

Minutes
Business, Finance, and Audit Committee
Board of Regents of the University of Wisconsin System
April 6, 2006

The Business, Finance, and Audit Committee met in Joint Session with the Physical Planning and Funding Committee at 1:00 p.m. in Alumni Rooms A&B of the University Union, UW-Green Bay, to hear a presentation on the UW-Green Bay: Campus Master Plan. The minutes of this discussion are detailed in the minutes of the Physical Planning and Funding Committee.

The Joint Session with the Physical Planning and Funding Committee adjourned at 2:00 p.m.

The Business, Finance, and Audit Committee reconvened at 2:10 p.m. in Alumni Rooms A&B of the University Union, UW-Green Bay. Present were Regents Pruitt, Connolly-Keesler, Loftus, Randall, Rosenzweig, and Smith.

a. Approval of Minutes of the March 9, 2006 Meeting of the Business, Finance, and Audit Committee

Upon the motion of Regent Randall, and the second of Regent Connolly-Keesler, the minutes of the March 9, 2006 meeting of the Business, Finance, and Audit Committee were approved as presented.

b. UW Growth Agenda: A Plan for UW-Green Bay

UW-Green Bay Chancellor Bruce Shepard presented a Green Bay component of the UW System Growth Agenda. The plan would enable UW-Green Bay to meet the demands and needs of a rapidly growing and changing region. The institution seeks to increase its enrollment to 7,500 headcount, an increase of 50 percent. This plan would require an additional \$8.2 million in state support over the next six years. The growth plan would also require an additional academic building.

Chancellor Shepard noted that the growth agenda is being driven by three factors: the economic transition of Northeastern Wisconsin; growing diversity in the student body and the area's population; and, increased demand for access to the university.

Chancellor Shepard commented that the region still benefits from strengths cultivated during the manufacturing era, such as an internationally competitive paper industry. However, as the region moves toward a knowledge-based economy, only 18.8 percent of area residents have four-year college degrees. The campus growth agenda represents the best efforts to respond to the needs of the region.

Chancellor Shepard outlined some of the goals of the plan for responding to the region's growing demographic transition. The Phuture Phoenix program, which originated in 2003, seeks to grow college aspirations among fifth-grade students in Northeastern Wisconsin. He said it is unrealistic to believe that there is overwhelming demand from students of color waiting to get in to a UW campus, and the university must build a pipeline to reach out to students at an early age.

Chancellor Shepard remarked that employers are demanding more from the UW-Green Bay graduate pipeline. Facts and techniques are quickly outdated; therefore, the university must give students a unique hands-on education that better prepares graduates to become problem solvers. He noted that the campus will be able to grow in part because it has successfully fostered partnerships with other public and private universities, regional K-12 public schools, and the private sector.

Regent Smith asked if the plan depends on receiving funding from the state. Chancellor Shepard responded that state funds would be necessary because the campus could not rely on increased tuition to recover costs. He stressed that UW-Green Bay would not grow without state funding support.

Regent Loftus indicated his support for UW-Green Bay's proposal. He noted that such plans would depend on the support of local legislators as well as reasonable tuition and increased financial aid.

Regent Rosenzweig described UW-Green Bay's growth plan as inspiring. She asked if Chancellor Shepard intended to request that the UW System reallocate internal funding to support the plan. Chancellor Shepard stated that it is not realistic to look to internal reallocation as a source of funding to fuel the institution's growth. He suggested that UW institutions should work to gain legislative and community support.

Chancellor Shepard reminded the Committee that when the UW System was created, resources and missions were similar at campuses across the state. That approach is now outdated and campus differentiation is the way to achieve the shared mission of benefiting the State of Wisconsin.

Regent Randall said he was pleased that the campus is acknowledging the opportunities that accompany a diversified population. He asked how UW-Green Bay would improve on capitalizing on the growing diversity of the region. Chancellor Shepard noted that UW-Green Bay is increasingly an urban campus. The current population of students of color is lower than preferred. He noted that 50 percent of UW-Green Bay students are the first in their family to attend college, and the Phuture Phoenix program will help to build a pipeline of diversified students.

Regent Smith and Regent Pruitt noted that the plan was directly responsive to the region's and state's need to expand the number of Wisconsin citizens who have baccalaureate degrees. Regent Pruitt asked how non-traditional students fit in with the strategy. Chancellor Shepard commented that the untapped market of adult students would be targeted, but this market would be beyond the 7,500 headcount enrollment goal. The growth agenda would be a foundation on which to build anytime, anywhere learning.

c. Trust Funds

(1) Fiduciary Responsibilities of the Board of Regents

General Counsel Pat Brady reported that the fiduciary responsibilities and expectations of the Board and the Committee are found primarily in Wisconsin Statutes and Board policies. She highlighted the key provisions of the statutes and policies.

Ms. Brady stated that Section 36.29, Wisconsin Statutes, authorizes the Board to accept gifts, grants and bequests for the benefit of the UW System, and to administer the funds comprised of such donations. This statute also establishes several restrictions and requirements with respect to these funds.

