

**Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
June 7, 2001**

The Business and Finance Committee met in Room N440 of the School of Business and Finance, University of Wisconsin – Milwaukee at 3:05 p.m. Present were Regents Gottschalk, Krutsch, Marcovich and Barry.

a. Approval of minutes of the May 10, 2001 meeting of the Business and Finance Committee

Upon the motion of Regent Barry and the second of Regent Gottschalk, the minutes of the May 10, 2000, meeting of the Business and Finance Committee were approved as presented.

Regent Marcovich introduced Doug Hoerr as the new Treasury Manager and Assistant Trust Officer. Doug has an Masters of Business Administration, with a concentration in finance, and a Bachelor of Science in agronomy, both from the University of Illinois. Prior to joining UW System, he worked in the Institutional Trust areas of two regional banks, Firststar and Marshall & Ilsley, as a Relationship Manager. Doug worked primarily with corporate clients on their employee benefit plans – helping them to select and monitor investment managers, educate their employees, and administer their plans.

Prior to moving to Madison in 1997, he worked in the New York area for almost 10 years, where he served as a Manager of Trust Investments at both Public Service Electric & Gas Company (PSE&G) in Newark, New Jersey and Ciba-Geigy Corporation in New York. Doug's primary responsibility was overseeing the management and investment of these companies' retirement plan assets, and in the case of PSE&G, their nuclear decommissioning trust funds.

b. UWM Presentation - UWM-MPS-MATC Working Successfully Together to Shape Tomorrow's Technology Leaders

Joe Douglas, Director of Information/Media Technologies, UW-Milwaukee, introduced a number of students who gave a presentation on the Student Technology Services (STS) program. STS is a student employee managed and professional staff mentored organization, that works to efficiently meet the technology needs of UW-Milwaukee.

STS has partnered with Milwaukee Public Schools and Milwaukee Area Technical College to implement a variation of the STS model in charter schools. The program is designed to aid students in developing skill sets using work based learning to further their educational experience and explore their career options.

Mr. Douglas noted that currently 500 students take part in the STS program, and the number will increase as more high schools are added. By the time of university graduation, students will have significant technology experience that will prove vital to their future careers.

c. Changes to Investment Guidelines to allow Private Capital

Tom Reinders, Investment Analyst, noted that the addition of Private Capital as an approved asset class within the Trust Funds portfolio requires several revisions to the Statement of Investment Objectives and Guidelines.

Upon the motion of Regent Gottschalk and the second of Regent Barry, the Committee approved Resolution I.2.c.

Resolution I.2.c.

That, upon the recommendation of the Regent Business and Finance Committee, the following additions to the Statement of Investment Objectives and Guidelines be approved.

1. Manager Performance & Risk Expectations

Benchmarks – Portfolio Return: (Page 5)

- Equity – Venture Capital – investment managers will be compared to the industry composite as calculated by Venture Economics plus 200 basis points (2%).

2. Investment Guidelines & Restrictions

Approved Asset Classes (Page 7)

- Private Capital (Equity)

3. Investment Guidelines & Restrictions

Exceptions (Page 10)

- Limited Partnerships – To the extent that limited partnerships are utilized, the Committee accepts the provisions outlined in the limited partnership agreement. These provisions will govern the investment.

d. WHA Request for Principal Expenditure

Tom Reinders, Investment Analyst, noted that WHA-TV has received a bequest totaling \$80,069 from the estate of Lois W. Backus. WHA-TV has requested an exception to the Regent policy that limits the use of this gifts in excess of \$50,000 to income earned. WHA-TV proposes to use the gift for the purpose of assisting to fund its program offerings. This includes acquired programs and locally produced programs. The Friends of WHA-TV already maintain a designated endowment fund for the benefit of WHA-TV. The existing policy allows university officials to request the use of principal when they feel it is in the best interest of the institution. This exception must, however, be consistent with the original gift instrument. In this case, the bequest has no restriction on the use of principal. Therefore, the request is consistent with the terms of the bequest and approval of this request is recommended.

Mr. Reinders also noted that the Regent policy that limits the use of gifts in excess of \$50,000 to income earned should be revisited. The \$50,000 threshold has been in place since 1990, and by adjusting the figure to inflation, the figure would be closer to \$75,000. Campuses requesting the change to a higher threshold have noted that a \$50,000 gift provides only \$2,500 per year.

Upon the motion of Regent Barry and the second of Regent Gottschalk, Resolution I.2.d. was tabled. The Committee asked that a representative from WHA-TV attend the September, 2001 meeting to answer questions related to this request. The Committee will vote on the resolution at that time.

e. Follow-up on Chancellor Requested Flexibilities

Assistant Vice President Harris noted that since the early 1980s, public universities nationwide have sought increased management flexibility to enable them to employ scarce resources more effectively. The UW System has worked steadily to use its flexibility to improve its service to students. This is the third of three reports to be made to the Board of Regents concerning development of management flexibilities throughout the UW System. In November 2000, a report was presented

which detailed the benefits of the flexibilities granted to the UW System by the Governor and the Legislature to that date. In December 2000, a report was presented which focused on the flexibilities proposed by the Board in its 2001-03 Biennial Budget Request, the flexibilities previously delegated from the Board and System Administration to the campuses, and additional flexibilities recommended by the chancellors at the request of the Board of Regents at the November 2000 meeting. Included as part of the report presented in December was information detailing the status of flexibilities suggested for delegation by the Board of Regents and/or System Administration, as well as some items to pursue further within State government. A number of these items required additional evaluation or review, and as such were noted as 'in progress.' This report provides an updated status account of these items.

