UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance & Operations Committee
Thursday, May 13, 2010
8:30 a.m. – 10:30 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

AGENDA

1. Board of Regents Policy: Endowment Fund - Action - R. Pfutzenreuter/S. Mason (pp. 2-5)

2. Board of Regents Policy: Investment of Reserves - Action - R. Pfutzenreuter/S. Mason (pp. 6-11)


4. Issues Related to: Athletics Finances - R. Pfutzenreuter (p. 17)

5. Issues Related to: President's Recommended FY 2011 Annual Capital Improvement Budget - R. Pfutzenreuter (pp. 18-19)

6. Update: Peer Institution Financial Comparisons - R. Pfutzenreuter (pp. 20-36)


8. Information Items - R. Pfutzenreuter (pp. 50-60)
Finance and Operations Committee

May 13, 2010

Agenda Item: Board of Regents Policy: *Endowment Fund*

☐ review  ☐ review/action  ☒ action  ☐ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter
Chief Investment Officer Stuart Mason

Purpose:

☒ policy  ☐ background/context  ☐ oversight  ☐ strategic positioning

To act on proposed amendments to Board of Regents Policy: *Endowment Fund*.

Outline of Key Points/Policy Issues:

As part of the Board’s ongoing policy review process, amendments are proposed to update the policy and clarify existing practice. The proposed amendments acknowledge the ability to invest in Exchange Traded Funds (ETFs) to gain or reduce market exposure to target levels. In addition, the policy utilizes the newly defined term for “Investment Manager” where appropriate, and there is a new paragraph (Section IV, subdivision II) that addresses rebalancing to policy portfolio asset allocation targets when private investments restrict timely action. Other minor language changes are suggested for clarity.

Background Information:

Board of Regents Policy: *Endowment Fund* was first adopted in 1989 and last amended in July 2006.

The committee reviewed proposed amendments to the policy at its meeting in March 2010.
ENDOWMENT FUND

SECTION I. SCOPE.

This policy governs the management of investments in the University of Minnesota (University) endowment fund (endowment).

SECTION II. GUIDING PRINCIPLES.

The following principles shall guide the University's management of the endowment:

(a) The University shall seek to maximize financial returns on invested assets while considering consistent with an appropriate degree of risk as measured by industry guidelines for comparable long-term objectives.

(b) The University shall consider social responsibility in its investment decisions.

SECTION III. INVESTMENT OBJECTIVES.

Subd. 1. Overall Objectives. The overall objectives for the University endowment shall be to:

(a) preserve the inflation-adjusted value of the endowment; and
(b) maximize total return (income plus capital appreciation) within acceptable risk parameters and a goal of at least 500 basis points annually above inflation (as measured by the Consumer Price Index) over three- and five-year trailing periods.

Subd. 2. Investment Manager Adviser Manager Objectives. The objectives for the investment managers of the endowment shall be to exceed the investment performance of appropriately established benchmarks selected by the University and rank consistently above the median for investment performance when compared to peers of similarly managed funds over three- and five-year trailing periods.
SECTION IV. ASSET ALLOCATION GUIDELINES.

Subd. 1. Public Equities. The long-term target allocation for publicly traded equities, both domestic and international, shall be 40 percent with a range around this target of between 35- and 45 percent.

Subd. 2. Fixed Income. The long-term target allocation for fixed income shall be 20 percent with a range around this target of between 15- and 25 percent.

Subd. 3. Private Capital. The long-term target allocation for private capital (such as private equity, venture capital, and distressed debt) shall be 20 percent with a range around this target of between 15- and 25 percent.

Subd. 4. Real Assets. The long-term target allocation for real assets (such as real estate partnerships, timberlands, oil and gas partnerships, and other investable commodities) shall be 20 percent with a range around this target of between 15- and 25 percent.

Subd. 5. Futures and Exchange Traded Funds (ETFs). The purchase of futures contracts for purposes of obtaining equity markets exposure in order to rebalance exposures to certain asset classes, the purchase or sale of futures contracts or ETFs is permissible. Futures may only be employed only on an net unleveraged basis. Futures shall not be employed for speculative purposes.

Subd. 6. Options. The use of options shall be limited to the purchase of options for hedging purposes or the sale of covered options. The option exposure in aggregate shall be limited to not exceed 10 percent of the value of the endowment.

Subd. 7. Short-Selling of Securities. The aggregate market value of short sales shall not exceed 10 percent of the value of the endowment.

Subd. 8. Management Control. The University shall make no direct investments for the purpose of exercising management control in the underlying companies. Control strategies are permissible in the context of investments in portfolio companies made by approved investment managers advisors managers.

Subd. 9. Investment Management Firm Advisor Manager Limit. A maximum of 25 percent of the endowment may be invested by any one investment management firm advisors managers.
firm, advisor management firm. The president or delegate shall make adjustments to a portfolio if an investment management advisory management firm exceeds this limit for 12 consecutive months.

**Subd. 10. Calculations of Limits.** Calculations of all percentage limitations shall be done on a market value basis.

**Subd. 11. Adherence to Guidelines and Addressing Deviations.** The president or delegate shall attempt to cause the allocation of invested assets to remain within the guidelines stated in Section IV. If market changes cause the asset allocations to deviate from the guidelines, the president or delegate shall develop a plan to restore the allocations to guideline proportions over a period of time that is appropriate in light of the reason for the deviations and the nature of the subject investments.

**SECTION V. SPENDING GUIDELINES DISTRIBUTION RATE.**

**Subd. 1. Endowment Distributions.** The endowment distribution rate shall be set at a level that is supportive of University operations while enabling the endowment to grow at an inflation-adjusted rate that will provide for future distributions. Distributions shall be made quarterly. The annual target distribution rate shall be 4.5 percent of the average of the endowment's trailing month-end market values for the prior 60 months. Effective with the adoption of this policy, both the target distribution rate and the payout calculation shall be phased in as specified in Board resolution.

**SECTION VI. REPORTING.**

The president or delegate shall report quarterly to the Board of Regents regarding the status and performance of endowment assets.

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SEE BOARD OF REGENTS RESOLUTION RELATING TO BOARD OF REGENTS POLICY: ENDOWMENT FUND DATED MAY 13, 2005.

Finance and Operations Committee May 13, 2010

Agenda Item: Board of Regents Policy: Investment of Reserves

☐ review ☐ review/action ☒ action ☐ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter
Chief Investment Officer Stuart Mason

Purpose:

☒ policy ☐ background/context ☐ oversight ☐ strategic positioning

To act on proposed amendments to Board of Regents Policy: Investment of Reserves.

Outline of Key Points/Policy Issues:

As part of the Board's ongoing policy review process, amendments are proposed to update the policy and clarify existing practice. The amendments clarify the fund objectives and create a defined term for "Investment Managers" to distinguish them from "Investment Advisors". These terms are used throughout all three investment policies before the committee for action this month. Other minor language changes are suggested for clarity.

Background Information:


The committee reviewed proposed amendments to the policy at its meeting in March 2010.
INVESTMENT OF RESERVES

This policy governs the investment of short-term and long-term reserves of the University of Minnesota (University).

ARTICLE I

Short-Term Reserves

Subd. 1. Investment Objective. The primary investment objective for the University’s short-term reserves, known throughout this Article I of this policy as the Temporary Investment Pool (TIP), is current income and capital preservation. In addition, the following are priorities for the investment of short-term reserves:

(a) maintaining sufficient liquidity to meet the near term funding and operations requirements of the University; and

(b) maximizing current income and investment returns on these reserves; and

(c) providing backup liquidity for certain of the University's short-term or variable rate debt obligations.

Subd. 2. Overall Portfolio Characteristics. A majority of TIP funds are to be invested in high quality, relatively short-term fixed income interest bearing securities not exposed to significant market risk while a portion may be invested in the University’s Consolidated Endowment Fund (CEF). The following percentages of annual operating revenues, as measured at the completion of each fiscal year, shall be retained in TIP:

(a) At least 8% for the purpose of debt service reserves and related liquidity requirements;

(b) At least 6% for the purpose of providing cash flow for operations; and

(c) At least 5% for the purpose of providing core operating reserves.