General Counsel Brady commented that the Uniform Management of Institutional Funds Act (UMIFA), codified in s. 112.10, Wisconsin Statutes, allows for the delegation of investment management to committees of the governing board and to outside investment advisors. In general, UMIFA grants broad authority to the governing board to invest institutional funds and establishes the standard of fiduciary conduct, requiring that the board exercise ordinary business care and prudence. UMIFA further permits the release of any restrictions on the use or investment of funds, if the donor gives written consent. If the consent of the donor cannot be obtained by reason of death, disability, unavailability, or impossibility of identification, the governing board may apply to a state circuit court for release of such a restriction.

Ms. Brady reported that the Board has, through its Bylaws and Regent Policy Document 71-4, delegated authority to the Business, Finance, and Audit Committee to consider all matters

related to trust funds. Regent Policy Document 91-11 includes the Investment Policy Statement, as well as specific investment guidelines. Regent Policy 90-4 deals with the spending distribution rate for the Long Term Fund.

General Counsel Brady noted that it is the responsibility of the Board to ensure that gifts and bequests are used in accordance with donor terms. However, donor-imposed terms can sometimes impose practical problems, and in such cases, the Trust Funds Office consults with the Office of General Counsel to determine appropriate actions consistent with Regent policy and applicable law.

Regent Loftus noted that UW-Madison does not take research money from tobacco companies and asked that the endowment funds refrain from additional tobacco investments in the future. Regent Connolly-Keesler commented that investments in alcohol companies are a similar issue, and asked how the Committee would decide on companies in which the funds would not invest. Regent Rosenzweig asked whether other universities have set a precedent with such policies. Assistant Trust Officer Doug Hoerr noted that other universities have similar policies limiting investment in tobacco or alcohol companies. Regent Pruitt remarked that the Committee can take action on this issue, and adjust the policy in the future if it so chooses.

d. UW System Food Service: Best Practices Review

Assistant Vice President Ruth Anderson presented findings from a systemwide review of food service operations. She contrasted the differing ways campuses manage food service. UW-Green Bay has a food service contractor that provides both the food and staffing. UW-Madison is a self operated campus, meaning food supplies are bought from a contractor, but UW employees make up the food service staff.

Ms. Anderson stated that in the prior year the UW Purchasing Council selected areas to review for strategic sourcing. Food Service was selected because it has a consolidated contract value of \$30 million and is an important student program driven by student dollars. Food Service Operations is a complex and consumer driven service. Students can go elsewhere for food, therefore, quality of staffing and management, not just price, are key factors to a good program.

Assistant Vice President Anderson stated that the purpose of the review was to find the most effective method to contract for food service operations, to determine whether the UW System should have one central contract, and to compare costs to operations across the nation. Campus participation included Chief Student Affairs Officers and Food Service and Auxiliary Directors. A number of universities were surveyed. The UW System's two largest vendors gave presentations about trends in higher education food service and contracting. Also, meal plans were benchmarked against a representative sample of regional peer institutions.

Ms. Anderson noted that the review found that 90 percent of costs would not be affected by consolidation. The UW System could find only one university, the Minnesota State Colleges and Universities, which attempted to consolidate their contracts. This attempt stopped mid-process for a variety of reasons, including the loss of individuality of campus programs. She reported that the most effective method for food services operations is a system level coordination with campus level student and staff management, including standardized terms with a customized program to fit the campus.

Ms. Anderson reported that UW System students enjoy some of the lowest food plan rates in the nation. Concurrent management of these contracts at both UW System Administration and the institutions keeps rates low, enhances enforcement of contract terms, and helps to spread best practices across the UW System. Successful food service programs must continually improve and evolve to meet student and campus needs.

Ms. Anderson recognized Rich Lampe, Procurement Specialist, who specializes in auxiliary services including food, Brian Hutchinson, Executive Analyst, and Scott Hoffland, Director of Food Service at UW-Milwaukee, for their efforts with the food service review. She also introduced Randy Hedge, Director of Reeve Memorial Union and of Food Service Dining at

UW-Oshkosh, and Chris Moore, a senior at UW-Oshkosh. Mr. Moore has been active in the food service committee, served at the national level on food service student boards, and was hired this year to be Sodexo's student liaison on a part-time basis.

Mr. Hedge pointed out that food service is a high priority for prospective students when they decide which institution to attend. Local control and flexibility is important in responding to the changing tastes of students.

Director Hedge noted that food service contracts are complicated, especially at the campus level. He commented that consolidating the campuses under a single contract would be a very poor idea. Contracts are consistently updated in response to student input, making local control essential. Campuses also work with contractors to allow a broad selection of menu items due to the fact that students come from increasingly diverse backgrounds.

Mr. Moore said that food service is an easy way to judge whether or not to attend a campus. Consolidated contracts allow volume discounts, but local control of the contracts is essential for the campuses to meet student needs.

