

Minutes  
Business, Finance, and Audit Committee  
Board of Regents of the University of Wisconsin System  
April 10, 2008

The Business, Finance, and Audit Committee convened at 1:50 p.m. in room 309, Pyle Center. Present were Regents Smith, Connolly-Keesler, Rosenzweig, and Shields.

**a. Approval of the Minutes of the February 7, 2007 Meeting of the Business, Finance, and Audit Committee**

Upon the motion of Regent Rosenzweig, and the second of Regent Shields, the minutes of the February 7, 2007 meeting of the Business, Finance, and Audit Committee were approved as presented.

**b. UW Colleges/UW-Extension Presentation: Maximizing Access to UW Resources Through Partnerships with County Governments**

Interim Provost Robin Shepard, UW-Extension, presented to the Committee a history of the development of UW-Extension and the UW Colleges and a thorough explanation of the roles and functions of each. Interim Provost Shepard provided an overview of the structure for UW-Extension and UW Colleges. UW Colleges is comprised of 13 two-year institutions while UW-Extension is composed of four divisions: Cooperative Extension; Broadcasting & Media Innovations; Outreach & E-Learning; and, Entrepreneurship & Economic Development.

Interim Provost Shepard explained that combined, UW Colleges and UW-Extension represent the third largest institution within UW System. The history of the UW Colleges and UW-Extension date back to the mid-1800's and Interim Provost Shepard detailed important dates in the developmental history of both UW Colleges and UW-Extension.

The combined budget for UW Colleges and UW-Extension is more than \$300 million, which supports a statewide presence and mission. All 72 counties have a local cooperative extension office that partners locally with county government. Other units, according to Interim Provost Shepard, that help fulfill the statewide mission of the UW Colleges and UW-Extension are the broadcast properties – six television stations and 27 radio stations, the largest such network in the country. The first radio station in the country, WHA, is part of UW-Extension.

Interim Provost Shepard explained the UW Colleges mission of access and affordability. He noted that the 13 Colleges are at an all-time high in combined enrollment with 13,000 students. The Colleges are composed of 17 academic departments and have a total budget of approximately \$88 million. Currently, tuition provides 46 percent of the revenue support while state support is 31 percent; federal funding sources comprise 11 percent of the Colleges' budget. Interim Provost Shepard stated that funding for the Colleges represents a partnership; whatever is invested in the Colleges, the local County will invest something as well. Typically a partnership consists of an institution and county, but it could take the form of a city/county or dual-county partnership.

Interim Provost Shepard noted that the break down in expenditures for UW-Extension is \$94 million in program revenue, or about 44 percent, while state GPR comprise more than \$69 million, or 33 percent.

Brad Karger, Deputy County Administrator from Marathon County, spoke about the partnership between the county and university through UW Colleges and UW-Extension. Presently, the Marathon County Board is undergoing a restructuring process to be a more forward-looking governing body. As part of the restructuring, Mr. Karger stated that the County Board's educational subcommittee is approaching its partnership with UW-Extension in the context of economic development, both in terms of job development and creating the type of community people want to live in.

Mr. Karger believes, after conversations with community leaders, that the most important educational issues for the County Board are formulating an educational plan and maintaining access to the Colleges. Mr. Karger also touched upon a few ongoing changes concerning UW-Extension and the UW College in Marathon County,

including the development of a new theatre, an increasing commitment in UW-Marathon County facilities, and greater openness in the relationship with UW-Marathon County's administration.

Lastly, Mr. Karger summarized both the level of County support for Cooperative Extension, as well as how the County benefits from the presence of Cooperative Extension. Mr. Karger stated that UW Extension in Marathon County receives approximately \$350,000 in county levy. Benefits to Marathon County include the Dairy Land State Academy and education for beginning dairy farmers, the Governance Institute and Institute for Public Policy and Service, service learning activities, and county development opportunities.

