UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance & Operations Committee
Thursday, November 13, 2008
1:15 p.m. - 3:15 p.m.
600 McNamara Alumni Center, East Committee Room

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

Student Representatives
Imee Cambronero
Jennifer McCabe

AGENDA

1. Resolution Related to Issuance of University Debt - Review/Action - R. Pfutzenreuter (pp. 2-5)

2. Resolution Related to Issuance of Debt for Biomedical Sciences Research Facilities - Review/Action - R. Pfutzenreuter (pp. 6-10)


5. Information Items - R. Pfutzenreuter (pp. 24-25)
Finance and Operations Committee

November 13, 2008

**Agenda Item:** Resolution Related to Issuance of University Debt

- [ ] review
- [x] review/action
- [ ] action
- [ ] discussion

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

**Purpose:**

- [ ] policy
- [ ] background/context
- [x] oversight
- [ ] strategic positioning

In accordance with Board of Regents Policy: *Debt Transactions*, the Resolution Related to Issuance of University Debt is being presented for review and action.

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

The University is requesting approval of the attached financing resolution authorizing the issuance and sale of bonds in the principal amount of up to $164,000,000 to finance and/or reimburse the University for purchases of land and buildings, construction and remodeling projects, the acquisition and installation of equipment, and costs of issuance of the bonds.

In addition, as approximately $65,000,000 of the principal amount to be authorized for purchases, capital projects and equipment for which the issuance of commercial paper was authorized in October 2007 in the amount of $135,000,000, the amount of commercial paper authorized in October 2007 is deemed to have been reduced to $70,000,000.

**Background Information:**

The purchases of land and buildings, construction and remodeling projects, and equipment to be financed by the proceeds of the bonds shall be those so designated by the Board of Regents or by the Treasurer as part of the University’s capital planning process.

**President’s Recommendation for Action:**

The President recommends approval of the Resolution Related to Issuance of University Debt.
REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

ISSUANCE OF UNIVERSITY DEBT

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale of general obligation indebtedness of the University (such general obligation indebtedness, whether issued in the form of bonds, notes or such other form of indebtedness as may be designated by the University, the “Bonds”), the proceeds of which are to be used to finance University purchases of land and buildings, construction and remodeling projects, the acquisition and installation of equipment and costs of issuance of the Bonds;

WHEREAS, the Bonds will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee or pursuant to an Order of the University;

WHEREAS, the Indenture of Trust or Order pursuant to which Bonds will be issued will contain the terms of such Bonds and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such bonds; and

WHEREAS, the principal amount of the Bonds authorized will be the amount of the Bonds outstanding at any time, and not an aggregate principal amount.

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

1. To provide funds to finance University purchases of land and buildings, construction and remodeling projects, the acquisition and installation of equipment by the University and the costs of issuance thereof, the University hereby authorizes the sale and issuance of the Bonds in one or more series in the principal amount of up to $164,000,000. The Bonds shall be indebtedness of the University and shall mature not later than the date that is 25 years after the date of issuance of each series. The Bonds shall be
general obligations of the University if the Treasurer determines that the
Bonds shall be issued as general obligations of the University. Interest on
the Bonds may or may not be excludable from gross income under Section 103
of the Internal Revenue Code of 1986, as amended.

2. As approximately $65,000,000 of the principal amount stated in
Section 1 shall be used to finance purchases, projects, and equipment for
which the issuance of commercial paper was authorized in October, 2007 in
the principal amount of $135,000,000, the amount of commercial paper
authorized in October, 2007 shall be deemed to have been reduced to
$70,000,000.

3. The purchases of land and buildings, construction and
remodeling projects, and equipment to be financed by the proceeds of the
Bonds shall be those the source of funding of which is so designated by the
Board of Regents or by the Treasurer as part of the University’s capital
planning process.

