

Minutes  
Business and Finance Committee  
Board of Regents of the University of Wisconsin System  
September 4, 2003

The Business and Finance Committee met at 1:35 p.m. in room 225, Pyle Center, UW-Madison. Present were Regents Bradley, Connolly-Keesler, Gottschalk, Rosenzweig and Regent Vice President Walsh.

**a. Approval of minutes of June 5, 2003 meeting of the Business and Finance Committee**

Upon the motion of Regent Vice President Walsh, and the second of Regent Gottschalk, the minutes of the June 5, 2003, meeting of the Business and Finance Committee were approved as presented.

**b. Trust Funds**

**(1) Asset Allocation and Spending Plan Review**

Assistant Trust Officer Doug Hoerr stated that the University of Wisconsin System Trust Funds normally completes an annual review of the asset allocation and spending rate for the Long Term Fund. A detailed study was conducted in the fall of 2002 to determine an appropriate long-term strategic asset allocation for the Trust Funds' Long Term Fund. Discussions on the inclusion of several new asset classes, and final asset allocation (and spending rate) recommendations were made and approved by the Committee in December. Although the capital market assumptions used last year have been revisited, no revisions to these assumptions are recommended at this time. Therefore, no revisions are being recommended to the target asset allocation approved in December. Also, it should be noted that an investment manager search process is now under way for all existing and new investment mandates and asset classes, with these new target allocations in view.

Mr. Hoerr noted that the asset allocation analysis conducted in the fall of 2002 supported a reduction in the spending rate from 5.0 percent to 4.5 percent. No further alteration of the 4.5 percent spending plan is recommended at this time.

Regent Bradley asked for more details about the investment manager search. Mr. Hoerr responded that about 235 firms responded to the request for proposal. The Trust Funds Office is currently reviewing the responses to narrow the field. After the field is reduced to a reasonable number of prospective managers, a search committee will evaluate the material, further narrow the field, and meet with the finalists. Business and Finance Committee members are invited to attend the meetings with prospective investment managers. Final recommendations will be made to the Committee by December. Regent Gottschalk noted that the Committee will ultimately make the decision to select the investment managers, and, as the UW System is a public agency, most of the search process is stipulated by law.

**(2) Acceptance of Bequests over \$50,000**

Assistant Trust Officer Hoerr noted that Regent policy provides that individual bequests of \$50,000 or more will be brought to the Business and Finance Committee so that they can, via resolution, be formally accepted and recognized by the President, Board, and appropriate Chancellor if to a specific campus. The resolution of acceptance, recognition, and appreciation will then be conveyed, where possible, to the donor, the donor's family, and other interested parties.

Upon the motion of Regent Gottschalk, and the second of Regent Rosenzweig, the Committee approved Resolution I.2.b.(2).

**Resolution I.2.b.(2)**

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellors of the benefiting University of Wisconsin institutions, the bequests detailed on the attached list be accepted for the purposes designated by the donors, or where unrestricted by the donors, by the benefiting institution, and that the Trust Officer or Assistant Trust Officers be authorized to sign receipts and do all things necessary to effect the transfers for the benefit of the University of Wisconsin.

Let it be herewith further resolved, that the President and Board of Regents of the University of Wisconsin System, the Chancellors of the benefiting University of Wisconsin institutions, and the Deans and Chairs of the benefiting Colleges and Departments, express their sincere thanks and appreciation to the donors and their families for their generosity and their devotion to the values and ideals represented by the University of Wisconsin System. These gifts will be used to sustain and further the quality and scholarship of the University and its students.

**c. Committee Business****(1) Auxiliary Reserves Report**

Vice President Debbie Durcan stated that Wisconsin Statutes require that the Board of Regents may not accumulate any auxiliary reserve funds from student fees for any institution, in an amount that exceeds an amount equal to 15% of the previous fiscal year's total revenues from student segregated fees and auxiliary operations funded from student fees for that institution, unless the reserve funds are approved by the Secretary of Administration and the Joint Committee on Finance. A request by the Board for such approval must be filed no later than September 15th. The request needs to include a plan specifying the amount of reserve funds the Board wishes to accumulate and the purposes to which the reserve funds would be applied.

Vice President Durcan noted that the report, provided in the Board of Regents' folders, shows the planned use of reserves for the six institutions that are projecting to end 2003-2004 with reserve balances above the 15% threshold. At each of these institutions, the planned reserves are being accumulated for major capital projects.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Gottschalk, the Committee approved Resolution I.2.c.(1).

**Resolution I.2.c.(1)**

That, upon the recommendation of the President of the University of Wisconsin System, the Auxiliary Reserves Report be accepted for transmittal to State Officials.