Regent Rosenzweig asked for an example of a campus responding to the needs of students. Mr. Moore cited as a recent example making soy milk available in dining facilities due to student requests. This would not have been possible without campus autonomy.

Regent Loftus asked whether students can use their university identification card for meals on campus. Regent Connolly-Keesler followed up by asking whether the cards are set up as debit or declining balance cards. Mr. Lampe responded that it varies by campus. Many campuses have university identification cards that can work as both debit cards for meal plans and retail purchases.

e. Committee Business

f. Report of the Vice President

Vice President Debbie Durcan reported on the A-133 federally mandated audit of federal funds, including grants and financial aid. As usual, university questioned costs were extremely low, less than \$140,000 on grants totaling almost \$1.2 billion.

Ms. Durcan followed up on questions from the prior Committee meeting. Regarding the financial aid drop at UW-Stevens Point and UW-Oshkosh, both were due to timing of the financial aid awards. She also pointed to data provided at the Committee's request regarding the number of faculty lost at UW-Madison over the past 20 years.

Vice President Durcan noted that the UW System has received the request for materials for the next Joint Finance Committee 13.10 hearing. The Committee discussed whether the UW System should request a supplement for the revenue lost due to Veteran's remissions for the 2005-06 fiscal year. The Committee recognized that state resources are very tight, however, the total cost is estimated to be approximately \$4 million, and would amount to another budget cut. Regents Loftus and Rosenzweig agreed to have additional conversations with key legislators and advise Regent President Walsh on whether making a 13.10 request is advisable.

Vice President Durcan reported that the Joint Audit Committee approved a statewide review of major system implementations. Moving to another topic, she noted that the current utilities projection is break even, but staff will continue to monitor it monthly.

Ms. Durcan reported that four of the bargaining units within the Wisconsin State Employees Union (WSEU) recently came to agreements with the state that provided for a pay plan of 2 percent for July, 2005, 2 percent for July, 2006 and an additional 2.25 percent for April, 2007. The UW System expects that there will ultimately be a parity adjustment for unrepresented classified employees for the additional 1.25 percent, and will pursue a similar parity adjustment for faculty and academic staff.

Vice President Durcan reported that the College Savings Board recently approved two investment options, one for banks and the other for savings and loans, and endorsed passage of

the two companion bills, SB 661 and AB 1153. If the legislation authorizing these two additional options passes this spring, they could be available by July for the EdVest program. The EdVest board hopes that with the insurance guarantee of principal, additional Wisconsin residents will be encouraged to save for college, especially those in the lower to moderate income groups.

Regent Loftus asked for an update on the review of student segregated fees. Vice President Durcan responded that the Office of Operations Review and Audit is in the final drafting stage and will be scheduled to present their findings at the May Committee meeting. Regent Pruitt noted that the Committee will review the Chancellor's auto allowance at the May meeting.

g. Additional items, which may be presented to the Committee with its approval

The Committee discussed the 2007-09 biennial budget process. The Committee returned to the discussion of campus growth agenda proposals and focused on how they would be incorporated into the UW System's 2007-09 biennial budget request. Vice President Durcan reported that other campus growth plans will be presented at the May meeting and the Board will express its priorities in the next budget request.

Regent Connolly-Keesler asked how the Board would balance UW Growth Agenda initiatives with the need to maintain and improve current operations, such as the need to increase faculty and staff salaries to reach peer levels. Regent Pruitt said that such initiatives would be included in the budget process.

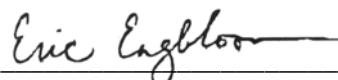
Regent President Walsh, who joined the meeting at this time, noted that the current Board has been through a period of significant budget cuts leading to reduced positions, the sale of assets, and procurement initiatives. However, the UW System is now moving in the right direction and the focus in the next budget cycle will be to increase access.

Regent Loftus noted that, in talking with Legislators, the discussion returns to what the UW System has done in response to the Legislative Audit Bureau's evaluation of UW System administrative staffing levels. Regent Rosenzweig agreed that the Legislature is concerned about the universities actions regarding administrative positions. Regent Connolly-Keesler stated that the UW System can point out where administrative positions were reduced. Vice President Durcan added that the upcoming budget priorities should reflect the need for faculty and advisory positions. Regent Loftus agreed, noting that advisors are an important component of higher education.

Regent Loftus suggested that UW-Madison is at a tipping point regarding attracting and retaining faculty. The next budget must reflect hope for investment in the institution's future. The Board should consider giving UW-Madison more independence, such as the funding models of Cornell University, the University of Michigan, and the University of Virginia. These models might provide UW-Madison with a better opportunity to remain a great university in spite of decreasing state support. Regent President Walsh agreed that the Board should consider alternative funding models.

The Committee discussed how funding is distributed to UW campuses. Vice President Durcan commented that there is a UW System integrated planning group that has been analyzing how funding should be apportioned.

Upon the motion of Regent Randall, and the second of Regent Rosenzweig, the Business, Finance, and Audit Committee adjourned at 4:13 p.m.



Eric Engbloom, Recording Secretary