Regent Smith asked Mr. Karger about community concerns with access issues. Mr. Karger believes that continuing education in the community is very uneven and would benefit from the UW becoming more involved in providing adult education.

#### **c. Amendments to the By-Laws of the University of Wisconsin Medical Foundation**

Pete Christman, Chief Operating Officer for the University of Wisconsin Medical Foundation was present to answer any questions from the Committee concerning amendments to the Foundation's by-laws. Regent Connolly-Keesler asked when the by-laws were last updated. Mr. Christman stated that the last update occurred in 2001. The Committee had no other questions of Mr. Christman.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Shields, Committee unanimously approved Resolution I.2.c.

##### **Resolution I.2.c.**

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison, the Board of the University of Wisconsin Medical Foundation, and the President of the University of Wisconsin System, the Board of Regents approves the Phase II Proposed Amendments to the University of Wisconsin Medical Foundation By-laws as outlined in Attachment A and adopts the amended By-laws as defined in Attachment B of these materials.

#### **d. Approval of UW-Platteville Differential Tuition**

Michael Viney, Assistant Chancellor for Student Affairs, introduced the UW-Platteville differential tuition proposal to the Committee. Assistant Chancellor Viney stated the reasons for the differential tuition request are: 1) improvements in student support to improve retention; 2) increased mental health and student safety and security support; 3) increased services in career services; and, 4) support for senior capstone projects. The institution began meeting with student body leaders last semester and provided all the necessary board-required documents and analysis for requesting differential tuition.

Mr. Viney introduced Frank Moullet, UW-Platteville Student Body President and Kenny Brotherage, UW-Platteville Student Body Vice President. Mr. Brotherage stated that student discussions concerning the differential tuition proposal began in December of 2007 and included staff from the Chancellor's Office, Student Affairs Office staff, and the student body president and vice president. The entire student senate began their review of the proposal in February 2008. According to Mr. Brotherage, changes were made by the administration to the original proposal, including a 23 percent increase in services to support student transition to college, increasing the overall differential tuition request to 1.9 percent of resident undergraduate tuition. The student senate took a final vote on the proposal on March 30<sup>th</sup>.

Mr. Moullet stated that the final vote was 16 in favor, seven opposed, and two abstentions. Mr. Moullet summarized the student body's perceived needs and how the proposed differential tuition addresses those needs. Mr. Moullet stated that students increasing use of tutoring services in combination with increasing enrollment results in a shortage of resources for these services. Mr. Moullet stated that students are encouraged to use mental health services for their needs resulting in increasing demand for counseling. Career services, according to Mr. Moullet, are receiving increasing interest by students at UW-Platteville resulting in long lines and waits. Lastly,

the differential tuition proposal will support student interest in the Engagement Center which will help student to use all the skills they've acquired while on campus and to apply them to internships or projects designed to prepare them for the workplace. Mr. Moullet reported that the student senate approved a review process, suggesting a review in four years by a committee composed of students, faculty, and staff.

Regent Connolly-Keesler confirmed that all students, freshman through senior, will pay the differential tuition. Further, Regent Connolly-Keesler asked about the composition of the tuition review committee. Assistant Chancellor Viney stated that the review committee is composed equally of staff, faculty, and students with an annual report submitted to the student government.

Regent Smith asked how UW System evaluates differential tuition proposals. President Reilly responded that a couple of criteria considered include whether there has been the right kind of student consultation, whether there is a demonstrated need for the services that are to be funded by the differential tuition, and whether the increase in tuition will really improve student education as a whole. The other question, according to President Reilly, is how likely the goals of the differential tuition proposal could be accomplished through a budget request. Vice President Debbie Durcan further elaborated that Regent guidelines for programmatic or campus-wide differential, the reasonableness of the proposed fee increase, and the existence of a pre-existing need are all considered when reviewing differential tuition plans.