A portion of the remaining balance of TIP, not to exceed 30% of total TIP funds, may be invested in CEF. Annually, when determining the amount of TIP to be invested in CEF, consideration shall be given to market conditions, timing, and other financial circumstances. TIP investments in CEF shall be reported periodically to the Board of Regents (Board).
The fixed interest bearing portion of TIP investments shall be guided by the following:

(a) Average duration of shall be four years or less for the entire portfolio and with a maximum duration of seven years for any individual holding.

(b) Average credit quality of shall be A1/A+ or better.

(c) No use of leverage; and

(d) Individual securities owned shall maintain a rating of investment grade (defined as Baa3/BBB- rating or better by Moody’s or Standard & Poor’s) unless the president or delegate specifically approves retention of a lower rated security. The Board of Regents must be notified of such approvals.

Subd. 3. Investment Advisors Managers. While TIP funds may be invested directly by University personnel, the use of external investment advisors managers also is permissible. Investment advisors managers shall not be subject to the prohibitions described in parts (3), (4), (6), (7), and (8) of Article I, subd. 4(b) as long as overall portfolio averages are in compliance with the guidelines described in this Article.

Subd. 34. Investment Guidelines for Specific Types of Securities. The following investment guidelines shall apply to specific types of securities invested investments made directly by the University:

(a) Federal Government Securities – Investments in federal government securities shall be limited to U.S. Treasury obligations, federal agency securities, and obligations guaranteed or insured by an agency of the federal government, with no limitation on amount per agency or percent of overall portfolio.

(b) Money Market Investments – Investments in money market instruments shall be limited to money market funds or fixed income mutual funds designed to maintain a stable unit value, with no limitation on percent of overall portfolio.

(c) Corporate Obligations – Corporate obligations include shall be limited to commercial paper, intermediate or long-term bonds, bank paper, and master notes. In aggregate, corporate obligations shall not exceed 50% of the portfolio, with a maximum limitation of 7% for any single issuer, and shall be guided by the following:
(1) Commercial Paper – Investments in Commercial paper obligations shall include be limited to U.S. dollar denominated obligations of U.S.-based or foreign issuers whose commercial paper is rated A-1+, A-1, or A-2 by Standard & Poor’s or P-1 or P-2 by Moody’s.

(2) Intermediate or Long-Term Bonds – Investments in Intermediate or long-term bonds shall include be limited to bonds and flexible rate securities that are U.S. dollar denominated obligations of U.S.-backed or foreign issuers.

(3) Bank Paper – Investments in Bank paper shall include be limited to U.S. dollar denominated certificates of deposit, time deposits, bankers acceptances, letters of credit, and documented discount notes from U.S. or foreign issuers.

(4) Master Notes – Investments in Master notes obligations shall include be limited to notes issued by U.S. corporations only, with a maximum limitation of 10% of the portfolio.

Subd. 45. Prohibited Securities Prohibitions. Except for investments made in CEF or by external investment advisors managers approved by the Board in accordance with Article I, subd. 3 of this policy, investments in the following securities are prohibited:

(a) leverage shall not be used in investing TIP funds; and

(b) the following investments are prohibited:

(a1) equity and equity related alternatives;

(b2) securities convertible into equity;

(e3) non-investment grade high yield securities;

(d4) unrated securities;

(e5) financial futures private and/or illiquid securities;

(f6) fixed income options securities not traded on a major exchange;

(g) interest rate swaps;
(h) other derivatives securities, private securities, or those not traded on a major exchange; and

(i7) any securities issued by a foreign government or corporation domiciled in a country that is not part of the Europe, Australasia, and Far East (EAFE) Index, or Canada; and

(h8) derivative securities; and

(i) the use of leverage.

ARTICLE II

Long-Term Reserves

Subd. 1. Investment Objective. The primary investment objective for the University’s long-term reserves, known throughout this Article II of this policy as the Group Income Pool (GIP), is to maximize the total investment return while preserving capital balances until such time as the principal is required to fund the intended use. Because of the potential for higher levels of volatility, the GIP portfolio shall be invested by outside professional managers or in CEF.

Subd. 2. Investment Guidelines. GIP funds shall be invested on a total return basis. The following are approved investment guidelines shall apply for GIP:

(a) Fixed Income Interest Bearing Securities – Up to 100% of the portfolio may be invested in fixed income interest bearing securities that may include:

(1) bonds, convertible bonds, mortgage-backed and/or asset-backed securities that are issued by governments, government agencies, or corporations in developed market countries;

(2) securities, denominated in foreign currencies or U.S. dollars;

(3) a maximum 20% allocation to securities rated below investment grade, up to a maximum 20% allocation; and

(4) a maximum 10% exposure to emerging market debt, up to a maximum 10% exposure allocation.
(5b) Mutual Funds – Consistent in quality with these investment guidelines; and

(6) futures, options, and interest rate swap agreements.

(b) Equity – Up to 50% of the overall portfolio may be invested in diversified equity and equity-related securities and/or in CEF.

(c) Mutual Funds - Consistent in quality with these investment guidelines.

(e) Money Market Funds – To the extent that money market funds are used in the portfolio, underlying assets in the fund shall have a minimum commercial paper rating of A2/P2 as rated by Standard & Poor's and Moody's.

Subd. 3. Prohibited Activities Prohibitions. Except for investments made in CEF:

(a) leverage shall not be used in investing GIP funds; and

(b) investments in derivative securities are prohibited.

Use of the following instruments and strategies shall be prohibited:

(a) mortgage derivatives, including stripped mortgage pass-through securities, such as interest-only and principal-only securities; and

(b) leverage.
Finance and Operations Committee

May 13, 2010

Agenda Item: Board of Regents Policy: Investment Transactions

☐ review  ☐ review/action  ☒ action  ☐ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter
Chief Investment Officer Stuart Mason

Purpose:

☒ policy  ☐ background/context  ☐ oversight  ☐ strategic positioning

To act on proposed amendments to Board of Regents Policy: Investment Transactions.

Outline of Key Points/Policy Issues:

As part of the Board's ongoing policy review process, amendments are proposed to update the policy and clarify existing practice. The amendments clarify existing practice of negotiating investment transactions in both the primary and secondary capital markets. At the Board's suggestion, a defined term for "Investment Managers" was created to distinguish them from "Investment Advisors", and the term was inserted as appropriate. Other minor language changes were made for purposes of clarification.

Background Information:

Board of Regents Policy: Investment Transactions was first adopted in 1976 and last amended in March 2004.

The committee reviewed proposed amendments to the policy at its meeting in March 2010.
INVESTMENT TRANSACTIONS

This policy governs the administration’s authority to invest and deal in securities and to engage investment advisors managers.

Subd. 1. Definitions. For purposes of this policy, the terms below shall have the following meanings:

(a) Security shall mean a security as defined in the Securities Act of 1933, as amended, and shall include any note, stock, treasury stock, bond, debenture, or evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; limited partnership agreement; or, in general, any interest or instrument commonly known as a security or any certificate of interest or participation in temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. The term security shall further include options, futures, swaps, and other derivative instruments any investment instrument or group of instruments commonly used by investors of institutional assets.

(b) Investment advisor shall mean a person or firm engaged to render advice to the University of Minnesota (University) in connection with its investment activities. An investment advisor does not have authority to execute investment transactions.

(b) Investment adviser advisor manager shall mean an investment adviser or manager or any other person or firm engaged to advise the University of Minnesota (University) on investment transactions, to execute investment transactions at its discretion on behalf of the University, or to otherwise manage the University’s investments. In circumstances where applicable industry standards require registration with the Securities and Exchange Commission (SEC), only investment advisers managers duly registered with the Securities and Exchange Commission (SEC) may be engaged to provide services to or act on behalf of the University.

