

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
April 10, 1997

I.2.a. Audit Subcommittee

See attached Audit Subcommittee Minutes.

I.2.b. Physical Planning Subcommittee

See attached Physical Planning Subcommittee Minutes.

The Business and Finance Committee met at 2:00 p.m. in Room 1511 Van Hise Hall. Present were: Regents Barry, Brown, De Simone and Smith and Lubar.

Because of the number of observers present for discussion of the Capital Budget which was deferred to the full Committee meeting from the Physical Planning Subcommittee agenda, and for Item I.2.i. on the Kohl Center, the Committee agreed to change the order of the agenda.

I.2.b.(2) Vice President's Report

(a) Report on State Building Commission Action on the UW System's 1997-99 Capital Budget

Vice President Brown stated that there has been nothing in writing from the Department of Administration (DOA) regarding the capital budget requests, but there have been some verbal recommendations. There will be a hearing at 8:30 a.m., April 21, at 780 Regent Street.

In reviewing System's priority list, the verbal recommendations from DOA are as follows:

- The \$14.9 million utility expansion at UW-Madison which is to accommodate buildings currently under construction will not be funded under the major projects, but from money moved into the Healthstar Program.
- Of the \$10 million requested for classroom renovation and instructional technology improvements, which is the first part of the \$50 million needed to renovate all of the outdated classrooms for current technology, DOA will recommend \$6 million.
- Of the \$8.5 million requested for the UW-Platteville Russell Hall remodeling, \$7.9 is being recommended.
- The Academic Building at UW-Green Bay is a \$17.4 million project, \$15 million of GPR money and \$2.4 million of gift money, with an additional \$1 million in gift money for ongoing maintenance of the facility. The recommendation is to not fund this project, but to prepare bidding documents and fund \$1 million to run utilities to the proposed site. There is no commitment to the project except, by putting \$1 million into utilities, it should receive high priority in the next biennial budget.
- The all-purpose classrooms were deleted from the UW-Stout Communication Center \$9.1 million project, reducing the project to \$7.1 million.
- Of the \$13.9 million Halsey Science Building renovation project at UW-Oshkosh, they are recommending planning funds to prepare bid documents for the next biennium.

- The \$6.9 million Sabin Hall remodeling project at UW-Milwaukee will be approved at a reduced level, which System believes will be \$5-6 million.
- DOA will recommend approval of construction of the Physical Education Building project at UW-Parkside, but with 50 percent gift and grant money, so will be approving \$3.3 million rather than the \$5.5 million requested.

Other project requests which are being deferred are: \$6.4 million Wing Communication Center remodeling at UW-La Crosse; \$7.8 million Lapham Hall renovation at UW-Milwaukee; \$2.9 million Dairy Science Teaching Facility replacement at UW-River Falls with the understanding UW-River Falls will have to raise 50% outside funds for the project; \$10.6 million Phillips Hall renovation at UW-Eau Claire, and will stipulate that they raise additional outside funds; \$2.7 million Old Main systems renovation and upgrade at UW-Superior, but they may do a couple of smaller projects under \$250,000; \$9 million Williams Fieldhouse addition at UW-Whitewater and will probably require 50% non-GPR funds when they do approve the project; and \$6 million equipment request for UW-Centers, but will recommend a lease purchase on the equipment to be paid out of the operating budget, which would amount to approximately \$800,000.

Of the \$122 million requested, it appears the recommendation will be about \$30 million.

Regent Barry stated that Regent Grebe had recently sent a memo to the Regents which expressed concern that, if the System is retiring \$110 million of bonded indebtedness every year, and yet are being approved only \$30 million each year, the term “disinvestment” comes to mind.

Chancellor Perkins expressed concern that gift money won't be able to be used in the timeframe it was intended and it is important, when soliciting funds, to provide the donors with assurance of the scheduling process. Donors will only commit if they are assured the construction will take place. Vice President Brown added that UW-Green Bay's request is sequential, so to deny funding of the first step delays the entire project and keeps the institution from accepting additional students.