Regent Connolly-Keesler asked whether many differential tuition plans fail to reach the level of Business, Finance, and Audit Committee consideration. President Reilly stated that there are proposals that do require refinement. President Reilly commented that all differential tuition plans are brought before and defended at the Chancellors Table. According to President Reilly, such discussions have led to changes or even proposals not coming forward. Assistant Chancellor Viney commented that as a graduate of UW-Platteville, he views the differential tuition plan as an action of last resort after all other efforts have been exhausted.

Regent Rosenzweig expressed her concern over the growth in differential tuition. Regent Rosenzweig asked the student leaders present about what efforts were taken to include the larger student body in the discussion over differential tuition. Mr. Moullet responded the current student senate delegation is one of the largest ever at UW-Platteville and is very engaged with the student body. Mr. Moullet cited the seven votes against the plan as evidence that student were engaged in the process and were able to express their concerns over the plan. Mr. Moullet also noted campus newspaper coverage of the tuition plan and that listening sessions were held in the student senate. Regent Rosenzweig followed-up by asking if anyone at UW-Platteville had contacted their local legislators about the plan or the likelihood of other funding support. Assistant Chancellor Viney responded that no contact had been made at this point.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Shields, Committee unanimously approved Resolution I.2.d.

#### **Resolution I.2.d.**

That, upon the recommendation of the students and Chancellor of the University of Wisconsin-Platteville and the President of the University of Wisconsin System, the Board of Regents approves differential tuition for all UW-Platteville undergraduate students beginning in the Fall Semester of 2008-09. The tuition differential would be an additional 1.9 % of the resident undergraduate tuition rate set by the Board of Regents. The dollar amount would be \$50 per semester (\$100 per year) in academic year 2008-09. The differential would be prorated for part-time undergraduate students.

#### **e. Committee Business**

##### **(1) Consideration of Salary Range Adjustments for Senior Academic Leaders to Address Recruitment and Retention for the Chancellors and Provosts at UW-Green Bay and UW Oshkosh**

President Kevin Reilly presented to the Committee information in support of a resolution adjusting the salaries for the Chancellors at UW-Oshkosh and UW-Green Bay, as well as the UW-Oshkosh Provost. Salary

adjustments for senior academic leaders have been brought on an individual basis since November 2006 as requested by the Committee.

President Reilly noted that the adjustments before the Committee are based upon market, equity, and competitive factors and all three academic leaders affected by the resolution have received highly positive performance reviews. President Reilly read a series of positive comments provided to him by community and institutional leaders concerning each of the three academic leaders addressed in resolution I.2.e.1.

President Reilly concluded by noting that the salary adjustments proposed in the resolution are modest in comparison to the competition and called for Committee support of the resolution.

Regent Smith commented that the recent announcement of Chancellor Don Betz' departure is the latest reminder of how competitive the market is for chancellors. Regent Connolly-Keesler stated that others need to understand the high cost associated with replacing a Chancellor.

Upon the motion of Regent Shields, and the second of Regent Connolly-Keesler, the Committee unanimously approved Resolutions I.2.e.1.

### **Resolution I.2.e.1.**

Whereas, pursuant to ss. 20.923(4g) and 36.09(1)(j), Wisconsin Statutes, the salaries of UW System senior academic leaders must be set within the salary ranges established by the Board of Regents, and based upon a formula derived from the salaries paid by peer institutions to their academic leaders, and

Whereas, section 36.09(1)(j), Wisconsin Statutes, authorizes the Board of Regents to increase Chancellors' and other university senior academic leaders' salaries to address salary inequities or to recognize competitive factors in the periods between pay plan adjustments, and

Whereas, at the February 2006 Board of Regents meeting, the Business, Finance and Audit Committee endorsed the recommendation that the President of the UW System periodically perform a review and assessment of individual Chancellor's salaries to determine whether there is a need for an adjustment to recognize competitive factors or correct salary inequities among senior academic leadership, as allowed by law, and

Whereas, the Board of Regents affirms that leadership is critically important to the performance of our institutions and the students and citizens they serve and, therefore, places a high value on recruiting and retaining our outstanding senior academic leaders.