**(2) Report on Base Salary Adjustments to Recognize Competitive Factors**

Associate Vice President Freda Harris noted that Wisconsin Statutes allow the University System to grant salary increases to faculty and academic staff to recognize competitive factors. Wisconsin Statutes also provides that no later than October 1 of each year, the Board of Regents shall report to the Joint Committee on Finance and the Departments of Administration and Employment Relations concerning the amount of such pay increases granted, and the institutions at which they are granted for the 12-month period ending on the preceding June 30.

Associate Vice President Harris stated that a total of 415 individuals at six institutions received \$1,296,434 for normal equity and retention issues in 2002-03. By comparison, there were a total of 511 individuals at ten institutions receiving \$1,354,886 in 2001-02. A large amount of the base salary adjustments is due to the third installment of Phase III of UW Colleges' Salary Improvement Plan. Long-term salary compression and market issues are addressed through a phased-in compensation plan that will affect many individuals employed by UW Colleges.

Upon the motion of Regent Gottschalk, and the second of Regent Vice President Walsh, the Committee approved Resolution I.2.c.(2).

**Resolution I.2.c.(2)**

That, upon the recommendation of the President of the University of Wisconsin System, the Report on 2002-03 Base Salary Adjustments to Recognize Competitive Factors Required by Section 36.09(1)(j), Wisconsin Statutes, be accepted for transmittal to State Officials.

**(3) Exclusive Pouring Rights Contract**

Michael Hardiman, Director of Purchasing, UW-Madison, noted that UW-Madison is prepared to enter into a contractual agreement with Coca-Cola Enterprises – Madison (Coca-Cola), for the purpose of awarding the exclusive rights to offer soft drink beverages for sale at UW-Madison Athletic Facilities. For the past several years, UW-Madison's Division of Intercollegiate Athletics has had a similar agreement with Coca-Cola. The current five-year agreement ended in July 2003. This proposed Agreement is a result of a procurement process that has taken place over the past several months and included representatives from the Division of Intercollegiate Athletics, UW-Madison Purchasing Services, and UW-Madison Administrative Legal Services. After discussions with two plan submitters (Coca-Cola and Pepsi), the decision was made to pursue contract negotiations with Coca-Cola. The proposed agreement is a result of those negotiations.

Michael Hardiman listed the principal provisions of the contract, including:

- The agreement is for ten years and is effective on the date it is signed on behalf of all parties.
- Sponsor agrees to pay the Division \$220,000 each year of the agreement and an additional \$50,000 signing bonus in the first year.
- Sponsor agrees to purchase a minimum of \$900,000 worth of tickets and parking over the ten-year term of the agreement.
- Sponsor agrees to purchase a minimum of \$200,000 in sponsorship support each year during the ten-year term. In exchange, sponsor will receive sponsorship signage in selected Athletic facilities and print materials.
- Sponsor will pay the Division a commission on sales of vending machines operated on Athletics facilities.
- Sponsor agrees to pay \$50,000 per year to support the marketing and promotions activities of the Division.

Regent Bradley asked whether Coca-Cola or the UW controls the content of the advertising. Mr. Hardiman noted that Coca-Cola must follow UW policies regarding advertising. Coca-Cola will work with Badger Sports Properties, the UW's contracted provider for promotions and advertising, on the content of promotional material.

Regent Vice President Walsh asked why the term of the proposed contract is 10 years, and how Regents can be assured that this is the best possible contract for the UW. Mr. Hardiman noted that, with

the renovation of Camp Randall Stadium, there is a significant capital investment in fountain equipment, and both submitters wanted a 10 year contract in order to amortize the cost over the 10 year period. The 10 year contract is palatable to the UW because of the variable components of the contract, which could increase revenue over the term of the contract. Regent Vice President Walsh noted that Coca-Cola is not contractually bound to the escalated signage payments. Mr. Hardiman stated that the contract would result in an increase of about \$300,000 in revenue per year over the prior contract.

The Committee tabled the resolution approving the contractual agreement to the next meeting. Mr. Hardiman was asked to report back to the Committee on the cost of the capital equipment that the vendor is installing at Camp Randall, the amount of gross revenue that the vendor can expect to realize over the course of the contract, and how this agreement compares with contractual agreements at other Big 10 universities.

#### **(4) Correction to UW-Barron and UW-Richland Colleges Segregated Fees**

Associate Vice President Harris noted that the 2003-04 Operating Budget, approved July 10, 2003, inadvertently included textbook rental rates in the segregated fee amounts for the UW Colleges at Barron County and Richland, for both last year (2002-03) and the upcoming academic year (2003-04). The UW-Barron County (UWBC) corrected segregated fees rate for 2003-04 was \$208.00, a decrease of \$120.00 from the approved segregated fees rate of \$328.00. Compared to last year's corrected rate of \$196.00, this year's corrected rate represents a 6.1% increase over the prior year. The UW-Richland corrected segregated fees rate for 2003-04 was \$241.40, a decrease of \$120.00 from the approved segregated fees rate of \$361.40. Compared to last year's corrected rate of \$232.40, this year's corrected rate represents a 3.9% increase over the prior year.