In response to questions from Regent Lubar, Vice President Brown noted that the capital budget building program was being limited to \$250 million because the Governor did not want it to appear that more was being spent than was spent in the present biennium. Of the \$250 million, \$133 million is earmarked for the Department of Corrections, and the remainder into the all-agency account. Regent Lubar noted this is a perfect justification for requesting revenue bonding authority.

Chancellor Kerrigan expressed frustration that projects deferred in the 1991-93 budget had then been deferred to 1993-95, and continue to be deferred each biennium. Safety issues are a concern at Halsey, and there had been a commitment that the Halsey project was at the top of the priority list for this budget, and now it is not even on the list. There are not only deferrals, but no real commitments being made. The University System is being neglected for the sake of the Department of Corrections. Because UW-Oshkosh faculty are young and mobile, there is growing concern that a delay in funding will also be detrimental to faculty retention.

Chancellor Sorenson also expressed concern for the lack of commitment to funding improvement projects, and noted that, although some funding can be shifted, it will mean UW-Stout will have to forego equipment purchases.

President Lyall indicated the concerns expressed will be helpful in making final recommendations. She also expressed hope that the State will consider reinvesting money from debts being paid off by the University.

Regent Barry stated that he wanted to bring this item before the full Committee because, at this point there is no official capital budget set and the Board is working only on verbal information, and it seems appropriate that the Board make the University's needs clear. It is necessary to have quality buildings in order to provide quality education for students.

Vice President Brown noted that nothing is being added to the WISTAR Program, but some funding is being switched out for Pharmacy. It appears that \$15 million of GPR funds are being transferred from the Pharmacy building program to the Healthstar Program and \$22 million of new bonding authority in the Healthstar Program is to be divided between Phase II of the Pharmacy program and utilities.

Regent Barry concluded discussion by stressing that the issue of revenue bonding has not been well explained. If, as President Lyall pointed out, the University is retiring \$110 million of bonding each year, but only \$30 million is being offered for this biennium, that's a disinvestment of \$80 million. The System is requesting approximately \$122 million in capital borrowing, and the majority of the projects are remodeling and retrofitting existing buildings, and the need will only become cumulative if they are not addressed in this biennium. He presented a resolution for consideration by the Committee.

Upon the motion of Regent De Simone and the second of Regent Smith, the Committee approved Resolution I.2.b.(2)(a).

The Board of Regents takes seriously its responsibility for good stewardship of the UW System's physical assets. To this end, we have rigorously prioritized our physical plant needs, focused on maintenance and renovation of existing space, and carefully tailored capital budget requests to support essential academic program changes, including instructional technology.

The Regents' GPR capital budget request for 1997-99 totals \$121.6 million. Preliminary figures received from the Department of Administration indicate only about \$30 million of new funding will be recommended. In 1997-99, about \$110 million in outstanding bonds on UW System facilities will be retired.

We are deeply concerned that the State's investment in its university facilities be protected by, at a minimum, reinvesting the proceeds of retired university bonds to meet pressing future needs. We cannot expect alumni and private donors to step up and help if the State will not at least maintain a level investment in its own facilities. The WISTAR program shows what can be done when this partnership is strong: under WISTAR \$150 million of State bonding has been matched by \$114 million in private gifts and grants by the UW System.

During the last few biennia the University of Wisconsin System Capital Budget has been funded far below the amounts requested by the Board of Regents. The reason given has been that there are limited State General Obligation Bonding monies available. The deferral of these projects is creating a mounting backlog in facilities needs. Without a State commitment to reinvest funding freed up by bond repayments, the UW System's Capital assets and its academic programs which depend upon them will be seriously impaired. If State General Obligation Bonding is limited, an effective alternative must be pursued. The Board of Regents has proposed such an alternative method of financing in the form of UW System Revenue Bonds secured by university gifts, grants, and tuition revenues—a funding mechanism used by most other states for university facilities.