(ed) Investment transactions shall mean:

(1) the purchase, investment in, possession, or other acquisition of an interest in a security;
(2) the sale, conversion, exchange, transfer, or other disposal of an interest in a security; or and

(3) the pledge of a security.

(de) Emerging investment management advisory management firms shall mean investment management advisory management firms that manage institutional assets under $250 million.

(ef) Broker/dealer shall mean a person or firm or other person duly registered as a broker-dealer with the SEC and a member in good standing of FINRA (the Financial Industry Regulatory Authority, Inc. - FINRA) who executes investment transactions on behalf of the University upon the University's directive. Investment transactions may be executed in the open market or from the firm's inventory.

Subd. 2. Delegation of Authority. In accordance with Board of Regents Policy: Reservation and Delegation of Authority, the president or delegate shall have the authority and power to take all actions necessary or appropriate to conduct investment-related activities and implement this policy execute investment transactions. Such actions may include, but are including, but not limited to, the following:

(a) to negotiate and enter into investment transactions with broker/dealers, investment advisors managers, or other qualified counterparties;

(b) to negotiate and enter into sales and other divestment transactions in the secondary market when such action is required for rebalancing to comply with asset allocation guidelines;

(bc) to vote any voting securities owned by the University in accordance with relevant Board of Regents (Board) policies;

(cd) to give to investment advisors managers written or oral instructions with respect to investment transactions;

(de) to bind and obligate the University to, and for the execution of, any contract, arrangement, or transaction that may be entered into by any such officer for and on behalf of the University with or through the investment advisors;

(ef) to pay such sums as may be necessary in connection with any of the said investment transactions;
(fg) to deliver securities to and deposit funds with investment advisers managers or broker/dealers;

(gh) to order the transfer or delivery of a security to any other person whatsoever and/or to order the transfer or record of a security to the name of the University;

(hi) to direct the sale or exercise of any rights with respect to a security;

(ij) to execute, acknowledge, and deliver proper transfers, assignments, and letters of transmittal;

(jk) to execute consents to reorganizations, modifications, or extension agreements and compromises;

(kl) to execute, acknowledge, and deliver all powers of attorney or any other legal instruments for the purpose of splitting and issuance of new certificates in exchange, transferring, and disposing of or releasing any stocks, bonds, or other evidences of indebtedness held by the University or for any other purpose with relationship thereto in the ordinary course of business;

(lm) to sign for the University all releases, powers of attorney, and/or other documents in connection with any such transaction and to agree to any terms or conditions to control any such account; and

(mn) to direct investment advisers managers or broker/dealers to surrender a security to the proper agent or party for the purpose of effecting any exchange or conversion or for the purpose of deposit with any protective or similar committee.

Subd. 3. Authority to Engage Investment Advisers Managers. The Board reserves to itself the exclusive authority and power on behalf of the University to engage an investment adviser managers, provided that, in exigent situations, the president or delegate shall have the authority to engage immediately an investment adviser manager. In such instance, the president or delegate shall seek Board approval of the engagement at the next regularly scheduled Board meeting. The president or delegate shall have the authority and power to terminate the engagement of an investment adviser manager and to engage and to terminate investment advisors.
Subd. 4. Targeted Investment Managers Advisors Managers. The Board encourages the use of emerging investment management advisory management firms and investment management advisory management firms that are minority-owned and/or woman-owned, and encourages steps in this regard consistent with the financial and fiduciary responsibility of the University.

Subd. 5. Targeted Investment Reporting. The administration shall report annually all steps taken to provide opportunities to emerging, minority-owned, and woman-owned investment management firms.

Subd. 65. Binding Effect. Action taken by the president or delegate pursuant to this policy shall be an act of and shall bind the Board.

Subd. 76. Certificate of Authority. The secretary of the Board shall certify the authority and power of the president or delegate to enter into investment transactions or to invest and deal in securities as provided in this policy.

**Finance and Operations Committee**

**May 13, 2010**

**Agenda Item:** Issues Related to: Athletics Finances

☐ review  ☐ review/action  ☐ action  ☒ discussion

**Presenters:** Vice President/CFO Richard Pfutzenreuter

**Purpose:**

☐ policy  ☒ background/context  ☒ oversight  ☐ strategic positioning

The purpose of the presentation is to provide background and context to the revenue inflows and expenditure outflows for the Department of Intercollegiate Athletics on the Twin Cities campus. The presentation also will provide background regarding projected financial challenges and opportunities.

**Outline of Key Points/Policy Issues:**

The total annual revenues for the Department of Intercollegiate Athletics on the Twin Cities campus amounted to approximately $69,200,000 for Fiscal Year 2009. The major sources of revenue for the department include ticket sales and revenue from radio/television, sponsorships, and gifts, which account for roughly 70% of total revenues.

**Background Information:**

The Board periodically requests overviews of selected academic and support units of the University in order to understand the financial operations and plans of units. The Finance and Operations Committee requested an overview of the Department of Intercollegiate Athletics on the Twin Cities campus as part of its annual workplan.
Agenda Item: Issues Related to: President's Recommended FY 2011 Annual Capital Improvement Budget

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

The University adopts an annual capital improvement budget that authorizes projects to begin design and construction during the upcoming fiscal year.

Detailed project information sheets for projects included in the annual capital budget are included in the docket materials for the Board of Regents (see pages 66-87).

Outline of Key Points/Policy Issues:

The 2011 Annual Capital Improvement Budget authorizes projects totaling $425,945,000 to begin design or construction during the next fiscal year. Approximately 58 percent of the capital budget is State of Minnesota supported debt for the University’s 2010 capital request ($102,167,000) and the Biomedical Facilities program ($146,925,000). The remaining 42 percent of the capital budget supports the University’s share of state bonding projects as well as University-funded capital improvements.

The Annual Capital Budget is reflective of the planning priorities established by the Six-Year Capital Improvement Plan approved by the Board of Regents annually.

The University requires that all capital projects spending more than $500,000 on either design or construction be included in the Annual Capital Improvement Budget. In order to be included in the annual capital budget, the project (1) must be approved by the respective vice president or chancellor; (2) must have completed an appropriate level of planning (typically a predesign); (3) must have all the required funding identified; and (4) must be ready to proceed if approved by the Board of Regents. These requirements lead to better projects, but also exclude from the capital budget some important projects still in development.
Background Information:

Board of Regents policy directs the administration to conduct capital planning with a “6-year time horizon, updated annually.” This annual capital planning process is completed in two parts.

Part 1, reviewed by the Board in May and approved by the Board in June, is the annual Capital Improvement Budget for the coming fiscal year in which projects with completed predesigns and financing plans are approved to proceed with design and construction.

Part 2 is a Capital Improvement Plan that establishes the institution's capital priorities for an additional 5 years into the future. This plan will become the basis for continued capital and financial planning.

President's Recommendation for Action:

The President recommends approval of the 2011 University Capital Improvement Budget and reaffirmation of its prior year capital expenditure authorization.
Finance and Operations Committee

May 13, 2010

Agenda Item: Update: Peer Institution Financial Comparisons

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

To provide the Board of Regents with key financial metrics and measurements of the University of Minnesota for fiscal year 2009 compared to peer institutions.

Outline of Key Points/Policy Issues:

The Board of Regents periodically receives an update on key financial benchmarks of the University of Minnesota compared to peer institutions. As in prior years, this year’s report will focus on key financial statistics, capital ratios, balance sheet ratios, and contribution ratios. The following points should be noted when reviewing the ratios and statistics:

- FY2009 ratios and statistics are as of fiscal year end 2009, but with the direct debt numbers adjusted to include additional debt issuances during FY2010, where applicable.

- University of Minnesota direct debt excludes the Special Purpose Revenue Bonds – Series 2006 (State Supported Revenue Bonds).

