UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance & Operations Committee
Wednesday, July 8, 2009
10:00 a.m. - 11:00 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
Matt Privratsky
Aditya Srinath

AGENDA


2. Issues Related to: Strategic Purchasing Opportunities/Reform - R. Pfutzenreuter/M. Volna (p. 3)

3. Committee 2009-10 Workplan Discussion - J. Frobenius/R. Pfutzenreuter (p. 4)

4. Consent Report - Review/Action - R. Pfutzenreuter (pp. 5-17)

5. Information Items - R. Pfutzenreuter (p. 18)
Finance and Operations Committee    July 8, 2009

Agenda Item:  Update: University Tax Issues

☐ review  ☐ review/action  ☐ action  ☑ discussion

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

Purpose:

☐ policy  ☑ background/context  ☑ oversight  ☐ strategic positioning

To provide an update on general tax issues faced by the University of Minnesota coupled with a heat map of the general institutional risks relating to tax management.

Outline of Key Points/Policy Issues:

The non-profit sector of the United States has received a significant amount of attention by the Internal Revenue Service (IRS) over the last fifteen years and more recently by the U.S. Congress. The University, as a part of this sector and during this time period, was audited by the IRS.

The University Tax Department is responsible for the appropriate management of tax issues faced by the institution. These issues can be divided into the following categories (in no particular order):

• Tax exemption issues
• Sales/use/excise taxes
• Unrelated business income taxes
• Tax-exempt debt issuances
• Pensions and deferred compensation
• Employment tax issues and fringe benefits
• Scholarships and fellowships
• Tax reporting
• Nonresident alien tax compliance
• Foreign Country tax issues

The University manages the above issues by a coordinated effort between the University Tax Department and key administrative departments, as well as with individual collegiate units within the University’s decentralized environment.
Finance and Operations Committee July 8, 2009

Agenda Item:  Issues Related to:  Strategic Purchasing Opportunities/Reform

☐ review  ☐ review/action  ☐ action  ☑ discussion

Presenters:  Vice President/CFO Richard Pfutzenreuter
Associate Vice President Michael Volna

Purpose:

☐ policy  ☐ background/context  ☑ oversight  ☐ strategic positioning

To provide information to the committee on plans and opportunities for saving money through strategic purchasing techniques.

Outline of Key Points/Policy Issues:

Strategic purchasing is a set of activities and disciplines designed to continuously improve and re-evaluate the purchasing activities of an organization. The objective is to continuously drive down the total cost of goods and services and to increase the value added to the organization.

Strategic sourcing typically begins with analysis of purchasing and spending data to identify opportunities for saving money. The data analysis yields information that is used to increase savings or add value. The key levers for savings include:

- Pricing opportunities through negotiations with vendors and suppliers
- Leveraging of purchasing power through aggregation of spending
- Managing demand for goods and services
- Rationalizing specifications for goods and services to standardize wherever possible
- Improving purchasing processes for efficiency and effectiveness
- Evaluation of and compliance with institutional policies that are designed to drive savings

A complete overview of the plans and current activities will be presented at the meeting.

Background Information:

The topic of strategic purchasing was introduced to the committee as part of an Enterprise Financial System update during the February 2009 meeting of the Finance and Operations Committee.
Finance and Operations Committee

Agenda Item: Committee 2009-10 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 2009-10 Finance and Operations Committee Workplan.

Outline of Key Points/Policy Issues:

The 2009-10 Finance and Operations Committee Workplan is a summary of agenda items scheduled to be discussed by the Finance and Operations Committee in September 2009. The purpose of the discussion at the July 2009 Finance and Operations Committee is to obtain topics of interest from committee members so that these interests and priorities can be appropriately scheduled for discussion during the 12-month period of September 2009 through July 2010.

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.
Finance and Operations Committee  
July 8, 2009

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 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
Expenditure of $145,800 for the Office of the General Counsel in support of contracted legal services requires Board approval.