Now, therefore, be it resolved;

That, upon recommendation of the President of the University of Wisconsin System, the annual salary for Chancellor Shepard, Chancellor Wells, and Provost Earns be adjusted due to competitive market factors and equity reasons as set forth in the attached, effective April 11, 2008.

## **(2) Approval of UW-Stout Bookstore Contract**

Vice Chancellor Diane Moen, UW-Stout, presented to the Committee a request for approval of a bookstore contract. According to Ms. Moen, UW-Stout has had a contract for bookstore services since 1995. The amount of the contract at UW-Stout is less than at some other institutions because the university operates a text rental

program. Ms. Moen stated that the contract for bookstore services is primarily for clothing, computer peripherals, personal electronics, and some supplementary materials that are of part of the text rental program.

The commission the institution receives through the contract supports the Memorial Student Center operations, allowing the university to hold down student fees for that facility. As a segregated-fee operation, there is a student advisory committee that provides advice on contract and operational matters.

Vice Chancellor Moen noted that the institution received two bids for the bookstore operation and was pleased with the improvement in contract terms.

Regent Connolly-Kessler asked whether the vendor is a common provider of bookstore operation services within UW System. Ms. Moen stated that no other campuses other than UW-Stout and UW-Parkside currently use the vendor selected for the contract before the Committee. Ms. Moen noted that the company is located in the Midwest and has recently become more aggressive in its growth. Regent Smith asked for additional clarification on the role of the advisory committee. Ms. Moen stated that the student advisory committee provides feedback on a variety of issues, such as hours of operations, merchandise selection, and facility appearance and maintenance. Ms. Moen noted that any technical review of the contract was performed by contract professionals.

Regent Connolly-Keesler asked who would provide texts or materials that can not be provided by the rental program for one reason or another. Ms. Moen responded that the contracted bookstore vendor would sell such material. Ms. Moen further stated that there are no limitations on faculty from removing a text from the bookstore and placing it into the text rental program.

Upon the motion of Regent Shields, and the second of Connolly-Keesler, Committee unanimously approved Resolution I.2.e.2.

### **Resolution I.2.e.2.**

That, upon the recommendation of the Chancellor of the University of Wisconsin-Stout and the President of the University of Wisconsin System, the Board of Regents approves the five-year contract with Validis Resources to provide Bookstore Services at the University of Wisconsin-Stout effective May 22, 2008.

### **(3) Approval of the UW-Parkside Bookstore Contract**

Vice Chancellor Steve McLaughlin, UW-Parkside, presented to the Committee a request for approval of a bookstore contract. According to Vice Chancellor McLaughlin, UW-Parkside has been a text purchase campus since its inception and has always outsourced its bookstore. The Parkside Student Government Association created a task force to look at alternative acquisition options for textbooks. The task force was composed of faculty, staff, and students. Mr. McLaughlin stated that the task force looked at a number of other institutions and university systems, including University of Minnesota-Morehead and the Illinois Board of Higher Education. According to Vice Chancellor McLaughlin, the committee concluded that increasing the number of available used books, working with faculty to achieve early textbook adoption, as well as working with faculty to maintain textbook selections were the best options for serving UW-Parkside students. Further, Mr. McLaughlin stated that the new bookstore vendor has stated their intent to honor the lowest price. Vice Chancellor McLaughlin believes that the lowest price includes any price a student can find, including through the Internet.

The contract increases UW-Parkside's commission revenue from the bookstore. Mr. McLaughlin reported that 75 percent of the revenue from the bookstore supports the operations of the student union, helping to remove approximately \$50 in student fees. UW-Parkside officials believe that bookstore revenues will increase once the new student union is completed in January 2009. The remaining funds are used to support student activities.

Vice Chancellor McLaughlin reported that the committee did explore a textbook rental program and estimated that the up front capital costs would be \$1.5 to \$2 million. To support a rental program, Vice Chancellor McLaughlin stated that there would be a need for a one-time segregated fee per student of between \$484 to \$512.