- University Gateway Corporation debt is considered indirect debt, not direct debt; thus it is included in the comprehensive debt calculations.

- FY2007 ratios and statistics for the University of Minnesota only are reflected on the slides for comparison purposes.

Background Information:

The key financial benchmarks for the University of Minnesota compared to peer institutions were last presented to the Finance and Operations Committee in December 2008, reflecting fiscal year 2007 data.
Update: Peer Institution Financial Comparisons

Finance & Operations Committee
Board of Regents
May 13, 2010
Financial Ratios

Key Financial Statistics

Capital Ratios

Balance Sheet Ratios

Operating Ratios

Contribution Ratios
Key Financial Statistics
Total Financial Resources

University of Minnesota
Key Financial Statistics
Total Enrollment (FTE)

University of Minnesota
Key Financial Statistics

Net Tuition Per Student ($)

- U of Illinois
- Penn State
- Ohio State
- Michigan State
- Indiana
- U of California
- Purdue
- U of Washington
- UNC - Chapel Hill
- U of Minnesota - 2009
- U of Minnesota - 2008
- U of Michigan

Tuition ranges from $0 to $16,000.
Key Financial Statistics
State Appropriations Per Student ($)

University of Minnesota
Capital Ratio
Total Resources to Direct Debt

University of Minnesota
Capital Ratio
Actual Debt Service to Operations
Balance Sheet Ratio
Unrestricted Resources to Operations

[Bar chart showing different institutions with varying ratios.]

University of Minnesota
Key Financial Statistics

Comprehensive Debt

- University of Minnesota
- Penn State
- Ohio State
- Michigan State
- Indiana
- Purdue
- University of California
- University of Chicago
- University of Texas
- University of Michigan
- University of Wisconsin
- University of Illinois
- University of Michigan - 2009
- University of Minnesota - 2007
- U of Minn - 2006
- U of Minn - 2002
- Moody's Aa2

Financial Statistics

- $0
- $2,000
- $4,000
- $6,000
- $8,000
- $10,000
- $12,000
- $14,000
- $16,000
- $18,000
- $20,000
- $22,000
- $24,000
- $26,000
- $28,000
- $30,000
- $32,000
- $34,000
- $36,000
- $38,000
- $40,000
Operating Ratio
Actual Debt Service Coverage
Contribution Ratio
Gifts (% of Total Revenue)

University of Minnesota
Contribution Ratio
State Appropriations (% of Total Revenue)

University of Minnesota
Agenda Item: Consent Report

☑ review/action  □ action  □ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☑ 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 Automotive Rentals, Inc. for $5,000,000 for vehicle financing as needed for the period of August 1, 2010 through July 31, 2013 for Parking and Transportation Services–Fleet Services. Financing costs will be paid by internally generated departmental funds. Vendor was selected through a competitive process.
- To Cardinal Health for purchase of pharmaceuticals and related supplies for Boynton Health Service Pharmacy for the period of May 1, 2010 through April 30, 2012 for an estimated two-year total of 10 million dollars. This purchase will be paid for from the sale of prescriptions and other items to patients and from payments by University of Minnesota departments for pharmaceuticals. Vendor was selected through a competitive process.
- To CitiCapital for $3,000,000 for vehicle financing as needed for the period August 1, 2010 through March 31, 2017 for Parking and Transportation Services–Fleet Services. Financing costs will be paid by internally generated departmental funds. Vendor was selected through a competitive process.
• To Computer Concepts & Services, Inc. for an additional $400,000, which increases the total to $1,275,000 for the purchase of essential analysis and programming services during the period of May 31, 2010 through May 31, 2011 for the University of Minnesota Veterinary Diagnostic Laboratory (VDL). VDL licensing fees, user fees, and corporate gifts provide the sources of funding for modifications specified by the VDL. This has been budgeted for in FY11. Vendor was selected through a competitive process.

• To Deloitte & Touche LLP for providing external audit services to the University for fiscal years 2010, 2011, 2012, and 2013 for an amount not to exceed $2,003,500. This contract is funded from the Controller’s Office budget and is budgeted on a recurring basis. Vendor was selected through a competitive process.

• To Lamont Digital Systems, Inc. d/b/a Campus TeleVideo, for an estimated cost of $1,933,023 for a bulk rate cable TV service agreement for the period of July 1, 2010 through June 30, 2015 for Housing & Residential Life. Due to the significant cost to students and the expectation from students that cable TV be included as part of their room rate, Housing & Residential Life included funding for a bulk rate cable TV program in its FY11 budget as an annual recurring cost. Vendor was selected through a competitive process.

• To Oracle, Inc. for approximately $4.1 million to provide software modules to expand and improve the University’s current PeopleSoft Enterprise Software System. The purchase includes maintenance for one year, from June 2010 through May 2011, for the Office of Information Technology (OIT). The initial software purchase and ongoing maintenance and support expenses will be paid by OIT, which is a centrally funded organization. See enclosed documentation regarding basis for vendor selection.

• To Prime Therapeutics, LLC for the estimated amount of $2,117,000 to provide Pharmacy Benefits Management for the three-year period of January 1, 2011 through December 31, 2014 for the self-funded UPlan Pharmacy program offered 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.

• To Royall & Company for an estimated $2,500,000 to extend the contract for two additional one-year terms for direct marketing services for the Office of Admissions for the period of August 1, 2010 through July 31, 2012. These services will be purchased with Office of Admissions departmental funds. 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 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:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010 General Contingency</td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carryforward from FY2009 into FY2010</td>
<td>729,523</td>
<td>1,729,523</td>
<td></td>
</tr>
<tr>
<td>1 Vice President for Public Safety</td>
<td>100,000</td>
<td>1,629,523</td>
<td>Enhanced police enforcement for major University events</td>
</tr>
<tr>
<td>2 Chancellor University of Minnesota Crookston</td>
<td>100,000</td>
<td>1,529,523</td>
<td>Director of Assessment position, year 1 of 3.</td>
</tr>
<tr>
<td>3 Assoc. V.P. for Capital Planning and Project Management</td>
<td>90,000</td>
<td>1,439,523</td>
<td>Replacement of boiler in Eastcliff</td>
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<tr>
<td>4 Vice President for University Relations</td>
<td>131,000</td>
<td>1,308,523</td>
<td>TCF Bank Stadium suite - three year budget</td>
</tr>
<tr>
<td>5 Office of the President</td>
<td>250,000</td>
<td>1,058,523</td>
<td>Presidential Search and Transition</td>
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<tr>
<td>6 Executive Director, Board of Regents</td>
<td>61,000</td>
<td>997,523</td>
<td>New Deputy Director</td>
</tr>
</tbody>
</table>

**New items this reporting period:**
- No new items this reporting period

**Balance as of April 30, 2010**

997,523

* Subject to Board approval due to cost of $250,000 or more
Purchase of Goods and Services over $1,000,000

To Automotive Rentals, Inc. for $5,000,000 for vehicle financing as needed for the period August 1, 2010 through July 31, 2013 for Parking and Transportation Services – Fleet Services

Due to changing vehicle technology and utilization patterns, vehicle leasing continues to provide the greatest flexibility to address the University’s need for cost and fuel efficient vehicles to best fit the diverse research, outreach and service environments at the University.

Without the capability to lease vehicles, substantial internal balances would be necessary to acquire vehicles over this time period. The leasing alternative also provides the best method for accommodating inflation in vehicle acquisition costs in the development ISO rates under A-21 guidelines.

Through a competitive proposal process, Automotive Rentals, Inc. provided the best pricing and service offering for the contract period.

Financing costs will be paid by internally generated departmental funds.