4. The Treasurer is authorized to negotiate with one or more
banks, investment banking firms or financial institutions to be engaged by
the Board of Regents as the underwriter for the Bonds, the terms and
conditions upon which the Bonds shall be sold and issued, and to approve the
terms of such sale and issuance, including whether the Bonds shall be issued
as general obligations of the University. The Treasurer is further authorized
to negotiate with one or more commercial banks the terms and condition of
any credit support or liquidity facility for any series of Bonds and approve the
terms of such credit support of liquidity facility, and to negotiate the terms
and condition of any interest rate swap agreement or other similar
agreements with the counterparty to such agreement as hedging techniques
with respect to the interest rate on any series of Bonds. Such agreements
shall be in the form and contain such rights, obligations, covenants,
agreements, representations and warranties of the University as may be
approved by the Treasurer and the General Counsel.

5. In connection with the issuance of any series of Bonds, the
President and Treasurer are authorized to execute and deliver on behalf of
the University the Indenture of Trust or Order or any supplement or
amendment thereto under which the Bonds are to be issued in the form and
containing such covenants, agreements, representations and warranties as
may be approved by the Treasurer and the General Counsel, and the
Secretary and Treasurer are authorized to execute and deliver the Bonds in
accordance with such Indenture of Trust or Order or any supplement or
amendment thereto. The signatures of the Secretary and/or Treasurer on the
Bonds may be by facsimile.

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

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

8. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Bonds.

9. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Bonds certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of the Bonds as such facts appear from the books and records in the officers’ custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the University as to the truth of all statements contained therein.

10. The execution of any document by the appropriate University officers herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, final Official Statement, purchase agreement or any other document to be executed by the President or Treasurer in connection with the Bonds may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.
Finance and Operations Committee  
November 13, 2008

**Agenda Item:**  Resolution Related to Issuance of Debt for Biomedical Sciences Research Facilities

- [x] review/action  
- [ ] action  
- [ ] discussion

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

**Purpose:**

- [ ] policy  
- [ ] background/context  
- [x] oversight  
- [ ] strategic positioning

In accordance with Board of Regents Policy: *Debt Transactions*, the Resolution Related to Issuance of Debt for Biomedical Sciences Research Facilities is being presented for review and action.

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

The University is constructing four buildings, collectively referred to as the Biomedical Sciences Research Facilities (the “Facilities”), located on its campus to be used as research facilities and laboratories for biomedical science and biomedical technology. The Facilities will benefit the state's economy, advance the biomedical technology industry, benefit human health, and facilitate research collaboration between the University of Minnesota and other private and public institutions in this state.

The University is requesting approval of the attached financing resolution authorizing the issuance and sale of bonds in the principal amount of up to $292,000,000 for costs of the Facilities. Annual state appropriations will be provided for up to 75 percent of the project costs for each of four projects approved by the Board of Regents, provided that the principal amount of bonds issued by the University to pay the state’s share of the costs must not exceed $219,000,000 and that certain required certifications are made.

The initial amount of Bonds to be issued under the authority contained in the attached resolution is $16,000,000.

**Background Information:**

On March 10, 2006, the Board of Regents approved the Resolution Related to Minnesota Biomedical Sciences Research Facilities Authority.
The 2008 Minnesota Legislature enacted Chapter 179, Sections 44-48 of the Minnesota statutes.

On July 9, 2008, the Finance and Operations Committee discussed the Biomedical Facilities Debt Financing Strategy and the Board of Regents discussed the Biomedical Facilities Implementation Program.

President's Recommendation for Action:

The President recommends approval of the Resolution Related to Issuance of Debt for Biomedical Sciences Research Facilities.
REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

ISSUANCE OF DEBT FOR BIOMEDICAL SCIENCES RESEARCH FACILITIES

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

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

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale by the University of indebtedness in the form of bonds issued in one or more series (Bonds), the proceeds of which are to be used to finance the costs of the Facilities, including the State Funding;

WHEREAS, the Bonds will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee, or pursuant to an Order of the University; and

WHEREAS, the Indenture of Trust or Order pursuant to which any series of Bonds will be issued will contain the terms of such Bonds and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such Bonds.
NOW, THEREFORE, BE IT RESOLVED by the Regents of the University of Minnesota, as follows:

1. To provide financing for the costs of the Facilities, including the State Funding, the University hereby authorizes the issuance of the Bonds in one or more series in the total principal amount of up to $292,000,000, provided that authorization for each series is subject to the condition that it has been or will be certified by the Board in compliance with Secs. 137.63, Subd. 2 and 137.64, Subd. 1 of the Biomedical Science Research Funding Legislation (each, a Certification Resolution). The Bonds shall mature no later than the date that is 25 years from the date of issuance of each series. All or a portion of each series of the Bonds shall be general obligations of the University if the Treasurer determines that the Bonds shall be issued as general obligations of the University. Interest on the Bonds may or may not be excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended. The Treasurer is authorized to approve the terms of one or more series of Bonds to be issued by the University pursuant to the authority contained in this resolution as provided in Section 2 hereof. The terms of any additional series of Bonds to be issued by the University pursuant to the authority contained in this resolution shall be subject to the further approval of the Board of Regents.

2. As the initial Bonds to be issued pursuant to the authority contained in this resolution, the Treasurer is authorized to approve the terms of one or more series of bonds up to an aggregate principal amount of $16,000,000; including but not limited to the principal amount thereof, the maturity date or dates thereof, the interest rate or rates thereon, and the provisions, if any, with respect to the redemption of such Bonds prior to the stated maturity thereof, provided that if the interest rate on any series of Bonds shall be a fixed rate as provided in the Indenture of Trust or Order pursuant to which it is issued, the interest rate on any Bonds of such series may not exceed 8.00% per annum, and in no event shall any Bond mature later than 25 years following its date of issuance.

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

4. In connection with the issuance of any series of Bonds, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order of the University or any supplement or amendment thereto under which the Bonds are to be issued in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Bonds in accordance with such Indenture of Trust or Order of
the University or any supplement or amendment thereto. The signatures of
the Secretary and/or Treasurer on the Bonds may be by facsimile.

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

6. In addition, the Treasurer is further authorized to negotiate with one
or more commercial banks, insurers or other credit support providers the
terms and conditions of any credit support for any series of Bonds, and the
President and Treasurer are authorized to execute and deliver any
agreements of the University with the provider of any such credit support
facility. Such agreements shall be in the form and contain such rights,
obligations, covenants, agreements, representations and warranties of the
University as may be approved by the Treasurer and the General Counsel.

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

8. The appropriate University officers are authorized to execute and
deliver all other documents, certificates and to take such action as may be
necessary or appropriate in connection with the issuance and sale of the
Bonds.

9. The Secretary and other officials of the University are authorized and
directed to prepare and furnish to any purchasers of the Bonds certified
copies of all proceedings and records of the University as may be required or
appropriate to evidence the facts relating to the legality of the Bonds as such
facts appear from the books and records in the officers’ custody and control or
as otherwise known to them; and all such certified copies, certificates and
affidavits, including any heretofore furnished, shall constitute
representations of the University as to the truth of all statements contained
therein.

10. The execution of any document by the appropriate officers of the
University herein authorized shall be conclusive evidence of the approval of
such documents in accordance with the terms hereof. In the absence of the
President or Treasurer, any Indenture of Trust, Order, final Official
Statement, purchase agreement with the initial purchaser or purchasers of
any series of Bonds or any other document to be executed by the President or
Treasurer in connection with the Bonds may be executed by the Chair or Vice
Chair instead of the President and by the Secretary instead of the Treasurer.
The Board of Regents periodically reviews areas of institutional risk.

Outline of Key Points/Policy Issues:

The global, national and state economic situation resulting from the current financial crisis is serious and extremely volatile. As a result, the University of Minnesota faces a changing financial landscape. The purpose of the discussion is to outline specific areas of financial risk, to inform the Board of Regents of recent impacts, to provide an update on actions taken to date, to highlight specific reviews already completed, and to outline ongoing monitoring activities designed to ensure that the University is appropriately positioned to respond to changing financial conditions.