Ms. Harris reported that the chancellors had requested ten flexibilities, five of which are completed. These include food service signatures, a tuition sharing policy (previously used a percent of enrollment, and now using a specific figure), filling of senior academic administration positions, changing the continuing education policy so that it is more closely tied to regular instruction programs, and using procurement cards for travel with some limitations.

Two flexibilities are a work in progress. The first is insurance for students who are studying abroad, which will be covered in the next agenda item of the Committee. The other is the use of credit cards for tuition and fees. There are some campuses which currently have this in place, and a few more are planning to roll it out for the fall semester.

Ron Yates, Director of Internal Audit, noted that the UW System Administration has estimated the cost of allowing students to use credit cards to be about \$2 million when fully implemented. The reason for allowing credit card payment is that there is demand for the service, especially from non-traditional and on-line students. Also, other peer institutions are moving toward allowing this form of payment.

Ms. Harris noted that a few other flexibilities are also work in progress. First, making the revenue sharing policy less restrictive, which is intrinsic to getting the Enrollment Management 21 (EM21) under way. Second, tuition plateau elimination (per-credit tuition) has been offered, but no institution has volunteered to pilot the program. Third, reviewing the auxiliary reserve management policy. Institutions have asked for an enterprise wide way of handling revenue from auxiliaries, and this will be reviewed by a systemwide policy group.

Ms. Harris noted that four additional flexibilities require state action: 1) System Administration is working with the Department of Administration to increase travel and invoice audit thresholds; 2) increasing the maximum dollar threshold for small capital construction projects; 3) increasing the dollar threshold for contracts requiring the Governor's signature; 4) UW System Administration will continue to pursue a greater role in campus coordination of construction projects.

Regent Krutsch asked how continuing education fees works in relation to cost recovery fees and service based pricing. Associate Vice President Sell noted that up to now all adult education in continuing education has been funded through Fund 104. Fund 104 is not meant for entire degree programs, but now the UW System is offering entire degree programs for the adult market. The UW System Administration wishes to coordinate pricing, and not price adult education differently unless there is an appropriate rationale. As a part of the 21st Century Study, the Board asked that continuing education fees be priced at cost recovery, when in fact the prices are currently mirroring tuition. The movement to cost recovery pricing will be immediate for some programs and gradual for others.

f. Update on University Insurance for Students in International Programs

Senior Vice President for Administration David Olien noted that insurance coverage for students studying abroad, including students who are traveling abroad in official status (such as athletes), is currently in place for the fall, 2001 semester. The UW System Administration hosted a conference two weeks ago at UW-Milwaukee, and all campuses plus the Department of Administration attended. The Department of Administration will play a critical role in implementing this coverage. This issue is becoming more important now that students are rapidly beginning to study

in a wide range of countries, including Eastern European and Central and South American countries, where the health care system is not what students expect.

Sheri Ackley, Director of the Office of Safety and Loss Prevention provided an update on the status of insurance coverage for study abroad. Her office is working with the State Insurance Broker (AON Consulting Services) to identify possible markets for this coverage.

Examples of the type of coverage currently available on the open market and the relative cost of coverage per student were discussed. AON Consulting Services is giving the UW System Administration a quote of \$27 per student eligible for travel abroad. This is basic medical coverage of 100% of costs up to \$100,000. Examples of coverage include major medical, drugs, and family reunion in the event a student is injured overseas. The coverage is primary, and the student will have an insurance card to use abroad. There is no co-insurance or deductible, and the coverage includes emergency evacuation transportation. Negotiations are underway to finalize the cost and coverage of this program for implementation during the 2001 – 2002 academic year. Current clients of this company include the University of Illinois, University of Minnesota, and Purdue University.

g. UW-Madison Contractual Agreement with Adidas

Regent Marcovich noted that each member of the Committee has read the contract, and it may be beneficial for the Committee to have a question and answer period regarding the UW-Madison Contractual Agreement with Adidas with representatives from UW-Madison at this time. Casey Nagy, Special Assistant to the Chancellor, UW-Madison and Vince Sweeney, Associate Director, Athletics, UW-Madison, responded to the questions.

Regent Gottschalk asked whether the labor and facility clauses in the collegiate licensing contract, which is next on the Committee's agenda, is also included in the agreement with Adidas. Mr. Nagy responded that UW-Madison has an agreement with the Collegiate Licensing Company, and that this is incorporated in the contract, including all of the workplace conditions and standards of production that UW-Madison has adopted. Regent Gottschalk noted that this part of the agreement is vital to the contract with Adidas, and shows that UW-Madison is sensitive to student concerns regarding sweatshops and other related issues.

Upon the motion of Regent Barry and the second of Regent Krutsch, the Committee approved Resolution I.2.g.

Resolution I.2.g.

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 Sponsorship Agreement with Adidas Promotional Retail Operations, Inc. which will provide, among other things, shoes, equipment and apparel to the University of Wisconsin-Madison intercollegiate athletic teams, certain cash compensation, and enhanced licensing opportunities.

h. UW-Madison Collegiate Licensing Contract

Upon the motion of Regent Gottschalk and the second of Regent Barry, the Committee approved Resolution I.2.h.

Resolution I.2.h.

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 formally accepts,

prior to execution, the agency agreement between the Collegiate Licensing Company and the University of Wisconsin-Madison for the administration of its Trademark Licensing Program.

i. Report of the Vice President

Associate Vice President Doug Hendrix noted that according to the latest projections, the UW System is still expecting about a \$10.8 million utility shortfall. The date of the Joint Finance Committee July 13.10 meeting is not yet set, but the UW System Administration is working with them, and also working with the Department of Administration to identify funding for this shortfall.

Upon the motion of Regent Barry and the second of Regent Gottschalk, the Business and Finance Committee adjourned at 4:00 p.m.



Eric Engbloom, Recording Secretary