

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance & Operations Committee

Thursday, November 8, 2007

1:30 p.m. - 3:00 p.m.

600 McNamara Alumni Center, East Committee Room

Board Members

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

Student Representatives

Nathan Swanson
Mark Torma

A G E N D A

1. Issues Related to: Source of Payment of University Indebtedness - R. Pfutzenreuter (p. 2)
2. Consent Report - Review/Action - R. Pfutzenreuter (p. 3-14)
3. Information Items - R. Pfutzenreuter (p. 15)



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

November 8, 2007

Agenda Item: Issues Related to: Source of Payment of University Indebtedness

review review/action action discussion

Presenters: Vice President/CFO Richard Pfitzenreuter

Purpose:

policy background/context oversight strategic positioning

This discussion will focus on the amount of overall University indebtedness and the source of payment of principal and interest on University indebtedness. The presentation will highlight the alignment of responsibility for University indebtedness from an organizational point of view and also outline the specific revenue sources used by academic and support units to make annual payments of principal and interest.

Outline of Key Points/Policy Issues:

As of June 30, 2007, debt and capital leases totaled \$796.2 million, which reflected a net increase of \$163.3 million from the prior year.

Background Information:

The Board of Regents receives an annual report on University indebtedness and also annually reviews debt capacity projections relating to a six-year capital budget plan for the University.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

November 8, 2007

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

Purchase of Goods and Services over \$250,000

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

Outline of Key Points/Policy Issues:

General Contingency

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

Purchase of Goods and Services Over \$250,000

- To Aastra Intecom, Anixter, Border States Electric Supply, Communications Supply Corp., Goldcom, Graybar Inc., MN Computer Supply, and Viking Electric for an estimated \$4,000,000 combined to provide telecommunication equipment and supplies for the period of December 16, 2007 through December 15, 2008. This purchase of equipment and supplies by Networking & Telecommunications Services is budgeted for FY 2008 and will be included in the budget for FY 2009. Vendor was selected through a competitive process.
- To Affymetrix, Inc. for an estimated \$400,000 for GeneChip Expression Arrays as needed for the period of November 1, 2007 through October 31, 2008 for the Biomedical Genomics Center. The GeneChip Expression Arrays will be purchased with funds budgeted in FY 2008 for the Biomedical Genomics Center. See enclosed documentation regarding basis of vendor selection.
- To Berbee Information Networks Corporation for \$509,663 to provide a complete turnkey campus phone system, including hardware, software, installation, and maintenance support for 5 years for the University of Minnesota Crookston (UMC). This system will be purchased with department funds currently set aside for this project in UMC's FY 2008 budget. Vendor was selected through a competitive process.

- To Design Workshop for \$2,357,330 for predevelopment consulting services at the University of Minnesota Outreach, Research and Education (UMORE Park) Rosemount, Minnesota, for the Statewide Strategic Resource Development Department. These services will be purchased from FY 2008 Central Administration funds authorized for this purpose. Vendor was selected through a competitive process.
- To Edwards Brothers, Sheridan Books, and Thomson-Shore for \$600,000 to provide printing and binding of standard-format books as needed for the period of November 1, 2007 through October 31, 2008 for the University Press. These contracts will be funded with money generated from University Press sales. Vendor was selected through a competitive process.
- To Oracle Corporation for \$445,733 to renew Oracle University-wide computer software licenses, updates, and maintenance support for the period of November 24, 2007 through November 23, 2008 for the Office of Information Technology (OIT). Enterprise Application Systems (EAS), a division of OIT, is a centrally funded organization. EAS's FY 2008 budget includes planning and funding for this expense. See enclosed documentation regarding basis of vendor selection.
- To Xerox for \$1,200,000 for final renewal of a 5-year blanket contract for copier maintenance offered to all University departments, on all campuses, covering the period of January 1, 2008 through December 31, 2008. The funds for this purchase order come directly from each University department participating in the program. Vendor was selected through a competitive process.

Background Information:

General Contingency

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

President's Recommendation for Action:

The President recommends approval of the Consent Report.