Regent Connolly-Keesler, while stating her understanding that textbook rental program are expensive to start, asked how UW-Parkside intends to move toward a rental program in response to Board guidance in this area. Specifically, Regent Connolly-Keesler asked how the contract before the Committee will help make progress toward the rental program goal. Vice Chancellor McLaughlin responded that to begin with, the contract will help with costs associated with the student union. Further, the committee that is looking at textbook alternatives has agreed to look at the issue of rentals further. Mr. McLaughlin also stated that there is a belief that there will be a huge transformation in textbooks and publishing over the next several years, with technology improvements and e-books.

Regent Connolly-Keesler stated that UW-Parkside should anticipate being pushed on this issue and may want to consider using some of the revenue from the bookstore contract to help pursue a rental program. Regent Smith asked about other ways this contract will help with textbook costs other than the low price guarantee. Vice Chancellor McLaughlin responded that boosting the used book market and obtaining early adoption are key elements to reducing costs.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, Committee unanimously approved Resolution I.2.e.3.

#### **Resolution I.2.e.3.**

That, upon the recommendation of the Chancellor of the University of Wisconsin-Parkside and the President of the University of Wisconsin System, the Board of Regents approves the seven-year contract with Validis Resources to provide Bookstore Services at the University of Wisconsin-Parkside effective April 11, 2008.

#### **(4) Approval of 2008-09 UW System Annual Distribution Adjustments**

Associate Vice President Freda Harris discussed with the Committee the FY 2008-09 budget distribution adjustments for new funding, institutional initiatives, and for compensation. Ms. Harris described the basis for allocation for new UW System distribution adjustments such as, recruitment and retention of faculty, Lawton undergraduate minority retention, utilities, student technology fee, nursing and teacher education, applied research, transfer information system, and early math placement. Ms. Harris also reported on the basis for allocating funds for institutional initiatives for the UW Cancer Center, medical practice in underserved areas, UW System Growth Agenda initiatives, and UW-La Crosse Growth and Access Initiative. Finally, Ms. Harris briefly discussed pay plan adjustments for classified and unclassified staff.

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, Committee unanimously approved Resolution I.2.e.4.

#### **Resolution I.2.e.4.**

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2008-09 UW System annual distribution adjustments.

#### **(5) Approval of UW System Policies for Large or Vital Information Technology Projects**

Associate Vice President Ed Meachen reported on policies established for large Information Technology (IT) projects, as prescribed by 2007 Wisconsin Act 20. Mr. Meachen noted that no changes had been made to the draft policies presented to the Committee in February and that the format for the IT Strategic Plan and a progress report on current IT projects will be presented to the Committee at the June meeting.

Upon the motion of Regent Shields, and the second of Regent Connolly-Keesler, Committee unanimously approved Resolution I.2.e.5.

**Resolution I.2.e.5.**

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached UW System Policies for Large or Vital Information Technology Projects and directs the System Administration to submit the policies to the Legislative Joint Committee on Information Policy and Technology for approval as directed by 2007 Wisconsin Act 20.

**f. Audit Issues**

**(1) Protecting Computer Networks and Data in the UW System**

Director of Operations Review and Audit Julie Gordon presented to the Committee information on a recently completed review which examined information protection laws, computer security staffing, policies and procedures related to computer security, access to computer networks and data, and user education. The review also examined computer security staffing, policies, and practices at other higher education institutions.

Director Gordon stated that a successful computer security program involves indentifying and monitoring IT risks, developing controls to mitigate those risks, ensuring compliance with policies and procedures, and responding to incidents promptly and appropriately. Ms. Gordon stated that the review found that UW institutions have put considerable effort into establishing security programs, developing a wide range of IT policies, and implementing security software and hardware consistent with practices found at other institutions of higher education. Nevertheless, Ms. Gordon stated that the report offers five recommendations to UW System institutions, including: designate a computer security officer position; develop an institutional policy that identifies the specific types of data that needs additional protection; develop formal, written institutional policies and procedures on incident response; perform periodic vulnerability assessments of networks; and assess education programs for computer users.