Background Information:

The global financial crisis, brewing for a while, started to show its effects in the middle of 2008. By mid-October of 2008 world stock markets had fallen, several large financial institutions had collapsed or been bought out, and governments in even the wealthiest nations had to come up with rescue packages to bail out their financial systems. The rapid change in the global financial markets has had a direct impact on the University. Among these impacts are a reduction in the value of the endowment, reduced investment income to the temporary investment pool, and the need to transfer bonds previously remarketed by Lehman Brothers to Barclays.

Despite uncertainty in the global financial situation, the University is financially sound. The University of Minnesota's investment strategy is designed to protect the endowment from the temporary ups and downs of the market. In addition, the University's capital budget financing strategy anticipates market volatility and we continue to have a strong bond rating and investor confidence. The University is well positioned to cover contingencies arising from the current global financial crisis.

The Finance and Operations Committee previously reviewed an institutional financial risk profile in 2007.
Finance and Operations Committee
November 13, 2008

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

Purchase of Goods and Services Over $250,000

• To Aastra Intecom, Anixter, Border States Electric Supply, Communications Supply Corp, Goldcom, Graybar Inc., and MN Computer Supply for an estimated $2,000,000 combined total to provide telecommunication equipment and supplies for the period of December 16, 2008, through December 15, 2009, for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT). This purchase of equipment and supplies by NTS is budgeted for FY09 and will be included in the budget for FY10. These expenses are partly materials for resale to NTS customers and partly materials used for non-billable projects (such as maintenance and repairs) or expansion and upgrades of the Twin Cities campus network infrastructure. Vendor was selected through a competitive process.

• To Charter Search, Inc. for $773,564 for air charter service for the 2008-09 season for away men’s and women’s basketball games for the Department of Intercollegiate Athletics for the University of Minnesota men’s and women’s basketball teams. These services are funded with departmental auxiliary funds currently available within the department budget. Air travel is identified as a line item in each team’s budget each year during the budget process. Vendor was selected through a competitive process.
• To Mega Farms, Inc. for $375,000 for snow removal for the University of Minnesota Twin Cities campus for FY09 for the Facilities Management – LandCare. 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 Metropolitan Council and Metro Transit for $27.75 million for the continuation of the UPass/Metropass programs from December 1, 2008, to September 2013 for Parking and Transportation Services. The annual cost of $5.735 million per year will incorporate the actual volume of base card sales from the previous academic year and approved or anticipated transit fare increases. Price per pass will be communicated to the University by January 10 each year for the following academic year. This program will be financed annually by user fees, transportation fees and parking revenues. Total cost of the contract is an estimate based on current price per pass and current sales volume over the five-year contract period. Actual cost will depend on actual sales and annual price adjustments for individual passes based on changes to regional transit rates. See enclosed documentation regarding basis for vendor selection.

• To Minnesota Coaches, Inc. for an estimate of $1,050,000 for charter bus transportation as needed for the period of November 15, 2008, through August 1, 2011 for the Department of Intercollegiate Athletics. The transportation will be purchased with departmental funds currently available from each sport and department budget. The bus transportation was identified as a line item in Intercollegiate Athletics department’s 2008-09 budget process. Vendor was selected through a competitive process.

• To Oracle Corporation for $459,104 to renew Oracle University-wide computer software licenses, updates, and maintenance support for the one-year period November 24, 2008, through November 23, 2009, for the Office of Information Technology (OIT). Operations, Infrastructure, & Architecture (OIA, a division of OIT) pays these product support and software update charges to ensure continuous operation of all systems using Oracle Database products. OIA is a centrally funded organization and its FY09 budget includes planning and funding for this expense. See enclosed documentation regarding basis for vendor selection.

