

Minutes  
Business, Finance, and Audit Committee  
Board of Regents of the University of Wisconsin System  
November 6, 2008

The Business, Finance, and Audit Committee met at 8:18 a.m. in Room 1920 Van Hise Hall, UW-Madison. Present were Regents Smith, Connolly-Keesler, Burmaster, and Falbo.

**a. UW-Oshkosh Pouring and Vending Rights Contract with Pepsi Cola General Bottlers, Inc.**

Thomas Sonnleitner, Vice Chancellor for Administrative Services – UW-Oshkosh, presented to the Committee a request for approval of a new five-year pouring and vending rights contract with Pepsi Cola General Bottlers. Regent Smith began the discussion by expressing the Board's interest in how any revenues from the contract are to be used and how the students are involved in the process. Mr. Sonnleitner responded the University's goal with contracts that impact students is to have heavy student involvement because the majority of the funds from those contracts are used by the students. He noted that a seven-member committee reviewed the contract proposals and included three current students as well as a former student president at UW-Oshkosh. Vice Chancellor Sonnleitner noted that more than 75 percent of the funds from the contract go to student services of all sorts with the remaining funds used to support campus initiatives such as new academic programming.

Regent Falbo asked how the proceeds from contract are administered. Mr. Sonnleitner stated that student funding requests are made to the Union Director at UW-Oshkosh, who is the administrator in partnership with the UW-Oshkosh Student Association President.

Vice Chancellor Sonnleitner commented that this contract is the second pouring rights contract for UW-Oshkosh, and that the contract is for five-years with an option to renew for an additional two years. Mr. Sonnleitner stated his belief that the terms of the contract are quite favorable when compared to others within the UW System, if not the Midwest, in terms of commissions and royalties. Mr. Sonnleitner noted that all of the equipment under the contract is Energy Star certified in recognition of the sustainability movement at UW-Oshkosh. Vice Chancellor Sonnleitner also noted that the contract contains a 30 percent exclusion clause that allows students to buy non-Pepsi products at the student union and at other locations on campus. While the institution could have received more favorable contract terms without the exclusion clause, Mr. Sonnleitner stated the students wanted to have greater product choices.

Regent Smith asked if the selection committee is the same one that determines how the funds from the contract are used. Vice Chancellor Sonnleitner stated that they are separate committees, although there is some common representation between the two committees. Regent Connolly-Keesler asked how this contract compares to the previous pouring rights contract. Mr. Sonnleitner responded that the terms are slightly better than the previous contract despite a trend in reduced soda/carbonated sales, which has reduced the funds typically available through pouring rights contracts. Rich Lampe, UW System Interim Director of Procurement, commented that sales of non-carbonated drinks, such as water and energy drinks have increased. He also stated that these products offer a lower profit margin than carbonated drinks resulting in less favorable contract terms.

Regent Smith asked if the funds from the contract are placed into a separate fund. Vice Chancellor Sonnleitner responded that the funds are placed into an account that students can draw upon. More specifically, Mr. Sonnleitner noted that the contract provides two revenue sources: commissions and royalties. According to Mr. Sonnleitner, a portion of the commission revenue goes to support academic departments while the remaining commission revenue, combined with the royalties, goes to support student services. Regent Falbo asked if a formal process exists regarding the distribution of funds associated with the contract. Mr. Sonnleitner commented that the process is a formal one and unequivocally representative of all student groups on campus.

Regent Connolly-Keesler commented that it would be helpful to see what activities are funded by the contract revenues. Vice Chancellor Sonnleitner responded that he would be glad to provide information on the use of contract revenues to the Committee in the future.

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

**Resolution I.2.a.**

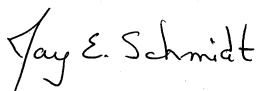
That, upon the recommendation of the Chancellor of the University of Wisconsin Oshkosh and the President of the University of Wisconsin System, the Board of Regents approves a five-year contract, with an option to renew for two additional years, with Pepsi Cola General Bottlers, Inc. to provide exclusive soft drink pouring and vending services to the University of Wisconsin Oshkosh effective November 10, 2008.

**b. Trust Funds**

The Annual Public Forum on UW System Trust Fund Investments was held as an opportunity for students, faculty and members of the public to express opinions or concerns regarding endowed university investments. While members of the media were present, no students, faculty, or public appeared to speak despite the forum being noticed and published in advance as usual.

Erica Perez of the Milwaukee Journal Sentinel asked about the impact of the current economic downturn on UW Trust Funds. Tom Reinders, UW System Trust Funds Investment Analyst, responded that the balance is down approximately 17 percent for the year compared to a decline in world markets of approximately 40 percent. Regent Falbo commented that another view, other than looking at gains or losses, is whether Trust Funds can meet current funding commitments. Mr. Reinders responded that there is no present risk to meeting current funding commitments but noted that other university endowments with a higher percentage of illiquid assets may experience some difficulty in the short term.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Falbo, the Business, Finance, and Audit Committee recessed at 8:34 a.m.



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Jay E. Schmidt, Recording Secretary