Purchase of Goods and Services Over $250,000

• 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, 2009 through June 30, 2010. This is the third one-year renewal. One optional one-year extension remains. The estimated annual expense for temporary clerical services is $2,000,000. The funding for this comes from the departments using these services. Vendor was selected through a competitive process.

• To Mega Farms for $350,000 for snow removal for the University of Minnesota Twin Cities campus for FY10 for the Facilities Management–LandCare Department. The funds required to complete this contract period will be paid for by the Facilities Management–LandCare Department. Vendor was selected through a competitive process.

• To PCL Corporation for $2 million to manage the University Construction department for the period of July 1, 2009 to June 30, 2011 on behalf of the Facilities Management department. The funds to purchase these services will be covered by University Construction’s rates to the departments using their services. Vendor was selected through a competitive process.
• To Qiagen Inc., for $728,832 for the purchase of OneStep RT-PCR kits as needed for the period October 1, 2009 through September 30, 2010 for the Veterinary Diagnostic Laboratory. These kits will be purchased with Veterinary Diagnostic Laboratory funds that are approved annually through the University of Minnesota budget process. See attached documentation regarding basis for vendor selection.

• To Saxon Fleet Services, Nelson Auto Center Inc., and Thane Hawkins Polar Chevrolet Inc., for an estimated $2,500,000 for vehicles as needed for the period of August 1, 2009 to June 30, 2010 for Fleet Services, Parking & Transportation Department, a division of University Services. For vehicles in the central motor pool the vehicles are leased, which is funded by charging departments a monthly fee. Purchased vehicles are funded by the using departments at the time of purchase. Vendors were selected through a competitive process.

• To Spring Point Project for $1,300,000 to provide source pigs for planned pig-to-human pancreatic islet xenotransplant trials for the period of June 1, 2009 through May 30, 2010, with renewal opportunities up to two additional years for the Schulze Diabetes Institute, Department of Surgery. The funding for this request is fully supported through the Schulze Family Foundation gift received December 2008. See attached documentation regarding basis for vendor selection.

• To Thermo Electron North America LLC for $638,550 for an LTQ Orbitrap Velos mass spectrometer for the Cancer Center (Analytical Biochemistry Shared Resource). Of this cost, $500,000 is provided by an awarded NIH Shared Instrumentation Grant. Funds for the balance ($138,550) will be provided by the Cancer Center amortized equipment fund with reimbursement from the Analytical Biochemistry Shared Resource ISO. The Analytical Biochemistry Shared Resource is a well established ISO facility (12 years) and large equipment purchases have been made and paid off by this mechanism throughout its history. See attached documentation regarding basis for vendor selection.