• To Rigaku for $618,500 for an X-ray Crystallography Diffraction system to be housed at The Hormel Institute, University of Minnesota, Austin, MN. This system will be purchased with funds from The Hormel Institute, a federal appropriation of $400,000 (acquired by Congressman Tim Waltz to the Hormel Foundation) and $200,000 match from the Office of Vice President for Research (UMN). The remaining cost ($18,500) and the cost of renovating the rooms (~$50,000) needed to house the equipment will be covered by funds currently available to The Hormel Institute. The Institute has already purchased the robotics required for the crystallization procedure (~$130,000). Vendor was selected through a competitive process.

**Background Information:**

**General Contingency**

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

**President’s Recommendation for Action:**

The President recommends approval of the Consent Report.
## General Contingency

### 2008-09 General Contingency:

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<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
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<tr>
<td><strong>FY2009 General Contingency</strong></td>
<td></td>
<td><strong>$1,400,000</strong></td>
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<td>Carryforward from FY2008 into FY2009</td>
<td>896,843</td>
<td>2,296,843</td>
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<td>1  VP for University Relations</td>
<td>22,000</td>
<td>2,274,843</td>
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<td>2  VP for University Relations</td>
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<td>2,224,843</td>
<td>Campus-area neighborhood employee housing incentive</td>
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<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>
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<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>
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<td>*  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>
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<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>
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<td>7  General Counsel</td>
<td>46,000</td>
<td>1,710,843</td>
<td>Move of Records Office</td>
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<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>
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### New items this reporting period:

1. No new items this reporting period

### Balance as of October 31, 2008

1. 1,610,704

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

To Aastra Intecom, Anixter, Border States Electric Supply, Communications Supply Corp, Goldecom, Graybar Inc., and MN Computer Supply for an estimated $2,000,000 combined total to provide telecommunication equipment and supplies for the period of December 16, 2008 through December 15, 2009 for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT.)

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

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

*This purchase of equipment and supplies by NTS is budgeted for FY09 and will be included in the budget for FY10. These expenses are partly materials for resale to NTS customers and partly materials used for non-billable projects (such as maintenance and repairs) or expansion and upgrades of the Twin Cities campus network infrastructure.*

Submitted by

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

Approval of this item is requested by:

[Signature]

Vice President and Chief Information Officer

Date 10/14/2009
Purchase of Goods and Services over $250,000

To Charter Search, Inc. for $773,564 for air charter service for the 2008-09 season for away men’s and women’s basketball games for the Department of Intercollegiate Athletics for the University of Minnesota men’s and women’s basketball teams. These away games are scheduled from November 22, 2008 to March 12, 2009 for the men and November 14, 2008 to March 5, 2009 for the women.

Each year, Gopher Athletics, with the assistance of University Purchasing, issues a Request for Proposal (RFP) for charter service for the Gopher Men’s and Women’s Basketball away games. Due to the nature of their travel needs, charter service is the most effective manner of transporting the teams to away competitions.

Through a competitive bid process, Charter Search was found to have the best overall price.

These services are funded with departmental auxiliary funds currently available within the department budget. Air travel is identified as a line item in each team’s budget each year during the budget process.

Submitted by: Elizabeth Eull
Intercollegiate Athletics Department
Senior Associate Athletic Director
Suite 270 Bierman Bldg.
Minneapolis campus
Phone: (612) 625-9276
Fax: (612) 626-0020

Approval for this item requested by:

[Signature]
VP or Exec. VP Signature

10/27/08
Date

16
Purchase of Goods and Services $250,000 and over

To Mega Farms, Inc. for $375,000 for snow removal for the University of Minnesota Twin Cities campus for FY 09 for the Facilities Management - LandCare.

*The Mega Farms contract was issued in 2004 and is the result of competitive bidding. This is the 5th year of the 5 year contract.*

*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 SE  
Minneapolis, MN 55455  
Phone: 612-626-1091

Approval for this item requested by:

Kathleen A. O'Brien Vice President of University Services

Date: 6/29/08
Purchase of Goods and Services over $250,000

To Metropolitan Council and Metro Transit for an estimated $27.75 million for the continuation of the UPass/Metropass programs from December 1, 2008 to September 2013 for Parking and Transportation Services. The annual estimated cost of $5.735 million per year will incorporate the actual volume of base card sales from the previous academic year and approved or anticipated transit fare increases. Annual price per pass will be communicated to the University on an annual basis in January for the following contract/academic year.