We strongly urge the Governor and the State Building Commission to seriously consider this funding alternative and make a commitment to reinvesting in the facilities the UW System needs for the future, at least at the level of university bond repayments.

I.2.i. UW-Madison: Kohl Center Update and Authority to Expand the Scope and Increase the Budget for the Project by \$4,380,000 of Gift Funds for a Revised Total Project Budget of \$76,380,000 (\$49,380,000 Gift Funds and \$27,000,000 Program Revenue Supported Borrowing)

Pat Richter, Director of Athletics, explained that the \$72 million Kohl Center Arena and Nicholas-Johnson Pavilion are under construction, with a targeted opening date of January 1998. At the time the Board of Regents and the State Building Commission authorized construction of the Kohl Center, it was not anticipated that adequate monies would be available to fund the additional work now being requested. However, sufficient gift funds have been raised due, in part, to a premium seating program which raised \$4 million. Completion of hockey and revenue-generating space and installation of premium concourse finishes at this time will be more cost-effective than installation at some future date. Cost savings for completing hockey now as part of the construction versus later as a retrofit project range from 20-35% plus inflation. Revenue producing space as well as completion of a retail store to sell merchandise during events and normal business hours will also generate additional revenues. Concourse upgrades will greatly reduce maintenance costs, enhance the appearance and extend the life of the facility. Negotiations with the County are nearing completion to revise the use agreement which establishes a timetable for hockey to move from the Coliseum to the Kohl Center. The current proposal to the county deals with compensation for loss of revenues offset by decreased expenditures.

Al Fish, Administrative Officer, showed diagrams and pictures of the Kohl Center in various phases of construction. He indicated that the building is on schedule and over 90% has been bid out. Approximately 7,500 people can be seated in the lower bowl, and there are two ten-row balconies stacked on top, each seating about 4,000. It is anticipated the first game will be January 17, 1998.

Regent Lubar inquired if all major donors were aware of the change in plans to include hockey. Mr. Fish replied that all major donors had been informed and were supportive of proceeding now, which will save money in the long run. The priority for the donors has been basketball, but the premium seating sales have generated money to proceed with the hockey facilities earlier than anticipated. The additional funding will allow completion of 12 of the 36 suites, a function room which will be rented out on a game-by-game basis, a retail store, all necessary offices, locker rooms and all equipment for making ice for hockey.

In response to a question from Regent Smith regarding negotiations of the hockey contract with Dane County, Mr. Fish replied that a proposal had been sent to the County and the Athletic Department is awaiting a response. He added that the main benefit in installing the hockey equipment at this time is that warranties would coincide with the rest of the facility's warranties.

Regent Barry inquired what the cost would be of "walking away" from the contract with Dane County, and Mr. Fish replied that "walking away" would not be a consideration. However, the criteria in determining the costs would be that the Athletic Department receives all ticket revenue from hockey and pays Dane County approximately \$8,000 per game. Dane County also receives revenue from concessions and parking for hockey.

Vice Chancellor Torphy indicated that negotiations have been ongoing with the County for the past 5-6 months, discussing various options. The offer, which is currently in a semi-final stage, is that net revenues will be continued and the Athletic Department would continue to rent the practice facility.

All scheduling and booking arrangements would be coordinated and all major events currently booked at the Coliseum would not be moved to the Kohl Center. The County's main concern seems to be with contracts they have with other entities which would be affected. Options are: (1) to continue negotiations; (2) talk about a partial change in the contract which would move some games to the Kohl Center, but not move the entire program; and (3) mitigating the contract. He stressed that it is not a major concern because the original plan did not include moving hockey to the Kohl Center until the contract ended, and the revenue is there to fund the project whether hockey is played there or not. There will be a minimum of 11,000 seats for hockey at the Kohl Center, so the revenue from ticket sales would be greater than at the Coliseum.