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

### 2008-09 General Contingency:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2009 General Contingency</strong></td>
<td>$1,400,000</td>
<td>$1,400,000</td>
<td></td>
</tr>
<tr>
<td>Carryforward from FY2008 into FY2009</td>
<td>896,843</td>
<td>2,296,843</td>
<td></td>
</tr>
<tr>
<td>1 VP for University Relations</td>
<td>22,000</td>
<td>2,274,843</td>
<td>Media relations efforts for Republican National Convention</td>
</tr>
<tr>
<td>2 VP for University Relations</td>
<td>50,000</td>
<td>2,224,843</td>
<td>Campus-area neighborhood employee housing incentive</td>
</tr>
<tr>
<td>* 3 VP for University Relations</td>
<td>250,000</td>
<td>1,974,843</td>
<td>Campus-area neighborhood/district plan and vision</td>
</tr>
<tr>
<td>4 Assoc VP for Campus Planning and Project Development</td>
<td>60,000</td>
<td>1,914,843</td>
<td>Predesign of exercise and wellness center for Cooke Hall</td>
</tr>
<tr>
<td>5 Assoc VP for Campus Planning and Project Development</td>
<td>95,000</td>
<td>1,819,843</td>
<td>Predesign work for Cooke Hall renovation</td>
</tr>
<tr>
<td>6 Associate VP for Auxiliary Services</td>
<td>63,000</td>
<td>1,756,843</td>
<td>Request for Proposal process for Dining Services</td>
</tr>
<tr>
<td>7 General Counsel</td>
<td>46,000</td>
<td>1,710,843</td>
<td>Move of Records Office</td>
</tr>
<tr>
<td>8 Sr VP for Academic Affairs and Provost</td>
<td>100,139</td>
<td>1,610,704</td>
<td>Weisman Art Museum collection digitization project</td>
</tr>
<tr>
<td>9 Assoc VP for Campus Planning and Project Development</td>
<td>175,000</td>
<td>1,435,704</td>
<td>Update to Twin Cities Campus Master Plan</td>
</tr>
<tr>
<td>10 Assoc VP for Campus Planning and Project Development</td>
<td>(13,393)</td>
<td>1,449,097</td>
<td>Return unused funds from East Cliff mech. system</td>
</tr>
<tr>
<td>11 Executive Director for the Board of Regents</td>
<td>15,602</td>
<td>1,433,495</td>
<td>Additional expenses related to BOR meeting on UMD campus</td>
</tr>
<tr>
<td>12 Chancellor for the University of Minnesota Morris</td>
<td>80,117</td>
<td>1,353,378</td>
<td>Finance Director Position year 1 of 3</td>
</tr>
<tr>
<td>13 Sr VP for System Academic Administration</td>
<td>55,000</td>
<td>1,298,378</td>
<td>Awards and Incentives Recognition (AIR) Program</td>
</tr>
<tr>
<td>14 Associate Vice President and Controller</td>
<td>249,000</td>
<td>$1,049,378</td>
<td>Strategic Purchasing Project</td>
</tr>
<tr>
<td>15 Assoc VP for Campus Planning and Project Development</td>
<td>12,770</td>
<td>$1,036,608</td>
<td>Eastcliff boiler and water heater efficiency project</td>
</tr>
<tr>
<td>16 Dean of the College of Education and Human Development</td>
<td>32,785</td>
<td>1,003,823</td>
<td>Transition costs related to new Finance Director</td>
</tr>
</tbody>
</table>

### New Items this Reporting Period:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 General Counsel</td>
<td>145,800</td>
<td>858,023</td>
<td>Contracted legal services</td>
</tr>
</tbody>
</table>

### Balance as of June 30, 2009:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>858,023</strong></td>
<td><strong>858,023</strong></td>
</tr>
</tbody>
</table>

* Subject to Board approval due to cost of $250,000 or more
Purchase of Goods and Services over $250,000

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, 2009 through June 30, 2010. This is the third one year renewal. One optional one year extension option remains.

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:

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

An RFP was issued in 2006 and Adecco was chosen. Adecco continues to provide an excellent level of service. 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:

[Signature]
Vice President

[Signature]
Date
Purchase of Goods and Services $250,000 and over

To Mega Farms for $350,000 for snow removal for the University of Minnesota Twin Cities campus for FY 10 for the Facilities Management – LandCare Department.

This is for a one year contract with four one year possible renewals. Mega Farms was selected as a result of a competitive bidding process.

The funds required to complete this contract period will be paid for by the Facilities Management LandCare Department.

Submitted By: Michael Berthelsen  
Associate Vice President  
Facilities Management  
319 15th Avenue S. E.  
Minneapolis, MN 55455  
Phone: 612-626-1091

Approval for this item requested by:  

Kathleen A. O’Brien – Vice President of University Services

Date: 6/22/09
Purchase of Goods and Service $250,000 and over

To PCL Corporation for $2 million to manage Facilities Management’s University Construction department for the period of July 1, 2009 to June 30, 2011.