Submitted by: William Stahllmann, Assistant Director
Parking and Transportation Services, Fleet Services Division
901-29th Avenue SE
Minneapolis, MN 55414
Phone: (612) 625-8020
Fax: (612) 624-5587

Approval for this item requested by:

Kathleen O’Brien Vice President

4/6/10 Date
Purchase of Goods and Services over $1,000,000

To Cardinal Health for purchase of pharmaceuticals and related supplies for Boynton Health Service Pharmacy, for the period of May 01, 2010 through April 30, 2012, for an estimated 2 year total of 10 million dollars.

*The pharmaceuticals purchased by the Boynton Pharmacy are used to fill prescriptions for U of M students, staff, dependents and retirees; to stock various clinics at Boynton Health Service; or wholesaled to other U of M departments.*

Cardinal Health was selected through a competitive process led by the State of Minnesota, Department of Administration, Materials Management Division, on behalf of the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). Total MMCAP purchases are over 1 billion dollars annually.

MMCAP has been in existence for 21 years. Over 5,000 facilities from 43 states participate in this buying group. Because of the large purchasing volume, members are able to get the most advantageous pricing available, and next-day delivery for most items, thus enabling prompt service to Boynton’s patients and other University departments.

*This purchase will be paid for from the sale of prescriptions and other items to patients, and from payments by U of M departments for pharmaceuticals.*

Submitted by: Steve Cain, PharmD, Phone: (612) 624-2193, Supervisor, Boynton Health Service Pharmacy.

Approval of the item requested by:

E. Thomas Sullivan, Senior Vice President and Provost

Date 4/24/10
Purchase of Goods and Services over $1,000,000

To CitiCapital for $3,000,000 for vehicle financing as needed for the period August 1, 2010 through March 31, 2017 for Parking and Transportation Services – Fleet Services

Due to changing vehicle technology and utilization patterns, vehicle leasing continues to provide the greatest flexibility to address the University’s need for cost and fuel efficient vehicles to best fit the diverse research, outreach and service environments at the University.

Without the capability to lease vehicles, substantial internal balances would be necessary to acquire vehicles over this time period. The leasing alternative also provides the best method for accommodating inflation in vehicle acquisition costs in the development ISO rates under A-21 guidelines.

Through a competitive proposal process, CitiCapital was awarded a contract on March 8, 2007 for vehicle financing. Lease financing already obtained under this contract will require payments through March 31, 2017.

Financing costs will be paid by internally generated departmental funds.

Submitted by:  William Stahlmann, Assistant Director
Parking and Transportation Services, Fleet Services Division
901-29th Avenue SE
Minneapolis, MN 55414
Phone: (612) 625-8020
Fax: (612) 624-5587

Approval for this item requested by:

[Signature]
Kathleen O’Brien, Vice President

4/6/10 Date
Purchase of Goods and Services over $1,000,000

To Computer Concepts & Services, Inc. for an additional $400,000, which increase the total to $1,275,000 for the purchase of essential analysis and programming services during the period of May 31, 2010 through May 31, 2011 for the University of Minnesota Veterinary Diagnostic Laboratory (VDL).

The University of Minnesota Veterinary Diagnostic Laboratory has developed proprietary laboratory information management (LIMS) software that has been licensed to the North Carolina Department of Agriculture (University of Minnesota Patent Technology Marketing Software License Agreement L1458). The North Carolina Department of Agriculture has also licensed the Online Submission component of the LIMS software (L1872). This contract is to purchase the analysis and programming skills necessary to maintain, modify and implement the LIMS software as stated in the license agreements. These agreements are the result of collaborative efforts by the parties to track and analyze animal health data relating to diseases such highly pathogenic strains of avian influenza, swine influenza, and other zoonotic diseases. In addition the successful efforts of VDL faculty in research projects on emerging disease identification, new test development, and disease prevention are necessary for ongoing system enhancements.

Analytical and programming skills are also required for ongoing development of system enhancements to address regulatory issues necessary for participating in the National Animal Health Network and for rapid response to disease outbreaks. Laboratory operational issues also addressed to maintain and enhance quality management requirements, instrument interfaces for newly developed testing procedures, customer service enhancements, and rapid compilation and transmission of complex infectious disease informatics.

Through a competitive bid process, Computer Concepts & Services best demonstrated the necessary experience and skill sets as well as cost effectiveness to carry out the necessary tasks and was awarded the contract in May 2008. This is the first of two renewal options.

VDL licensing fees, user fees and corporate gifts provide sources of funding for modifications specified by the VDL. This has been budgeted for in FY11.

Submitted by: James E. Collins, Director
Veterinary Diagnostic Laboratory
University of Minnesota
1333 Gortner Avenue
St. Paul, MN 55108
Phone: (612) 625-9289
Fax: (612) 624-8707
collis002@umn.edu

Approval for this item requested by:

Frank B. Cerra, Senior Vice President for Health Sciences

4/21/10 Date
Contract for Services over $1,000,000

To Deloitte & Touche LLP for providing external audit services to the University for fiscal years 2010, 2011, 2012, and 2013, for an amount not to exceed $2,003,500.

The University of Minnesota engages an independent external audit firm to conduct a variety of audits which are required by federal regulations, bond rating agencies, and the NCAA. The audit contract with LarsonAllen LLP expired with the fiscal year 2009 audit. The Board of Regents Audit Committee authorized the administration to conduct a request for proposal (RFP) for external audit services. An evaluation team representing units that are heavily involved in the external audit activities reviewed proposals from 5 firms who responded to the University’s RFP. Deloitte & Touche LLP was unanimously selected by the evaluation team. The Audit Committee appointed Deloitte at a special committee meeting on April 9, 2010.

The University has successfully negotiated a contract with Deloitte that includes terms and conditions favorable to the University. The contract includes an option to continue with Deloitte for 3 years beyond the initial four year contract (fiscal years 2014, 2015, and 2016). Deloitte has agreed to limit fee increases to 3% for the three option years in the contract. The cost of the contract is budgeted and funded out of the Controller’s Office operating budget.

This contract is funded from the Controller’s Office budget, and is budgeted on a recurring basis.

Submitted by: Michael D. Volna
Associate Vice President, Finance & Controller
205 West Bank Office Building
1300 South Second Street
Minneapolis Campus
Phone: (612) 625-9529
Fax: (612) 625-7384

Approved for this item requested by:

Richard H. Pützenreuter
Vice President & Chief Financial Officer Signature
**Purchases of Goods and Services over $1,000,000**

To Lamont Digital Systems, Inc. d/b/a Campus TeleVideo, for an estimated cost of $1,933,023 for a bulk rate cable TV service agreement for the period of July 1, 2010 through June 30, 2015 for Housing & Residential Life.

*Students living in on-campus residence halls/apartments who are interested in cable TV service are currently required to subscribe directly with Comcast. The monthly basic rate per outlet for the basic cable was approximately $60.00 during the 2009-10 academic year. Housing & Residential Life’s agreement with Comcast ends on June 30, 2010.*

*Through a competitive RFP process, Campus TeleVideo provided the best pricing and flexibility and had the most experience in servicing Higher Education. The cost provides a bulk rate of approximately $9.41 per housing unit/per month for 85 cable channels (ten of the 85 channels will also be available through the internet, IPTV). Students will have the option to individually purchase premium channels directly through Campus TeleVideo.*

*Providing bulk rate cable TV results in significant savings to students and increased satisfaction with the on-campus living experience. Currently, the University of Minnesota is the only Big Ten University that does not have a bulk rate cable TV program included as part of the overall room rate. Additionally, many other colleges and universities located in the Twin Cities include cable TV as part of their overall room rate.*

*Due to the significant cost to students and the expectation from students that cable TV be included as part of their room rate, Housing & Residential Life included funding for a bulk rate cable TV program in its FY11 budget as an annual recurring cost.*

Submitted by: Laurie McLaughlin, Director, Housing & Residential Life  
Comstock Hall-East  
210 Delaware Street SE  
Minneapolis Campus  
Phone: 612-626-1499

Approval for the item requested by:  

[Signature]  
Kathleen O'Brien, Vice President, University Services  
April 23, 2010
Purchase of Goods and Services over $1,000,000

To Oracle, Inc. for an estimated $4.1 million to provide software modules to expand and improve the University’s current PeopleSoft Enterprise Software System. The purchase includes maintenance for one year, June 2010 through May 2011, for the Office of Information Technology (OIT).