The UPass/Metropass are commuter ridership incentive programs that provide the University with unlimited bus ride passes that are accepted on all Twin Cities rapid transit routes. The University can then offer bus passes to its actively enrolled students and employees at a deep discount. The goal of the UPass/Metropass program is to offer a commuting alternative to reduce regional traffic and campus parking congestion by increasing rapid transit ridership while promoting environmental preservation.

UPass sales have increased by 60.0% since academic year 2003-2004. Metropass sales have increased by 86.2% since August 2003. Total rides per academic year by students, staff and faculty participating in these two programs have increased by 1.94 million rides or 74.5% over the last four years.

This program will be financed annually by user fees, transportation fees and parking revenues. Total cost of the contract is an estimate based on current price per pass and current sales volume over the five year contract period. Actual cost will depend on actual sales and annual price adjustments for individual passes based on changes to regional transit rates.

Metro Transit is the only entity providing a complete bus service to the Twin Cities metro area.

Submitted by: Bob Baker, Director of Parking and Transportation Services
300 Transportation and Safety Building
511 Washington Ave SE
Minneapolis Campus
Phone: 612-625-9543

Approval for this item requested by:

[Signature]
VP or Exec. VP Signature

[Signature]
10/27/08
Date

Kathleen O’Brien
Vice President, University Services
Rational for Exception to Competitive Bidding

This purchase has not been competitively bid because it is a purchase available only from another governmental agency or public entity. Metro Transit is the only fully comprehensive bus transit system in the Twin Cities metro area. It partners with other smaller regional transit providers to ensure comprehensive service.

Both the UPass and Metropass programs offer a commuting alternative to reduce regional traffic and campus parking congestion by increasing bus ridership and at the same time promoting environmental conservation. The UPass provides students a deeply discounted unlimited semester-period bus pass while the Metropass program provides qualifying University employees a discounted unlimited annual bus pass.

Procedures undertaken to ensure reasonableness of price included negotiations between Parking and Transportation Services and the Metropolitan Council (Met Transit) to reach an acceptable pricing agreement. Negotiation sessions included experienced managers and directors from both parties qualified to make judgment of reasonableness in the bus transit industry. Financial officials and legal council from both parties analyzed and approved the contract terms.

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 Minnesota Coaches, Inc. for an estimate of $1,050,000 for charter bus transportation as needed for the period of November 15, 2008 through August 1, 2011 for the Department of Intercollegiate Athletics.

*The Department of Intercollegiate Athletics requires a charter bus service for the University of Minnesota intercollegiate athletic teams, support units, and administrative staff for travel needs. This will include preseason, regular season, post-season, tournaments, and bowl game competitions. Bus charters will be used for airport transfers, local travel, in-state, and out-of-state travel. Bus transportation for visiting schools for which the University of Minnesota Athletics will cover the transportation cost will also be required.*

*Through a competitive bid process Minnesota Coaches, Inc. provided the best pricing and variety of equipment required for the contract period. Pricing is fixed, plus a fuel surcharge, for the first three (3) years with negotiable pricing with a 3% escalation cap for two optional years.*

*The bus transportation will be purchased with departmental auxiliary funds currently available within the department budget. Bus transportation is identified as a line item in each team’s budget each year during the budget process.*

Submitted by: Elizabeth Eull  
Intercollegiate Athletics Department  
Senior Associate Athletic Director  
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Minneapolis campus  
Phone: (612) 625-9276  
Fax: (612) 626-0020

Approval for this item requested by:

[Signature]
VP or Exec. VP Signature  
Date: 10/27/08
Purchase of Goods and Services over $250,000

To Oracle Corporation for $459,104 to renew Oracle University-wide computer software licenses, updates, and maintenance support for the one-year period November 24, 2008 through November 23, 2009, for the Office of Information Technology.