Facilities Management (FM) is reestablishing University Construction to complete construction projects between $50,000 and $500,000. PCL will serve as FM’s management team while University Construction develops into an on-site general contractor to be used in lieu of hiring general contractors on a per project basis. PCL’s expertise will accelerate this process and expand FM’s ability to use our pool of trade labor. FM’s ability to deliver small capital projects directly as a general contractor will reduce overall University costs because it will not need to pay both internal project management and external general contractor management fees.

The University will contract with PCL for a two-year period. The University’s project volume ranges between $5 million and $15 million per year and PCL’s cost will vary, depending on project volume. The $2 million estimate assumes an annual project volume of $15 million over a two-year timeframe, actual costs may be lower.

Through a competitive RFP process, PCL was selected based on four criteria:

- Documented performance and experience in the construction management field, especially for the University of MN, higher ed, or clients with an excess of 5 million gross square feet.
- Proposed solution for the University of Minnesota.
- Documented performance and experience of the individuals who will be serving the University.
- Cost proposal that is most advantageous to the University.

The funds to purchase these services will be covered by University Construction’s rates to the departments using their services.

Submitted by: Mike Berthelsen, Facilities Management AVP
Rm 329 Donhowe
Mpls Campus
Phone: (612) 626-1091
Fax: (612) 626-0234

Approval for this item requested by:

[Signature]
VP or Exec. VP Signature

6/25/09
Date
PURCHASE OF GOODS AND SERVICES OVER $250,000

To Qiagen Inc., for $728,832 for the purchase of OneStep RT-PCR kits as needed for the period October 1, 2009 through September 30, 2010 for the Veterinary Diagnostic Laboratory.

Due to the amount of testing that the Veterinary Diagnostic Laboratory provides for their clients annually, they order large quantities of test kits from Qiagen, Inc. These kits are used to test for Porcine Reproductive & Respiratory Syndrome Virus (PRRSV), Bovine Viral Diarrhea Virus (BVDV), Swine Influenza Virus (SIV) and Avian Influenza Virus (AIV). This is an important service to Minnesota farmers.

This is a negotiated contract with the manufacturer of these kits.

The Veterinary Diagnostic Laboratory has been buying a version of these kits from Qiagen for the past nine years. Qiagen developed these kits and they have patents on the reagents in the kits. The Laboratory continues using them to ensure the integrity and consistency of their test results. All of these tests were validated using Qiagen’s reagents. Accurate and consistent test results are essential to the Laboratory’s clients and to the Veterinary Diagnostic Laboratory to minimize exposure to inconsistent test results and litigation. Qiagen provides a custom extraction kit that allows more efficient use of the reagents.

These kits will be purchased with Veterinary Diagnostic Laboratory funds that are approved annually through the University of Minnesota budget process.

Submitted by: James E. Collins, Director
Veterinary Diagnostic Laboratory
248 VETDL, 1333 Gortner Avenue
St. Paul, MN 55108
Phone: 612-625-9289
Fax: 612-624-8707

Approval for this item requested by:

[Signature]
Dr. Frank Cerra, Senior Vice President

Date: 6/1/09
Rationale for Exception to Competitive Bidding #1

This purchase has not been competitively bid because: This kit has been purchased from Qiagen for over 10 years now. Qiagen holds the patents on the reagents in this kit. A custom extraction kit has been developed for us by Qiagen that contains the same reagents that are in the Qiagen OneStep RT-PCR kit. Purchase of this custom kit from Qiagen is necessary to maintain consistency of test results for our clients. By using this kit we receive accurate and consistent test results that are essential to our clients.

We are concerned with the continuity and consistency of our reverse transcription PCR testing and its results. This includes very high volume tests such as our Porcine Reproductive and Respiratory Syndrome Virus, Bovine Viral Diarrhea Virus and Swine Influenza Virus tests. Qiagen has worked with us since we developed the tests that use their kit. They provided technical support and valuable input as we created the tests and got them up and running on a regular basis. We have found that Qiagen’s kit is very reliable, efficient, and effective. We have very high confidence in the quality of their product and their ability to supply us quickly and efficiently. This kit from Qiagen provides the consistency of test results necessary for our testing service.

