractor, CIBER, Inc., for up to an estimated \$29,400,000 to assist with the upgrade of enterprise-wide PeopleSoft systems for the period July 15, 2012, through December 31, 2014, for the University of Minnesota.

This enterprise-wide PeopleSoft upgrade project encompasses the upgrade of three systems, the required split of a database and the implementation of a fourth module we already own:

- *Human Capital Management (HR/Payroll systems) to version 9.2*
- *Financial Supply Chain Management (Financial system) to version 9.2*
- *Campus Solutions (Student system) to version 9.0*
- *HCM/CS database split*
- *Implementation of Enterprise Portal version 9.2*

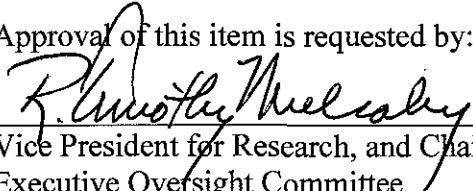
The University of Minnesota is upgrading its Enterprise Resource Planning (ERP) modules and conducting a thorough reexamination of related administrative business processes with the objective of streamlining and improving those processes, implementing improvements that are available in the latest versions, delivering critical new functionality, and re-evaluating previous implementation decisions with a particular focus on reducing the number of unsupported modifications to the system. When completed, this project should result in improved efficiency and productivity for the University, a more deliberate and cost-effective approach to system maintenance and future upgrades, and a better experience for users.

The vendor was selected as a result of a competitive bid process among PeopleSoft upgrade/implementation vendors. This contract amount represents time and materials for this work.

University O&M resources, provided through the Enterprise Assessment, will fund this project.

Submitted by: Andrew Hill
ERP Upgrade Director
90 Church Street
Minneapolis Campus
Phone (612) 625-1387

Approval of this item is requested by:


Vice President for Research, and Chair, ERP Upgrade
Executive Oversight Committee

6/26/12
Date

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

To Dodge of Burnsville, Saxon Fleet Services, and Thane Hawkins Polar Chevrolet Inc., for an estimated \$12,500,000 for vehicles for the central motor pool as needed for Fleet Services, a division of Parking & Transportation Services. The initial period of the contract is for August 1, 2012, through July 31, 2015, with an option to renew the contract for one additional two-year term. The initial contract estimate would be \$7,500,000 and the renewal term estimate would total \$5,000,000.

Fleet Services offers three main services to the University community: a monthly lease, a daily rental, and vehicle purchase. The lease option involves a department renting a car from the central motor pool and paying a monthly fee over a period of time. Short-term rentals from the motor pool are available to University departments for standard daily rates. Any vehicle purchased on behalf of a department is funded by the department at the time of purchase.

Fleet Services uses contract vendors to acquire vehicles for the central motor pool and for University departments who need to acquire vehicles. The following vendors have been identified to provide vehicles to Fleet Services: Dodge of Burnsville will provide Dodge vehicles, Saxon will provide Ford vehicles, and Thane Hawkins Polar Chevrolet Inc. will provide Chevrolet vehicles.

Approximately 35% of the vehicles will be purchased directly by the University. The remainder of the vehicles will be leased to the University of Minnesota by Fleet's contract leasing company, ARI, Inc.

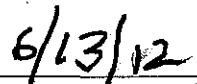
These vendors were selected through a competitive proposal process for vehicle sales and related services.

Rented or leased vehicles in the central motor pool are funded by charging departments a monthly or daily fee. Any vehicle purchased on behalf of a department is funded by the department at the time of purchase.

Submitted by: William G. Stahlmann
Assistant Director of Parking & Transportation Services - Fleet Services
101 Fleet Services Building
Minneapolis campus
Phone: 612-625-8020
Fax: 612-624-5587

Approval for this item requested by:


Kathleen O'Brien, Vice President for University Services


Date

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

To SHPS for the estimated amount of \$1,300,000 for administration of health care and dependent care flexible spending accounts for the six-year period of January 1, 2013 through December 31, 2018 through the University of Minnesota Office of Human Resources Employee Benefits.


SHPS was selected as the health care and dependent care flexible spending account administrator as a result of a request for proposal process conducted from October 2011 through December 2011. The initial contract will be for a two-year period with an estimated cost of \$430,000, with four one-year options to renew the contract, with each year at an estimated cost of \$217,500. The total estimated amount of \$1,300,000 is based on administrative service fees and estimated enrollment.

As part of the University's flexible spending account program for UPlan members, SHPS will provide a debit card, account administration, account statements, and customer service.

The administrative fees are funded on an annual basis through the fringe pool.

Submitted by: Dann Chapman
Director, Employee Benefits

Approval for this item is requested by:

 6/14/12

Kathryn F. Brown
Vice President, Office of Human Resources

July 11, 2012