The 6.1% increase in UW-Barron County's segregated fee is due to a modified agreement with Wisconsin Indianhead Technical College (WITC). WITC and UWBC students traditionally shared student union space located on the UWBC campus, and WITC students have provided financial support to maintain the facility. WITC student use of the facility has declined, shifting more of the cost to UWBC students.

Upon the motion of Regent Gottschalk, and the second of Regent Rosenzweig, the Committee approved Resolution I.2.c.(4).

#### **Resolution I.2.c.(4)**

That, upon the recommendation of the President of the University of Wisconsin System, the 2003-04 Operating Budget and Fee Schedules be corrected to adjust the segregated fee rate at the University of Wisconsin-Barron County from \$328.00 to \$208.00 and at the University of Wisconsin-Richland from \$361.40 to \$241.40.

#### **(5) 4<sup>th</sup> quarter Gifts, Grants and Contracts**

Vice President Debbie Durcan presented a summary of gifts, grants and contracts awarded to the institutions of the UW System for the year ended June 30, 2003. Totals for the period were \$992.3 million, an increase of \$71.8 million from the previous fiscal year. Federal awards increased \$11.3 million, and non-Federal awards increased \$60.5 million. Ms. Durcan noted that it was a very successful year in outside funding, and, later in the year, the UW System will analyze the funding trends across institutions for Federal and non-Federal awards.

**(6) UW-Madison LTE Conversion Pilot Program Final Report**

Vice Chancellor Darrell Bazzell, UW-Madison, stated that 2001 Wisconsin Act 16 (the Biennial Budget Bill) created a two-year pilot program at UW-Madison ending July 1, 2003, during which time the Board of Regents could convert up to 50 long-term LTE positions to permanent classified GPR, Segregated Fee, or Program Revenue positions. The Act permitted the Board of Regents to appoint LTEs who have held appointments at UW-Madison for at least one year, and exempt appointees from competitive examination requirements. Exemption from the competitive examination requirements was a key issue that labor unions requested. The Act required the Board of Regents to submit a final report to the Governor, Legislature, and Department of Employee Relations.

Vice Chancellor Bazzell noted that during the period July 1, 2001 to July 1, 2003, UW-Madison identified and converted 51.00 FTE long-term LTE positions that qualified for conversion to permanent classified status under this provision. The 51.00 FTE were comprised by 60 individuals. The 51.00 FTE reported exceed the 50.00 FTE authorized, because some terminations occurred during the period. As of July 1, 2003, of the total 60 individuals and 51.00 FTE converted under the program, 52 individuals and 44.40 FTE remain under continuing employment in permanent classified status. The reasons for the termination of 8 individuals were varied, including relocation, failing probation and retirement.

Vice President Durcan noted that this report has been filed with the Joint Committee on Finance.

**d. Report of the Vice President**

Vice President Durcan updated the Committee on the status of the Legislative Audit Bureau (LAB) review of UW System administrative staffing and expenditures. She noted that LAB is concluding the data gathering process, and has moved into the report drafting stage. It will be at least one month before the UW System receives a draft report. UW System staff has maintained contact with campus business officers regarding the review, as these officers are the point of contact with LAB. The report will compare the UW System with peers, and also compare institutions within the UW System. Regent Rosenzweig asked that LAB be invited to present their final report.

Ms. Durcan highlighted a list of Committee business topics that will come before the Committee during the year.

Regent Gottschalk asked that the Committee be provided an updated report on discretionary Trust Funds, and a summary of the Vilas Trust.

Regent President Marcovich joined the Business and Finance Committee meeting at this time.

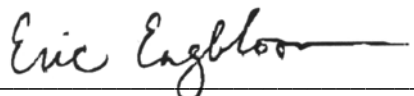
**e. Additional items which may be presented to the Committee with its approval**

No additional items were presented to the Committee.

**f. Closed session to consider trust fund matters as permitted by s.19.85(1)(e), Wis. Stats.**

Upon the motion of Regent Rosenzweig, and the second of Regent Gottschalk, the Business and Finance Committee adjourned to Closed Session at 2:35 p.m. Present were Regents Bradley, Connolly-Keesler, Gottschalk, Rosenzweig, Regent Vice President Walsh and Regent President Marcovich.

The Business and Finance Committee adjourned at 3:45 p.m.



Eric Engbloom, Recording Secretary