Procedures undertaken to ensure price reasonableness: We anticipate using the same quantity of custom kits as last year. This custom kit is configured to the specification of our lab after carefully considering the needs and components that would most efficiently accomplish the goals of VDL. The pricing on this custom kit has taken into consideration the high volume use as well as the discount that was already in place at the time the custom kit was designed. Three years ago, the OneStep RT PCR kit was sold to us at $360.24. Since then, Qiagen starting producing the custom kit equivalent to 10 of the regular kit. The total cost of the purchase of ten of these kits was $3,602.40. For the past two years, the custom kit was sold to us for $3,650.00. This contract period Qiagen will sell us the custom kit at $3,796.00. Pricing on this kit seems reasonable since the increase is only $146 per kit. This custom kit will allow us to use the reagents more efficiently thus giving us a savings by using the custom kit.

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 Saxon Fleet Services, Nelson Auto Center Inc., and Thane Hawkins Polar Chevrolet Inc., for an estimated $2,500,000 for vehicles as needed for the period of August 1, 2009 to June 30, 2010 for Fleet Services, Parking & Transportation Department, a division of University Services.

Fleet Services uses contract vendors to acquire vehicles for the central motor pool and for University departments who need to acquire vehicles. The following vendor has been identified to provide vehicles for the reminder of Fiscal year 09 and Fiscal year 10:

Saxon Fleet Services will provide Ford vehicles, Nelson Auto Center Inc. will provide GMC trucks and Dodge vehicles and Than Hawkins Polar Chevrolet Inc. will provide Chevrolet vehicles.

Most vehicles will be ordered and delivered by the vendors. Approximately 35% of the vehicles will be purchased directly by the University. The remainder of the vehicles will be either financed by Fleet’s contract finance company, CitiMortgage, or leased to the University of Minnesota by Fleet’s contract leasing company, ARI, Inc.

Through a request for proposal process, this vendor proved that they had the necessary experience working with other political subdivisions to handle the University’s business.

For vehicles in the central motor pool the vehicles are leased, which is funded by charging departments a monthly fee. Purchased vehicles are funded by the using departments at the time of purchase.

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

Approval for the item requested by:

[Signature] 6/19/09
Kathleen O’Brien, Vice President for University Services  Date
Purchase of Goods and Services $250,000 and over

To Spring Point Project for $1,300,000 to provide source pigs for planned pig-to-human pancreatic islet xenotransplant trials for the period June 1, 2009 through May 30, 2010 with renewal opportunities up to 2 additional years for the Schulze Diabetes Institute, Department of Surgery.

A Master Research Collaboration Agreement signed August 12, 2007 established collaboration between the University of Minnesota and Spring Point Project for the development of procedures to transplant pancreatic islets from medical-grade pigs into patients with type 1 diabetes participating in clinical trails.

Spring Point Project is the only vendor on a global basis to meet the stringent source pig criteria for xenotransplant trials that are detailed in the Food and Drug Administration guidance documents.

The funding for this request is fully supported through the Schulze Family Foundation gift received December 2008.

Submitted by: Faith Mrutu, Chief Financial Officer
405 Masonic Memorial Building
Mpls Campus
Phone: (612) 626-4791
Fax: (612) 626-5855

Approval for this item requested by:

VP or Exec. VP Signature

Date

6/27/09
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because:

Spring Point Project, under a Master Research Collaboration Agreement signed August 12, 2007, established collaboration between the University of Minnesota and Spring Point Project in the development of procedures to transplant into human diabetic islet tissue from pathogen-free pigs.