General Contingency

2007-08 General Contingency:

Recipient	Allocation	Balance	Purpose
FY2008 General Contingency		\$1,400,000	
Carryforward from FY2007 into FY2008	330,646	1,730,646	
1 Wind to Hydrogen unused FY07 allocation	(261,000)	1,991,646	
2 Office of the President	66,674	1,924,972	
3 Vice President for University Services	18,775	1,906,197	
4			
5 New items this reporting period:			
6			
7 AVP for Campus Planning and Project Development	64,100	1,842,097	
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9 Balance as of September 30, 2007		1,842,097	
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* Subject to Board approval due to cost of \$250,000 or more

Purchase of Goods and Services over \$250,000

To Aastra Intecom, Anixter, Border States Electric Supply, Communications Supply Corp, Goldcom, Graybar Inc., MN Computer Supply, and Viking Electric for an estimated \$4,000,000 combined total to provide telecommunication equipment and supplies for the period of December 16, 2007 through December 15, 2008 for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT.)

These supply and equipment items are installed by NTS to provide voice and data services to University departments. This includes telephones, copper wire, fiber optic cable, and many other parts and materials. Without these, NTS would be unable to install or move telephones and there would be no data communication. The equipment includes expansion to the PBX (phone system) in the Twin Cities. It also includes racks and cables that will be needed to support the new BOREAS-Net regional network.

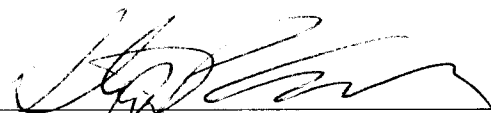
NTS went through a formal bid process in August, 2006. The above vendors were selected based on pricing and product availability. This is the first of 4 optional renewals.

This purchase of equipment and supplies by NTS is budgeted for FY08 and will be included in the budget for FY09. These expenses are partly materials for resale to NTS' customers and partly materials used for non-billable projects (such as maintenance and repairs) or expansion and upgrades of the Twin Cities campus network infrastructure.

Submitted by:

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

Approval of this item is requested by:



Vice President and CIO

10-18-2007
Date

Purchase of Goods and Services over \$250,000

To Affymetrix, Inc. for an estimated \$400,000 for GeneChip® Expression Arrays as needed for the period of November 1, 2007 through October 31, 2008 for the Biomedical Genomics Center.

Affymetrix GeneChip® Expression Arrays are used to create gene expression profiles for biological samples. The Biomedical Genomics Center (BMGC) has acquired two Affymetrix Fluidics Stations and a Scanner and has been analyzing Affymetrix GeneChips® for the last seven years for multiple research departments and projects.

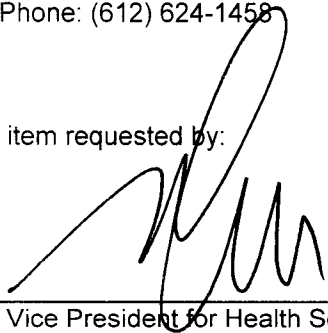
It is imperative that the BMGC have a consistent supply of the GeneChips® to ensure that research projects and contracts continue to be serviced in a timely manner. This is the third year of a three-year contract for these arrays.

GeneChip® Expression Arrays can only be purchased through Affymetrix, Inc. The Expression Arrays are a proprietary technology that is solely compatible with the previously acquired Affymetrix Fluidics Station and Scanner. The United States Trade and Patent Office has awarded Patent Number 5,445,934; 5,700,637; 5,945,334 expressly for the Affymetrix GeneChip® probe array technology.

The GeneChip® Expression Arrays will be purchased with funds budgeted in Fiscal Year 2008 for the Biomedical Genomics Center. GeneChip expenditures will be recovered by charging individual users/laboratories for the GeneChips®.

Submitted by: Mark S. Pallar, M.D., M.S., Assistant Vice President for Research
420 Delaware Street. S.E.
Minneapolis Campus
Phone: (612) 624-1458

Approval for this item requested by:



Frank Cerra, Sr. Vice President for Health Sciences

10/18/07
Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because:

The Biomedical Genomics Center owns two Affymetrix Fluidics Stations and Scanners, valued at \$200,000, which are used with Affymetrix GeneChips® Expression Arrays to create gene expression profiles for research projects. Affymetrix GeneChip® Expression Arrays are a proprietary technology that is solely compatible with Affymetrix equipment and may only be purchased from Affymetrix. Continuing with Affymetrix GeneChips also assures the necessary consistency of research results over time. Attempts have been made to identify alternative sources for this technology, but Affymetrix has patented it for a specific number of years.