This PeopleSoft Enterprise Software expansion encompasses six modules:
- PeopleSoft Enterprise Campus Solutions Warehouse
- PeopleSoft Enterprise Fusion Campus Solutions
- PeopleSoft Enterprise HCM Warehouse
- PeopleSoft Enterprise Financials Warehouse
- Oracle Business Intelligence Suite Enterprise Edition Plus
- Business Intelligence Server Administrator

This project aims to advance the University’s goal of establishing itself as a top three public research institution through alignment with University strategic goals, including:
- Increase the validity and availability of data for informed decision making by University leaders.
- Facilitate the measurement of performance on metrics specific to defined priorities at all levels of the University.
- Improve customer satisfaction by simplifying data acquisition analysis processes, and infrastructure support.
- Increase stewardship of resources by extending the common good model to reporting and analysis capabilities.

This contract includes purchase of Oracle PeopleSoft software and one year of prepaid maintenance.

 Oracle is the manufacturer and sole distributor of PeopleSoft software products. Pricing is comparable to previous PeopleSoft enterprise software purchases.

The software purchase and ongoing maintenance and support expenses will be paid by the Office of Information Technology, which is a centrally funded organization.

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

Approval of this item is requested by:

Vice President and CIO  

Date: 4/26/2010
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because it is an expansion of current software modules from the vendor (Oracle) who is the manufacturer and sole distributor of PeopleSoft software products.

Oracle’s quote includes discounts that exceed those provided in the current Midwestern Higher Education Compact (MHEC) pricing.

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 Prime Therapeutics, LLC for the estimated amount of $2,117,000 to provide Pharmacy Benefits Management for the three-year period of January 1, 2011 through December 31, 2014 for the self-funded UPlan Pharmacy program offered through the University of Minnesota Office of Human Resources Employee Benefits.

Prime Therapeutics, LLC will administer the single pharmacy program that will be offered to all UPlan Medical Program participants. They will work with the University to encourage effective pharmaceutical care for plan members, and cost effective program management for both employees and the University. Prime Therapeutics, LLC will be supported by Fairview Specialty Services on the specialty component of the program.

Prime Therapeutics, LLC was selected as a result of a Request for Proposal process conducted in 2010. All major provisions of an Administrative Service Agreement between the Regents of the University of Minnesota and Prime Therapeutics, LLC have been agreed to and the Agreement is being finalized for signature by the University. The contract will be for a three-year period, with three options to renew the contract.

The estimated amount of $2,117,000 is based on administrative service fees submitted as a part of the RFP process and estimated enrollment. The administrative fees are funded on an annual basis through the fringe pool.

Submitted by: Karen Chapin
Health Programs Manager

Approval for this item is requested by:

Carol Carrier
Vice President, Office of Human Resources

May 13, 2010
Purchase of Goods and Services over $1,000,000

To Royall & Company for an estimated $2,500,000 to extend the contract for two additional one-year terms for direct marketing services for the Office of Admissions for the period of August 1, 2010, through July 31, 2012.

Due to the competitiveness and sophistication of college recruitment and the continued high expectations by University colleges and Central Administration for enrollment results, the Office of Admissions must utilize services like those provided by Royall & Company to remain competitive and to meet the University's enrollment goals.

Royall & Co. is a direct marketing firm that specializes in higher education student recruitment. Royall & Co. provides start-to-finish direct marketing professional services to include strategic and creative consultation and recommendations, program development and implementation, and program results and analysis. Their services include, but are not limited to: lead generation (paper and electronic), lead generation fulfillment (email confirmation of online responses and data entry and personalized mail fulfillment of requests), Fast Application (personalized admission application and online corollary and email marketing campaign), online freshman, transfer, and international admission applications, Deposit eQual (online enrollment confirmation and interest qualification), and Waitlist eQual (online polling to determine interest of waitlisted applicants in remaining on the waitlist).

Royall & Company was selected in 2007 through a competitive proposal process for direct marketing services and was awarded a three year contract, with the option to extend the contract for two additional one-year terms. Included in the total contract extension amount are estimated costs for possible additional direct marketing projects should they be needed to help ensure the University's continued enrollment success. To-date, Royall & Company has a proven track record of outstanding results for the Office of Admissions and the University of Minnesota.

These services will be purchased with Office of Admissions departmental funds.

Submitted by: Wayne Sigler, Director of Admissions
240 Williamson Hall
Minneapolis campus
Phone: 612-624-8270
Fax: 612-626-0990

Approval for this item requested by:

[Signature]

Date: 4-27-10

49
Finance and Operations Committee

May 13, 2010

Agenda Item: Information Items

☐ review ☐ review/action ☐ action ☒ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy ☐ background/context ☒ oversight ☐ strategic positioning

Quarterly Purchasing Report
To provide a quarterly report of purchasing activity as required by Board of Regents policies Purchasing and Board Operations and Agenda Guidelines.

Update on Long-Range Financial Planning
To provide an update on the development of a long-range financial planning model.

Outline of Key Points/Policy Issues:

Quarterly Purchasing Report
Detailed reports with brief discussion on the following activity:

• Summary of Purchasing Activity
• Purchases made as Approved Exceptions to Competitive Process
• Purchases made as Preapproved Exceptions to Competitive Process
• Regents Purchasing Policy Violations

Update on Long-Range Financial Planning
The University administration, in cooperation with a work group of the Board of Regents, continues to work on the development of a long-range financial planning model. The model is being designed to provide system-wide institutional level revenue and expenditure modeling with the goal of engaging in a discussion of the major strategic revenue and cost drivers for the University of Minnesota. The model is not being designed with a goal of analyzing or modeling tactical or operational decisions. The model is to be focused on the most significant and strategic revenue and expenditure challenges facing the University. The Board of Regents workgroup on long-range financial planning has been meeting and has been charged to:
1. work with management on drafting a financial planning framework for the University and how the framework is to be provided to the Board;
2. discuss draft principles developed by the administration for consideration by the Board of Regents (once approved by the Board, these principles will guide the long-range financial planning process);
3. review and advise on current and planned long-range financial planning; and
4. serve as a sounding board, and not a substitute, for the Board or its committees.

The next meeting of the workgroup is scheduled for June 9, 2010.
April 29, 2010

The Honorable John Frobenius, Chair, Finance and Operations Committee
The Honorable Venora Hung, Vice Chair
The Honorable Clyde Allen
The Honorable Richard Beeson
The Honorable Steven Hunter
The Honorable Patricia Simmons

Committee Members:

Enclosed is Purchasing Services’ report on purchasing activity for 3rd quarter, fiscal year ‘10. Regents policy requires that a quarterly purchasing report, including violations of Regents purchasing policy, be submitted to the Finance and Operations Committee of the Board of Regents. This letter provides explanatory background and brief analysis of the report and attachments that follow.

**Background**
The enclosed report and attachments provide statistics, graphics and some detail on four categories of purchasing activity for the quarter:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to the Competitive Purchasing Process
- Purchases made as Preapproved Exceptions to the Competitive Purchasing Process
- Regents Purchasing Policy Violations

“Quarterly Purchasing Activity” represents the total amount of goods and services purchased for the quarter and year-to-date across all funding sources, including construction projects.

“Quarterly Approved Exceptions” refers to purchases where, following proper protocol, the vendor was not selected through a Request for Bid or Request for Proposal process. All of the approved exceptions were justified in writing by the requisitioning department, with the justification reviewed and approved by the Director of Purchasing before the purchase took place. Additionally, the appropriate Vice President and the University Controller approved all exceptions of $100,000 and over, except preapproved exceptions. Section II provides a listing of the transactions that followed this process and were approved as exceptions.