Vice Chancellor Torphy also stated that there is a unique, and totally separate process, that involves the Athletic Department budget. A cost-to-continue figure is put into the Athletic Department budget. That is submitted to the Joint Finance Committee on December 1, 1997, and that is the first time they would see the figures for additional staffing at the Kohl Center. The Athletic Board has approved 15 additional positions, constituting 11.91 FTE. The Legislative Fiscal Bureau and the Department of Administration have been included in discussions and the options are to get these positions into the budget now, or to go to the Joint Finance Committee in June. Approval for the positions, which constitute \$620,000, would come to the Board in July.

Upon the motion of Regent De Simone and the second of Regent Smith, the Committee approved Resolution I.2.i.

Resolution I.2.i.

That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to expand the scope and increase the budget for the Kohl Center Sports Arena project by \$4,380,000 of Gift Funds for a revised total project budget of \$76,380,000 (\$49,380,000 Gift Funds and \$27,000,000 Program Revenue Supported Borrowing).

I.2.c. Approval of Minutes of the March 6, 1997, Meeting of the Business and Finance Committee

Upon the motion of Regent Smith and the second of Regent De Simone, the minutes of the March 6, 1997, meeting of the Business and Finance Committee stood approved.

I.2.d. Report of the Audit Subcommittee

Regent Smith, Subcommittee Chair, presented a report of the Audit Subcommittee meeting held immediately prior to the full Committee meeting. (See attached Audit Subcommittee Minutes for a complete report.)

I.2.e. Report of the Physical Planning Subcommittee

Regent Barry, Subcommittee Chair, presented the report of the Physical Planning Subcommittee meeting held immediately prior to the full Committee meeting. (See attached Physical Planning Subcommittee Minutes for a complete report.)

Upon the motion of Regent Smith and second of Regent De Simone, the Committee approved Physical Planning Subcommittee Resolution I.2.e. (Revised).

Resolution I.2.e. (Revised)

That the following Consent Agenda Resolutions adopted by the Physical Planning Subcommittee be approved and forwarded to the Board of Regents:

<u>Resolution</u>	<u>Campus/Request</u>
I.2.b.(3)(a)	UW-Whitewater: Authority to construct a University Center Down Under Remodeling Project, \$530,500 (\$450,000 Residual program Revenue Borrowing and \$80,500 Program Revenue Cash)
I.2.b.(4)(a)	UW-Madison: Design Report approval and authority to construct a Steenbock Parking Lot 36 Ramp, \$3,807,000 Campus Parking Utility Funds (\$3,426,000 Program Revenue Supported Borrowing and \$381,000 Program Revenue - Cash)
I.2.b.(4)(b)	UW Center-Richland: Conceptual approval of plan to construct an Administration Building Expansion project (estimated cost: \$600,000 of private funds) and authority to seek State funding to provide Movable and Special Equipment, \$200,000
I.2.b.(4)(c)	UW-Madison: Authority to increase the budget by \$750,000 of Gift Funds for the Armory (Red Gym) Renovation project for a revised total project budget of \$11,750,000 (\$5,500,000 General Fund Supported Borrowing and \$6,250,000 Gift Funds)

I.2.f. Agreement with Private For-Profit-Making Organization**(1) Contractual Agreement with Alteon, Inc.**

Vice President Bromberg presented the contractual agreement with Alteon, Inc., to the Committee for approval. Board of Regent policy requires Regent approval when a contractual agreement with a private, for-profit organization exceeds \$200,000.

Upon the motion of Regent Smith and the second of Regent Lubar, the Committee approved Resolution I.2.f.(1).

Resolution I.2.f.(1)

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with Alteon, Inc., entitled “APR0002–A Placebo-Controlled Safety and Efficacy Study of Amino-Guanidine In Diabetic Patients With Overt Diabetic Nephropathy.”