Spring Point Project was founded to produce medical grade pigs to supply the experimental and clinical needs for the Schulze Diabetes Institute at the direction and specification of the University PI. Currently the SDI and Spring Point are engaged in a research arrangement where the Spring Point pigs are the only pigs that will be used for animal and human clinical studies. It was determined that the level of support from the Schulze Diabetes Institute for Spring Point for their service in providing the animals as requested is the amount of $1.3 million/12 months of supply. At this time, because of the variable nature of the research needs (number of animals and age of animals) it was decided that a dollar amount for all pigs supplied was more advantageous to the University than a price per animal. Once the research phase has been completed, the supply agreement will be converted to a dollar price per animal supplied.

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 Thermo Electron North America LLC for $638,550 for a LTQ Orbitrap Velos mass spectrometer for the Cancer Center (Analytical Biochemistry Shared Resource).

The Cancer Center members who use the Analytical Biochemistry Shared Resource do not currently have and are in need of access to an accurate mass/ultra high resolution liquid chromatography mass spectrometer.

This instrument will allow the researchers to analyze for low levels of compounds (carcinogens, metabolites, biomarkers, etc.) in complex biological samples (urine, plasma, tissue, etc.) and will greatly facilitate and advance their research projects.

The instrument to be purchased is a patented design manufactured only by Thermo Electron. The bulk of the funds for the purchase were obtained through an awarded NIH Shared Instrumentation Grant that was written for the purchase of this specific instrument. The proposal focused on how the unique capabilities of the instrument could be used to advance the research of the principal investigators listed as users in the proposal.

$500,000 of the cost of the instrument ($638,550) is provided by an awarded NIH Shared Instrumentation Grant. The funds for the balance ($138,550) of the cost will be provided by the Cancer Center amortized equipment fund with reimbursement from the Analytical Biochemistry Shared Resource ISO. The Analytical Biochemistry Shared Resource is a well established ISO facility (12 years) and large equipment purchases have been made and paid off by this mechanism throughout its history.

Submitted by: Peter Villalta,
Coordinator of Mass Spectrometry Services
Analytical Biochemistry Shared Resource
Cancer Center
MCRB Room 795
Mpls Campus
Phone: (612) 626-8165
Fax: (612) 626-5135

Approval for this item requested by: [Signature]

VP or Exec. VP Signature [Signature] Date [24/08]
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because:

The type of mass spectrometer listed here for purchase is a patented design manufactured only by Thermo Electron. Other types of mass spectrometers offer some of the capabilities of the proposed Orbitrap mass spectrometer but do not offer its combination of MSn fragmentation and very high resolution (up to 100,000). In addition, the bulk of the funds ($500,000) for the purchase of the instrument were obtained through an NIH Shared Instrumentation Grant and the title of the proposal (“LTO Orbitrap XL Mass Spectrometer”) is the name of the specific instrument proposed for purchase. In addition to the type and manufacturer being explicitly stated in the proposal, the entire proposal was written around how this specific instrument with its unique combination of capabilities (such as MSn fragmentation and high resolution) could be used to advance the research of the principal investigators listed as users in the proposal.

Procedures undertaken to ensure reasonableness of price included:

The initiator of this purchase (Dr. Peter Villalta) has 10 years experience with mass spectrometer technology. He has purchased four mass spectrometers during this time. In addition, he has served on two NIH Shared Instrumentation Grant review panels where he reviewed funding requests for a variety of mass spectrometers from various vendors where quotes were included as part of the proposals. It is his opinion that the price of the proposed instrument is reasonable and a good value based both upon his review of quotes during the NIH review panels and his general knowledge of mass spectrometer pricing based on conversations with colleagues and various mass spectrometer sales representatives.

The supplier provided a 4% discount in addition to the typical 15% academic discount. In addition, the inclusion of a specialized data analysis software package ($12,500) at no cost was negotiated into the instrument package. We had planned on purchasing this software package as it is critical for the optimal use of much of the data which will be collected with the mass spectrometer.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
Finance and Operations Committee  
July 8, 2009

Agenda Item:  Information Items

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters:  Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

There are no information items for presentation this month.