“Quarterly Pre-approved Exceptions” are also purchases where the vendor has not been selected through a competitive process. However, they are exceptions that occur routinely with consistent reasons, so that the approval of the justification has become standardized. Refer to Section III of the report for a listing of transactions processed as pre-approved exceptions during the quarter.
“Regents Purchasing Policy Violations” refers to transactions that were processed which bypassed the competitive process without following proper protocol and without the necessary approvals. Section IV provides a listing of purchasing violations.

Please note on the 3rd quarter, 2010 report:

- The 3rd quarter report compares dollars spent on purchases in 3rd quarter of the current year to dollars spent on purchases in 3rd quarter of the two previous years. The same comparison is made for approved exceptions and for preapproved exceptions.

- Comparisons are also made year-to-date through third quarter. The year-to-date comparisons will become progressively more meaningful with each quarter, with 4th quarter comparing purchasing activity for three complete fiscal years.

- YTD Purchasing activity appears sharply up from FY 09 to FY 10, but this is largely attributable to two things. First, University departments’ spending in most categories, especially supply items, fell off dramatically in FY09 while University staff worked to become familiar with the new Enterprise Financial System. A return to a more normal spending pattern in FY 10 gives the appearance of a significant increase over FY 09. Second, FY 10 YTD shows increased spending for construction in progress combined with building repairs and maintenance.

- FY10 Approved Exceptions are up over FY 09 in both quarterly and year-to-date reports. This is largely attributable to a single $3.4 million exception for consulting for Enterprise Financial System enhancements in November, 2009.

- There were no Regents Purchasing Policy Violations in the third quarter of FY10.

If you have any questions on the report, please do not hesitate to contact Karen Triplett, Director of Purchasing, or me.

Sincerely,

Michael D. Volna
Associate Vice President-Finance & Controller

Cc: Richard Pfutzenreuter, CFO, Treasurer and Vice President for Budget & Finance
Ann Cieslak, Executive Director and Corporate Secretary, Board of Regents
Karen Triplett, Director, Purchasing Services
University of Minnesota
Quarterly Purchasing Report
As of March 31, 2010

I. Summary of Purchasing Activity for 3rd Quarter

Total Quarterly Purchasing Activity

<table>
<thead>
<tr>
<th># of Transactions</th>
<th>Q3 FY08</th>
<th>Q3 FY09</th>
<th>Q3 FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Transactions</td>
<td>161,970</td>
<td>201,750</td>
<td>205,312</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$252,419,995</td>
<td>$211,834,482</td>
<td>$178,264,397</td>
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Quarterly Approved Exceptions

<table>
<thead>
<tr>
<th># of Exceptions</th>
<th>Q3 FY08</th>
<th>Q3 FY09</th>
<th>Q3 FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Exceptions</td>
<td>19</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$1,949,735</td>
<td>$3,157,453</td>
<td>$4,211,779</td>
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Quarterly Pre-Approved Exceptions

<table>
<thead>
<tr>
<th># of Exceptions</th>
<th>Q3 FY08</th>
<th>Q3 FY09</th>
<th>Q3 FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Exceptions</td>
<td>21</td>
<td>28</td>
<td>11</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$2,018,912</td>
<td>$4,417,127</td>
<td>$1,856,574</td>
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</table>
Summary of Purchasing Activity YTD

**Total YTD Purchasing Activity**

<table>
<thead>
<tr>
<th></th>
<th>YTD FY08</th>
<th>YTD FY09</th>
<th>YTD FY10</th>
</tr>
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<tbody>
<tr>
<td># of Transactions</td>
<td>482,777</td>
<td>532,338</td>
<td>704,651</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$729,847,532</td>
<td>$647,906,636</td>
<td>$695,123,715</td>
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**YTD Approved Exceptions**

<table>
<thead>
<tr>
<th></th>
<th>YTD FY08</th>
<th>YTD FY09</th>
<th>YTD FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Exceptions</td>
<td>85</td>
<td>71</td>
<td>97</td>
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<tr>
<td>Total Dollars Spent</td>
<td>$13,579,497</td>
<td>$11,421,204</td>
<td>$17,598,675</td>
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</table>

**YTD Pre-Approved Exceptions**

<table>
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<tr>
<th></th>
<th>YTD FY08</th>
<th>YTD FY09</th>
<th>YTD FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Exceptions</td>
<td>56</td>
<td>71</td>
<td>63</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$6,211,020</td>
<td>$9,756,290</td>
<td>$8,600,745</td>
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</tbody>
</table>
## II. Purchases made as Approved Exceptions to Competitive Purchasing Process

(Goods, Services & Construction) Under $250,000

<table>
<thead>
<tr>
<th>Price Reasonableness</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>240280</td>
<td>Silicon Life Sciences LLC</td>
<td>Design, create, and maintain the KIM (Knowledge-base of Interatomic Models) web portal and main repository.</td>
<td>$179,904</td>
<td>Aerospace Engineering &amp; Mechanics</td>
</tr>
<tr>
<td>2</td>
<td>243020</td>
<td>Toshiba America Medical Systems, Inc.</td>
<td>Purchase Apio Artida ultrasound system.</td>
<td>$119,220</td>
<td>Epidemiology &amp; Community Health</td>
</tr>
<tr>
<td>2</td>
<td>259081</td>
<td>GE Medical Systems</td>
<td>Purchase of a direct-to-digital, fan-beam dual energy X-ray (DXA) absorptiometry.</td>
<td>$99,250</td>
<td>Clinical and Translational Science Institute</td>
</tr>
<tr>
<td>2</td>
<td>246914</td>
<td>Praxair Technology, Inc.</td>
<td>Rental of CO2 tank and associated equipment over a 3 year period.</td>
<td>$92,400</td>
<td>Forest Resources</td>
</tr>
<tr>
<td>8</td>
<td>241225</td>
<td>Crescent Chemical Company, Inc.</td>
<td>Purchase of premium grade Neutral Protease NB and Collagenase NB1 enzymes for use in the porcine isolation procedures.</td>
<td>$89,760</td>
<td>Masonic Cancer Center</td>
</tr>
<tr>
<td>2, 8</td>
<td>246392</td>
<td>TSI, Inc.</td>
<td>Purchase an Optical Measurement System that is compatible with existing equipment.</td>
<td>$81,557</td>
<td>Mechanical Engineering</td>
</tr>
<tr>
<td>8</td>
<td>CO-10324406</td>
<td>SimplexGrinnell</td>
<td>Upgrade Simplex fire alarm panels.</td>
<td>$73,701</td>
<td>Facilities Management</td>
</tr>
<tr>
<td>2</td>
<td>263147</td>
<td>Reson, Inc.</td>
<td>Purchase a Seabat 8101 to upgrade current equipment.</td>
<td>$71,380</td>
<td>Large Lakes Observatory</td>
</tr>
<tr>
<td>2, 7</td>
<td>249030</td>
<td>Sequenom, Inc.</td>
<td>Purchase of Reagent kits.</td>
<td>$64,425</td>
<td>Genomics</td>
</tr>
<tr>
<td>7</td>
<td>261463</td>
<td>Amano McGann, Inc.</td>
<td>Reconstruct Gopher Lot to accommodate public sales.</td>
<td>$62,700</td>
<td>Parking &amp; Transportation Services</td>
</tr>
<tr>
<td>2</td>
<td>254853</td>
<td>Tucker-Davis Technologies</td>
<td>Purchase of Electrophysiology equipment.</td>
<td>$59,940</td>
<td>Biomedical Engineering</td>
</tr>
<tr>
<td>7</td>
<td>CO-07255194</td>
<td>Cornerstone Commissioning, Inc.</td>
<td>To provide assistance with BSL-3 commissioning tasks for the Medical Biosciences Building (MBB).</td>
<td>$54,111</td>
<td>FM Energy Management</td>
</tr>
<tr>
<td>2</td>
<td>257888</td>
<td>WorldViz LLC</td>
<td>Purchase an optical tracking system capable of providing positions and orientation.</td>
<td>$52,130</td>
<td>Computer Science</td>
</tr>
<tr>
<td>8</td>
<td>236678</td>
<td>Med Associates, Inc.</td>
<td>Purchase of cabinets and components to be used to support drug self-administration studies.</td>
<td>$51,992</td>
<td>Psychiatry</td>
</tr>
</tbody>
</table>