I.2.g. Proposed Regents Administrative and Professional (Nonteaching) Academic Excellence Awards

Regent Barry stated that there are approximately 6,560 FTE administrative and professional (nonteaching) academic staff, representing over 47% of all unclassified employees, and 28.5% of all employees of the UW System. The strength of the UW institutions can be attributed to the excellence of the faculty and academic staff.

Although many academic staff are recognized for their achievements by professional organizations, civic groups and university departments, colleges and schools, it is appropriate that the Board of Regents also pay tribute to the dedication and service of the System's administrative and professional (nonteaching) academic staff. There are currently no systemwide awards recognizing their service and achievements.

A recommendation is proposed to present two \$5,000 awards annually to two outstanding administrative and professional (nonteaching) academic staff members who demonstrate excellence in service, professionalism and leadership at a UW institution. Funding would be derived from the UW System's faculty and staff development fund account. The awards would support professional development for the recipients, or for other approved activities which enhance a university program or function.

Upon the motion of Regent De Simone and the second of Regent Smith, the Committee approved Resolution I.2.g.

Resolution I.2.g.

That, upon the recommendation of the President of the UW System, two \$5,000 Regents Administrative and Professional (Nonteaching) Academic Staff Excellence Awards be established, with annual funding from the systemwide faculty and staff development fund.

I.2.h. Campus Development Planning Process (Presentation)

Because the meeting was behind schedule and buses were waiting to transport the Committee members for a tour of the Kohl Center, the Committee, with the consent of Vice President Brown and Campus Planner Albers, agreed to defer this item to a future meeting.

I.2.j. Report of the Vice President**(1) Gifts, Grants and Contracts**

Vice President Bromberg reported that total gifts, grants and contracts for the eight-month period ended March 21, 1997, were \$465.8 million, an increase of \$29.3 million from the previous year. Federal awards decreased \$0.4 million, while non-Federal awards increased by \$29.7 million.

I.2.k. Additional Items Which May be Presented to the Business and Finance Committee with Its Approval

(1) Optional Retirement Plan

Vice President Bromberg noted that, while the System agrees in principle to an alternative plan for establishing an optional retirement system for UW faculty and academic staff, the current draft bill contains language that may create problems for the System. The bill is expected to be presented sometime during April, and the Board will be kept informed.

(2) Sales Tax Exemption

Vice President Bromberg informed the Committee that a bill to clarify sales tax exemptions will be refined by representatives from the University and the Department of Revenue, along with the Co-Chairs of the Joint Audit Committee, to assure all UW students continue to be exempt from sales tax on food and beverage purchases.

The Business and Finance Committee adjourned at 3:10 p.m.

Donita R. Zintz
Recording Secretary

**Minutes
Audit Subcommittee
Business and Finance Committee
April 10, 1997**

The Audit Subcommittee met at 1:30 p.m. in Room 1648 Van Hise Hall, Madison. Present were: Regents Smith and Lubar.

I.2.a. Audit Subcommittee

(1) Third Quarter Internal Audit Report

Vice President Bromberg provided the Subcommittee with the Third Quarter Internal Audit Report. She indicated that the following program audits are in progress:

- Laboratory Modernization/Classroom Modernization/General Computer Access at UW-Oshkosh, UW-Whitewater and UW-Centers, UW-Stout and UW-Stevens Point
- Student Technology Fee at UW-Whitewater, UW-Milwaukee, UW-Platteville, UW-Stevens Point, UW-Centers, UW-La Crosse, UW-Eau Claire and UW-Madison
- Academic Fee Assessment and Collection at UW-Platteville, UW-River Falls and UW-Eau Claire
- Extended Degree Programs at UW-Green Bay, UW-Platteville, UW-River Falls and UW-Superior
- Tenured Faculty Review and Development at UW-River Falls, UW-Superior, UW-Green Bay, UW-Parkside, UW-Eau Claire, UW-Milwaukee and UW-Madison
- Implementation of Assessment and Testing at UW-Oshkosh and UW-Superior; and
- Data Security at UW-Milwaukee and UW-Whitewater

The NCAA-required annual financial audits were performed at UW-Milwaukee and UW-Green Bay.