Director Gordon raised two points of emphasis related to the report's recommendations. First, the designation of security responsibilities to a single person or office is a best management practice recommended by various IT standards setting bodies and required under federal law for federal agencies. This practice does not entirely eliminate IT risk, but does allow institutions to be more proactive in addressing risks as vulnerabilities and technology change. Director Gordon reported that most UW institutions assign various IT staff to different computer security tasks with security not being the primary responsibility of single person. However, UW-Madison, Milwaukee, and Whitewater have a designated security officer and Green Bay has similar plans to do so within the next 12 months. The second recommendation highlighted by Ms. Gordon is the need to assess education programs for computer users. With more than 38,000 employees and 170,000 students, Director Gordon stated that the importance of IT users in helping minimizing IT risks cannot be understated. According to Ms. Gordon, security training has been described as one of the most cost effective and important defensive strategies.

Regent Smith asked whether UW System has had any security breaches. Director Gordon stated that yes, but that most have been minor and have not involved the disclosure of personally identifiable information. Regent Smith also asked whether the report's recommendations have been discussed with the campuses and if there are available resources to implement the recommendations. Director Gordon responded that the recommendations have been discussed with the campuses as well as at a Chief Information Officers (CIO) meeting. Ms. Gordon stated that she believes there is a general consensus that the recommendations are appropriate but that resources are another issue and that each campus will probably approach the report in a different manner. Associate Vice President Meachen added that the CIO Council has taken up this issue and has done two things, including asking UW-Madison to help the smaller campuses with security issues through providing software and expertise. Secondly, an educational program has been started with UW-Madison taking the lead in helping other UW institutions stay current on security measures.

Regent Connolly-Keesler suggested that a letter be sent to all the campuses outlining the report's recommendations with notification that a follow-up review will occur at a later date. Vice President Durcan stated that such an approach is consistent with previous internal discussions.

## **(2) Follow-up Review: A Best Practices Review of Policies and Procedures Addressing Copyright Infringement Issues**

Director Gordon reported to the Committee on the completion of a follow up review on a copyright infringement report originally completed in 2003. Ms. Gordon stated that while copyright laws are typically thought of as protecting printed documents, recent events primarily relate to other media such as movies and music. Specifically, Director Gordon noted that the Recording Industry Association of America (RIAA) has increased pressure on students it has identified as illegally downloading and sharing files, as well as on the higher education institutions that those students attend. Further, Ms. Gordon noted that Congress is considering federal legislation that would impose additional copyright requirements on educational institutions.

Director Gordon acknowledged that since the original report, many UW institutions have updated their copyright infringement policies, such as UW Colleges and UW-Extension which have adopted an appropriate use policy. Director Gordon further reported that UW institutions have formalized their enforcement procedures. In addition, the follow-up review found that UW institutions have taken steps to educate faculty, staff, and students, including seminars and website reminders.

Regent Smith asked what UW System's liability is concerning illegal downloads by students. Patricia Brady, UW System General Counsel, responded that UW System receives a lot of subpoenas from RIAA for information but it is really the individual student who is in trouble and liable for any illegal downloads. UW staff do inform students, when illegal downloading is discovered, that they are breaking the law and UW policy and could lose access to UW computers and networks as a result.

Regent Shields asked if the issue is limited to music downloads. General Counsel Brady responded that no, movies and other copyrighted material are also involved. Ms. Brady did note that fair use standards do apply to downloaded use of educational material.

## **(3) Quarterly Status Update on UW System Office of Operations Review and Audit**

Director Gordon provided the Committee with a status report on on-going UW System audit projects and an update on Legislative Audit Bureau (LAB) reviews which may affect the UW System.