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

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

Operations, Infrastructure, & Architecture (OIA, a division of OIT) pays these product support and software update charges to ensure continuous operation of all systems using Oracle Database products. OIA is a centrally funded organization and its F09 budget includes planning and funding for this expense.

Submitted by: Diane Wollner
Director, OIT Finance
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Approval of this item is requested by:

Vice President and CIO

[Signature] [Date]
Rationale for Exception to Competitive Bidding

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

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

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
Purchase of Goods and Services $250,000 and over

To Rigaku for $618,500 for an X-ray Crystallography Diffraction system to be housed at The Hormel Institute, University of Minnesota, Austin, MN.

Determining a protein's crystal structure is imperative in the study of diseases such as cancer. The Hormel Institute, University of Minnesota, has been gaining an international reputation in studying signal transduction pathways important in cancer and in the development of small molecule inhibitors of key cancer proteins.

We currently have 4 protein crystallographers on staff who have successfully obtained crystals or co-crystals for a number proteins with or without their ligands. In order to determine the success of the crystallization it is necessary for our crystallographers to travel to the Argonne National Laboratory to use the diffraction analysis system located in Chicago.

In addition to the travel costs there is a waiting time of weeks and sometimes months to get time on the diffraction system. The equipment requested is a complete home X-ray diffraction system that enables data collection on a wide range of protein crystal samples. Having this system at The Hormel Institute will accelerate our ability to produce high quality protein structures that will be extremely useful in anticancer drug development.

The equipment was chosen through a competitive bid process. This system will be purchased with funds from The Hormel Institute, a federal appropriation of $400,000 (acquired by Congressman Tim Walz to the Hormel Foundation) and $200,000 match from the Office of Vice President for Research (UMN). The remaining cost ($18,500) and the cost of renovating the rooms (~$50,000) needed to house the equipment will be covered by funds currently available to The Hormel Institute. The Institute has already purchased the robotics required for the crystallization procedure (~$130,000).

Submitted by: Ann M. Bode, Ph.D.
Associate Director
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Approval for this item requested by:

[Signature]

VP or Exec. VP Signature

10/30/08

Date
Finance and Operations Committee

November 13, 2008

Agenda Item: Information Items

☐ review   ☐ review/action   ☐ action   ☒ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy   ☐ background/context   ☒ oversight   ☐ strategic positioning

Quarterly Investment Advisory Committee Update

To provide the Board of Regents with a summary of the quarterly meeting of the Investment Advisory Committee (IAC) held on September 10, 2008.

Outline of Key Points/Policy Issues:

Quarterly Investment Advisory Committee Update

Three new members were welcomed to the IAC, filling vacancies that had occurred over the last 12 months because the bylaws limit members to serving no more than two consecutive terms of three years each. The new members are:

- William Rose, President and Chief Investment Officer of Okabena, the Dayton Family Office
- Brenda Sallstrom, Chief Investment Officer of the Cherry Tree Family Office
- Charles Webster, Founder and Managing Partner of Kidron Capital, an investment management company

Mr. Mason presented the Annual Report, which was also presented to the Board of Regents the following day. He also presented additional analysis that prompted significant discussion about each of the five strategic asset classes. The general theme was that the Office of Investments and Banking (OIB) should continue to look for ways to reduce volatility, reduce leverage or other risk, and consider indexing a portion of the core portfolios in both domestic and international public stocks.

Other recommendations included increasing liquidity in the Temporary Investment Pool and reducing credit risk by moving some of the commercial paper holdings into treasury or government agency securities.

The IAC reviewed recommendations by OIB to engage two new investment managers. The first was a mid-cap buyout fund, Stone Arch Capital, for $10 million. The other was a mid-cap distressed debt hedge fund, Halcyon Asset Management, for $10 million. Recommendations to engage both managers were approved by unanimous vote of committee members.
Benchmarks to be used for fiscal 2009 were discussed, including recommendations for changes to those used for the real asset and the private capital sub-portfolios. The IAC requested additional supporting materials be researched by OIB and presented at the November meeting for final approval.