The Legislative Audit Bureau has begun the federally-required A-133 audit of federal gifts, grants and contracts for Fiscal Year 1996. An audit of investments was scheduled, but has been delayed due to illness of the auditor.

(2) 1997-98 Audit Schedule

Vice President Bromberg indicated that, as part of the reorganization effort in 1996, the System Administration Office of Internal Audit switched from performing financial and compliance audits to the performance of program audits. Program audits are being performed at randomly selected samples of institutions within the UW System.

The schedule for 1997-98 includes audits which were reviewed by System Administration and considered to be important to management. The President and Vice Presidents determined the priorities for the audits, and they will review the list again next year at this time to reevaluate the priorities. The current list includes the following financial audits:

- NCAA Division I at UW-Milwaukee and UW-Green Bay; and NCAA Division III at UW-Superior, UW-River Falls, UW-Stout, UW-Eau Claire, UW-La Crosse, UW-Platteville, UW-Whitewater, UW-Oshkosh and UW-Stevens Point
- Corporation for Public Broadcasting at UW-Milwaukee
- Academic Fees at five institutions yet to be determined

and the following four audits which had been postponed from 1996-97 for various reasons:

- Liability Insurance Coverage
- Library Acquisitions
- UW Processing Center
- Hazardous Materials

Newly-planned program audits include:

- Compensation Evaluation System
- Unclassified Sick Leave
- Recruitment and Retention of Faculty and Academic Staff
- Minority and Disadvantaged Students and Lawton Undergraduate Retention Grant
- Farms and Research Station
- Veterinary School and Hospital
- Trust Funds Investment Policy
- Competition with the Private Sector

In addition, Internal Audit will continue to provide training to staff and to the institution auditors and also be available to respond to special audit requests.

Each institution's Internal Auditor has submitted plans for audits which will be conducted during 1997-98. These are all audits which previously were performed by the System Administration Office of Internal Audit.

(3) LAB Audit of UW-Extension

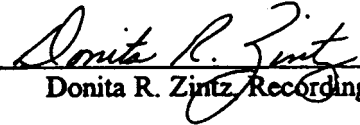
Vice President Bromberg and Chancellor Beaver reported that the LAB Audit of UW-Extension is a generally positive document. UW-Extension agrees with the two recommendations contained in the document and System Administration will continue to review the more general issues of scope and mission of UW-Extension raised in the audit. Chancellor Beaver expressed concern that, because of the nature of certain UW-Extension programs, it is difficult to charge fees as advised in the audit. This is especially true in Cooperative Extension where Federal regulations prevent charging and fees would undermine the philosophy of outreach.

Regent Smith expressed grave concern that the Board received the audit document only 12 hours prior to the Board meeting, and Regents, therefore, did not have adequate time overnight to study such a lengthy document. He also noted it was disturbing to read about the report in the newspaper prior to receiving his copy. He indicated that the Regents wanted Extension to grow and that he did not understand the concern over duplication of programs since many of these programs were first established by Extension and then duplicated by other agencies and institutions. The concerns raised in the audit are not UW-Extension issues, but are Regent policy issues. He stressed the need for Regents to be involved in responding to the audit.

President Lyall agreed with Regent Smith, indicating the audit poses a number of conflicting policy issues, including suggestions to move to market pricing and to provide more services to low income groups. She also questioned why, if Extension is to become more market oriented, there should be concern about duplication of programs.

Vice President Bromberg also provided an update on the Joint Audit Committee meeting with respect to the sales tax exemption. A bill to clarify sales tax exemptions will be defined by representatives from the University and the Department of Revenue, along with the Co-Chairs of the Committee, to assure all UW students continue to be exempt from sales tax on food and beverage purchases.

The Audit Subcommittee adjourned at 1:52 p.m.



Donita R. Zintz, Recording Secretary