Regent Smith commented on a previously released WISPIRG report on student credit card use. Regent Smith asked whether a review of credit card use and promotion on UW campuses could be conducted. Vice President Durcan responded that a 2004 audit looked at the credit card issue on UW campuses and stated that a follow-up review would be possible. Director Gordon responded that the Office of Operations Review and Audit did work with WISPIRG on their report. Regent Connolly-Keesler stated that she would like to see a follow up review conducted sooner than later depending on the ability to adjust the current audit schedule. Regent Smith stated an interest in looking at what other institutions have done to address the issue of credit card use and promotion on campus.

### **g. Trust Funds**

#### **(1) UW System Annual Endowment Peer Benchmarking Report**

Tom Reinders, UW System Trust Funds Investment Portfolio Analyst, presented highlights from three trust funds benchmarking studies, including NACUBO, Common Fund survey, and a Big Ten survey. Mr. Reinders stated that UW System considers its peer group to be those funds with assets in the \$100 to \$500 million range, a group that includes 230 universities. Mr. Reinders stated that UW Trust Funds' returns exceeded those of peers in the one, three, five and ten year periods ending June 30, 2007. Other figures of note included the receipt of \$10 million in gifts which was close to the peer average, and that UW System's 4 percent spending rate appears more conservative than the peer average of 4.8%.



Regent Connolly-Keesler asked if UW System should be spending 5 percent. Mr. Reinders responded that 5 percent would be difficult to justify given the current investment environment and the need to cover management fees and costs while still trying to grow fund balances.

Mr. Reinders stated that the return assumptions are between 8 and 9 percent looking forward. Mr. Reinders also commented that UW System currently holds no under-water funds.

Regent Connolly-Keesler commented that it appears that many institutions have an investment committee that approves fund managers and asked whether it would make sense to bring new managers before the committee for approval. Mr. Reinders responded that UW System has used committees in the past when conducting major hiring such as for private equities, noting that the selection of fund managers is subject to the State of Wisconsin's competitive procurement regulations and is thus overseen by the UW System Office of Procurement. Regent Connolly-Keesler asked if a written policy should exist that defines the manager selection process. Mr. Reinders stated that he would review the investment guidelines recently adopted by the Committee and report back on what that policy establishes regarding the selection of managers.

## **(2) UW System Voting of 2008 Non-Routine Proxy Proposals**

Tom Reinders, UW System Trust Funds Investment Portfolio Analyst, reminded the Committee that Regent Policy 31-10 establishes the proxy voting policy for UW System Trust Funds. The UW System Trust Funds office maintains an on-going list of 21 issues upon which votes are cast in accordance with the Committee's guidance. He noted that the anticipated issues for the coming year are expected to be substantially the same as in the past several years, including the environment and sustainability, corporate political contributions, equal opportunity, and human rights.

Mr. Reinders reminded the Committee that, according to the policy, UW System must subscribe to a proxy voting service and that the UW System has subscribed to such a service since 1997. However, Mr. Reinders reported he and Trust Fund Director Doug Hoerr now believe that they can gather the requisite information from other independent sources at no cost and thus save the current \$15,000 service fee. Accordingly, they are recommending that this requirement be eliminated from the policy and will bring a formal recommendation to the Committee for action at its June 2008 meeting. Meanwhile, the subscription agreement expired in December 2007 and has not been renewed.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, Committee unanimously approved Resolution I.2.g.2.

### **Resolution I.2.g.2.**

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the non-routine shareholder proxy proposals for UW System Trust Funds, as presented in the attachment.

## **h. Report of the Vice President**

### **(1) Food Service Contract Process**

Vice President Debbie Durcan discussed the procurement process and protocols used in establishing campus food service contracts. Vice President Durcan introduced Assistant Vice President Ruth Anderson to further explain the food service contract process. Ms. Anderson was accompanied by Procurement Specialist Rich Lampe.