Total: $1,152,469
<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Price</th>
<th>Reasonableness</th>
<th>Department</th>
<th>Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>255625</td>
<td>B-Swing</td>
<td>Creation, implementation, usability testing and on-going maintenance of online intervention and survey tool.</td>
<td>200,000</td>
<td>1, 2, 4</td>
<td>Family Medicine &amp; Community Health</td>
<td>$179,000</td>
</tr>
<tr>
<td>255638</td>
<td>Eclipse Data Systems</td>
<td>To provide communication plan for engagement of stakeholders for development and oversight of Masonic Information Exchange (MIX).</td>
<td>80,000</td>
<td>7</td>
<td>Masonic Cancer Center</td>
<td>$78,000</td>
</tr>
<tr>
<td>248983</td>
<td>Edgeworks Technology, Inc.</td>
<td>To customize and implement search protocols of large databases to identify specific patient cases and variables.</td>
<td>200,000</td>
<td>8</td>
<td>Clinical and Translational Science Institute</td>
<td>$145,100</td>
</tr>
<tr>
<td>261470</td>
<td>Recombinant Data Corp.</td>
<td>Deliver 2B2 and SHRINE (Shared Health Research Information Network) pilot.</td>
<td>179,000</td>
<td>1, 2, 4</td>
<td>Clinical and Translational Science Institute</td>
<td>$132,000</td>
</tr>
<tr>
<td>261473</td>
<td>Recombinant Data Corp.</td>
<td>Deliver Profiles Research Networking Software.</td>
<td>160,460</td>
<td>8</td>
<td>Nursing</td>
<td>$120,000</td>
</tr>
<tr>
<td>261470</td>
<td>St. Paul Radiology</td>
<td>Conduct executive search.</td>
<td>268,000</td>
<td>8</td>
<td>Environmental Health</td>
<td>$99,000</td>
</tr>
<tr>
<td>255638</td>
<td>Cambridge Associates, LLC</td>
<td>To establish a communication plan for development and oversight of Masonic Information Exchange (MIX).</td>
<td>78,000</td>
<td>7</td>
<td>Masonic Cancer Center</td>
<td>$78,000</td>
</tr>
<tr>
<td>258634</td>
<td>Illumina, Inc.</td>
<td>Purchase of HiSeq 2000 system, software and installation.</td>
<td>775,000</td>
<td>8</td>
<td>Biomedical Genomics Center</td>
<td>$475,000</td>
</tr>
<tr>
<td>264216</td>
<td>FieldTurf USA, Inc.</td>
<td>Replace turf, remove asphalt and re-grade the base of the Gibson-Nagurski football indoor practice facility.</td>
<td>475,000</td>
<td>1, 2</td>
<td>Intercollegiate Athletics</td>
<td>$350,000</td>
</tr>
<tr>
<td>260200</td>
<td>k. L. Steel Products</td>
<td>Purchase of resident room furnishings for David C. Johnson Independence Hall.</td>
<td>240,000</td>
<td>8</td>
<td>Office of Residential Life, UMM</td>
<td>$1,845,750</td>
</tr>
</tbody>
</table>
Reasonableness of Single Price is ascertained by one or more of the following:

1. Cost/Price analysis.
2. Negotiation with supplier.
3. Published catalog price.
4. Price is consistent with independent estimates developed within the University or by credible third party.
5. Comparison to similar purchase(s).
6. Comparison with peer institution contract (including State of Minnesota).
7. Qualified individual's knowledge of market.
8. Other
### III. Pre-Approved Exceptions to Competitive Purchasing
(Goods, Services and Construction)

**5 PURCHASES**

**TOTAL: $870,420**

Exception #4: Closeout or used items which requestor of Purchasing has verified to be at least 30% below comparable new equipment (does not include refurbished or remanufactured furniture).

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>259186</td>
<td>Thermo Electron North America LLC</td>
<td>Purchase refurbished mass spectrometers.</td>
<td>$499,000</td>
<td>Horticultural Science</td>
</tr>
<tr>
<td>263993</td>
<td>Accurex Dimensional Measurement Systems</td>
<td>Purchase of a Breuckmann SmartScan Duo white light scanner.</td>
<td>$89,191</td>
<td>Anthropology</td>
</tr>
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<tr>
<td></td>
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<td><strong>$588,191</strong></td>
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</tr>
</tbody>
</table>

Exception #6: Service or supplies available only from another governmental agency or public entity.

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>261010</td>
<td>Mayo Clinic</td>
<td>Instructional services for UMN students registered in Respiratory Care courses during Spring 2010.</td>
<td>$55,000</td>
<td>Degree &amp; Credit Programs</td>
</tr>
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<tr>
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<td></td>
<td><strong>$55,000</strong></td>
</tr>
</tbody>
</table>

Exception #11: Software license renewals and software upgrades purchased from original developer. This includes adding licenses to an existing license agreement.

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>264323</td>
<td>SAP</td>
<td>Convert license to new license and increase the number of licenses.</td>
<td>$119,973</td>
<td>U Services</td>
</tr>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$119,973</strong></td>
</tr>
</tbody>
</table>

Exception #14: Fairview purchases related to research projects.

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>262342</td>
<td>Fairview University Medical Center</td>
<td>Abdominal CT scans to image visceral fat and hepatic steatosis.</td>
<td>$107,256</td>
<td>Epidemiology &amp; Community Health</td>
</tr>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$107,256</strong></td>
</tr>
</tbody>
</table>
Pre-Approved Exceptions to Competitive Purchasing
(Professional Services)

6 PURCHASES
TOTAL: $986,154

Exception #18: Subcontractors previously arranged by Sponsored Projects Administration (SPA).

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>258342</td>
<td>Makerere University</td>
<td>To continue existing research in collaboration with the Infectious Diseases Institute on HIV immune reconstitution inflammatory syndrome in Sub-Saharan Africa.</td>
<td>$95,000</td>
<td>Microbiology</td>
</tr>
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</tr>
</tbody>
</table>

Exception #19: Service (1) available only from another governmental agency or public entity or (2) required by law to be provided by another governmental entity.

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>236015</td>
<td>Minnesota State Fair</td>
<td>Staffing hours for support and management of the 4-H programs and activities during the MN State Fair.</td>
<td>$144,345</td>
<td>4H Program</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

Exception #21: Entertainers, lecturers, speakers, and honoraria.

<table>
<thead>
<tr>
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<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>263241</td>
<td>Live Nation</td>
<td>Performance by Chelsea Handler.</td>
<td>$525,984</td>
<td>Northrop</td>
</tr>
<tr>
<td>250718</td>
<td>American Program Bureau, Inc.</td>
<td>Mikhail Gorbachev to speak as part of the Carlson Distinguished Lecturers series.</td>
<td>$100,000</td>
<td>Politics &amp; Governance</td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

Exception #24: Study Abroad Program Administrators (does not include group airfares).

<table>
<thead>
<tr>
<th>PO #</th>
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<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>242898</td>
<td>Fundacao Getulio Vargas-Escola De</td>
<td>Study abroad program to Sao Paulo, Brazil.</td>
<td>$69,500</td>
<td>Carlson School of Management</td>
</tr>
<tr>
<td>260126</td>
<td>Accent</td>
<td>Study abroad program to Rome, Italy.</td>
<td>$51,325</td>
<td>Anthropology</td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

IV. Regents Policy Violations
0 PURCHASES
TOTAL: $0

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>