Procedures undertaken to ensure reasonableness of price included: Affymetrix pricing is based solely on volume. Affymetrix has agreed to combine the Mayo Clinic volume and University of Minnesota volume to obtain advantageous Tier 3 pricing for both entities.

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 & Services \$250,000 and over

To Berbee Information Networks Corporation for \$509,663, to provide a complete turnkey campus phone system including hardware, software, installation, and maintenance support for 5 years for the University of Minnesota, Crookston to be completed and fully operational by June 2008.

The current telephone system for the University of Minnesota, Crookston is over 25 years old. It is not 911 compliant and portions of the existing system core no longer have vendor support. It lacks modern voicemail and telephone features. In addition, several campus buildings lack adequate telephone cabling for any future expansion.

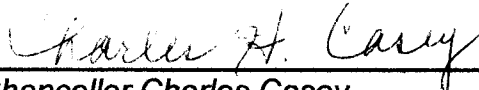
A new Cisco Voice over Internet Protocol (VOIP) campus phone system will be 911 compliant and will free UMC from the cost of maintaining duplicate campus telecommunications cable infrastructures for telephone and computer networking. Since long distance access will be accommodated through the NTS core at the Minneapolis campus, tolls for UMC calls to the metro area will be eliminated and UMC will benefit from the same national and international toll rates negotiated by the Twin Cities campus. In addition, up-to-date and forward looking telephony features will be brought on line for the Crookston campus including voicemail-email unification.

A competitive request for proposal process was utilized to receive proposals from the major vendors in this field. Berbee's proposal for a Cisco system was chosen as being the most comprehensive, feature rich and forward looking of the proposals received. Cisco is one of the largest VOIP telephone vendors. Berbee/Cisco was also the lowest cost proposal.

The system will be purchased with department funds currently set aside for this project in UMC's FY2008 budget.

Submitted by: Jeff Sinks, Media Services
150 Kiehle Building
University of Minnesota, Crookston
Phone: (218) 281-8405
FAX: (218) 281-8043

Approval for this item requested by:



Chancellor Charles Casey

10/23/07
Date

Purchase of Goods and Services \$250,000 and over

To Design Workshop for \$2,357,330 for predevelopment consulting services at the University of Minnesota Outreach, Research & Education (UMORE Park) Rosemount, Minnesota for the Statewide Strategic Resource Development Department.

The University of Minnesota is seeking to define and realize maximum potential – both financial and academic – of its approximately 5,000 acres of undeveloped University of Minnesota Outreach, Research and Education (UMORE Park) property, located in Dakota County, Minnesota.

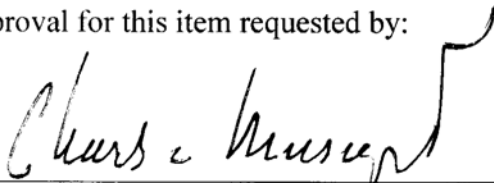
The developer consultant will assist the University in addressing complex tasks including the development of scenarios for aspects of management, planning, financial assessments and organizational structure. Concept master planning includes land use designations – residential, retail, industrial and office space, housing types and styles, community facilities, quasi-public space, green space, and other uses – while also incorporating future market flexibility and the value added through the University's research, education and public engagement mission.

The developer consultant was selected through a competitive process.

These services will be purchased from fiscal year 2008 Central Administration funds which have been authorized for this purpose.

Submitted by: Charles C. Muscoplat, PhD.
Vice President for Statewide Strategic Resource Development
450 McNamara Alumni Center
200 Oak Street S.E.
Minneapolis, MN 55455
Phone: (612) 624-5387
Fax: (612) 624-4843

Approval for this item requested by:



VP or Exec. VP Signature

10-22-07

Date

Purchase of Goods and Services \$250,000 and over

To Edwards Brothers, Sheridan Books, and Thomson-Shore for \$600,000 (as three blanket contracts for \$200,000) for providing printing and binding of standard-format books as needed for the period of November 1, 2007 through October 31, 2008 for the University Press.