Assistant Vice President Anderson explained to the committee the need for an Executive Committee meeting in May to approve food service contracts for UW-Superior and UW-River Falls. Normally, these contracts would be brought before the full Board of Regents through the action of the Business, Finance and Audit Committee. However, with no Board meeting scheduled for May, the Executive Committee will be asked

to review and approve the contracts. Timely approval of these contracts is necessary, particularly if the recommended contract involves a change to an institution's current vendor.

Assistant Vice President Anderson also discussed the difficulty in changing food service vendors at an institution. As an illustration of the challenges, Ms. Anderson explained that if a new vendor is selected, the change over must occur during a slow time on campus because of the need to hire staff, inventory thousands of items, and all contracted catering events, menus, and pricing must also be exchanged. For example, at UW-River Falls and UW-Superior, 98 staff and 6500 students and 64 staff and 2700 students respectively would be affected by a change in food service vendors.

Assistant Vice President Anderson explained that since these specific food service contracts were not being brought before the full Board, she would share the procurement process and answer any questions of the Committee. Ms. Anderson explained that the procurement process for food service contracts is open and competitive. According to Ms. Anderson, the process starts with a Request for Proposal (RFP) developed by a campus committee that includes staff and students that is then sent to multiple vendors. The RFP invites all interested vendors to conduct site visits which include a tour of the facilities with four or five vendors typically attending. Assistant Vice President Anderson stated that proposals have been received and are being evaluated by the campus evaluation committees. The committees evaluate and score the programmatic components of the proposals and the financial proposals are calculated using a standard formula to determine the best cost. Ms. Anderson stated that the campus evaluation committee has the right to request vendor presentations, a best and final proposal, or just proceed with an award based on the initial proposals.

In closing, Assistant Vice President Anderson made a few observations concerning the food service industry. Ms. Anderson stated that food service vendors have been consolidating over the past eight years resulting in three major higher education vendors: Aramark, Sodexo, and Chartwells. Currently, these three vendors hold all nine contracts at the UW campuses.

## **(2) Desire-to-Learn and Blackboard Litigation**

Vice President Durcan and General Counsel Patricia Brady provided an update on the on-going litigation between Desire-to-Learn (D2L) and Blackboard. Ms. Brady informed the Committee that Blackboard has prevailed, for the moment, in their infringement lawsuit against D2L. The impact on UW System is that the judge in the case has issued an injunction that, effective May 10<sup>th</sup>, prevents D2L from selling the infringing product and presumably prevents current D2L customers from using the infringing product. Vice President Durcan stated that there will be some kind of access to the product for the remainder of the academic year, whether through some form of payment, a work-around product, or through a stay in the current injunction.

## **(3) LAB A-133 Audit**

Vice President Durcan reported that the Legislative Audit Bureau recently issued its 2006-07 audit of federal programs and expenditures (A-133). The audit reported that, out of the UW System's \$1.3 billion in federal expenditures, questioned costs totaled only \$177.

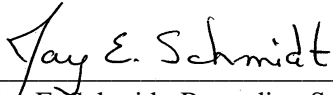
## **(4) Transparency and Efficiency**

Vice President Durcan updated the Committee on continuing efforts to improve transparency and efficiency. Specifically, Ms. Durcan noted that changes to UW System's website will allow individuals to more easily find various system-wide policies that were frequently imbedded in individual offices' websites. Vice President Durcan stated that the change was made in response to campus concerns. Additionally, Ms. Durcan reported that UW System has acquired Google as the search engine for its website, making it easier for our constituents to find the policy and the information for which they are looking.

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

Regent Smith took a moment to recognize that the meeting was Regent Rosenzweig's last on the Committee and expressed his appreciation for her many contributions to the Business, Finance, and Audit Committee.

Upon the motion of Regent Shields, and the second of Regent Connolly-Keesler, the Business, Finance, and Audit Committee recessed at 4:18 p.m.

Handwritten signature of Jay E. Schmidt in cursive script.

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Jay E. Schmidt, Recording Secretary