Each vendor specializes in the kind of timely, economical, short-run book manufacturing needed by the university presses, and each is a leader in that area. All three are closely comparable, but each has a particular strength: Sheridan Books' is cost, Edwards Brothers' is service, and Thomson-Shore's is quality.

The manufacturing needs of the University Press will be best met by sourcing from all three vendors and assigning jobs situationally.

The three vendors were the top scorers among four in a competitive proposal process. They were evaluated based on cost, service, commitment to environmentally sustainable materials and practices, product quality, and community development.

The exact cost for services provided by the three vendors is dependent on book sales; the cost for standard-format book manufacturing for November 2007 through October 2008 is estimated to be \$600,000. These contracts will be funded with money generated from University Press sales.

Submitted by: Douglas Armato
Director
University of Minnesota Press
627-1971

Approval of this item is requested by:

E. Thomas Sullivan

President

Vice President

10-22-07 Date

Purchase of Goods and Services over \$250,000

To Oracle Corporation for \$445,733 to renew Oracle University-wide computer software licenses, updates, and maintenance support for the one-year period November 24, 2007 through November 23, 2008, for the Office of Information Technology.


All full- and part-time University of Minnesota faculty, students, and staff may use Oracle Database software in support of the University mission. The Office of Information Technology (OIT) uses the Oracle Database Enterprise Edition and associated products on most University of Minnesota Enterprise Computer Systems including the PeopleSoft Student, HR, Payroll, and Financial Systems, and the Library System. Oracle Database software is also used for several scientific research databases and many smaller systems. Oracle Corporation is the manufacturer/developer of the software and the provider of product support and software updates for the software.

The Oracle Campus-wide "Software License and Services Agreement" provides software licenses, updates, and 7x24 technical support and problem resolution via telephone, the web, and on-site, if necessary. The high level of support provided by Oracle in the past has helped OIT maintain an excellent record for reliability and availability of University computer systems for many years.

Enterprise Application Systems (EAS, a division of OIT) pays these product support and software update charges to ensure continuous operation of all systems using Oracle Database products. EAS is a centrally funded organization. EAS's F08 budget includes planning and funding for this expense.

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

Approval of this item is requested by:



Vice President and CIO

10-18-07

Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because this is a renewal of a proprietary software license and support. The vendor is the developer of the software and the provider of product support and software updates for the software.

Analysis of the contract pricing confirms that the dollar amount of this contract renewal (3% increase) is within the annual price increase limits negotiated in the original contract agreement.

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

Purchase of Goods and Services over \$250,000

To Xerox Corporation for \$1,200,000 for final renewal of a 5-year blanket contract (B5913919) for copier maintenance offered to all University departments, on all campuses, covering the period of January 1, 2008 through December 31, 2008.

In 1996, Office Equipment Services (OES), a University department, began a centralized billing service for departments who process their copier maintenance billing through OES on a summarized billing. This process represents an administrative simplification for both the vendor and participating University departments.

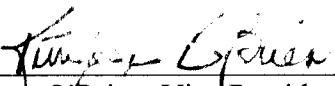
As a result of this simplification, Xerox has offered a 2-13% discount for maintenance of Xerox equipment. This discount is passed back directly to each department participating in the program administered through OES. This program resulted in a savings for FY 07 of approximately \$137,000.

This contract was a 3-year contract with 2 options to renew in 1 year increments for a total contract period of 5 years. This will exercise the last of the 1 year options.

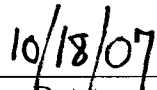
The funds for this purchase order come directly from each University department participating in the program. OES bills each department for the discounted monthly copier maintenance charges, and pays the vendor invoice directly from these funds.

Submitted by: Dianne Gregory, Director, General Services
Room 101 Printing Services Building
Minneapolis Campus
Phone: (612) 625-2585
Fax: (612) 626-9500

Approval for this item requested by:



Kathleen O'Brien, Vice President for University Services



Date



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Finance and Operations Committee

November 8, 2007

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 to report at this time.

Outline of Key Points/Policy Issues:

Background Information: