

Minutes of the Business, Finance, and Audit Committee
October 15, 2009
UW-Eau Claire

The Business, Finance, and Audit Committee convened at 1:00 p.m. in Room 229 of the Davies Center at UW-Eau Claire. Present were Regents Smith, Connolly-Keesler, Falbo, and Wingad; Regent Womack participated by phone.

a. UW-Eau Claire Presentation. UW-Eau Claire Chancellor Brian Levin-Stankevich and student leadership presented information on The Blugold Commitment, a plan to speed up graduation times, provide additional financial aid resources, and offer more learning opportunities outside the classroom. The Chancellor indicated the primary purpose is to maintain and enhance the quality of the UW-Eau Claire degree by immersing high-impact practices into the curriculum in accordance with the strategic plan. Student leaders spoke about the existing differential tuition, and how the Blugold Commitment would expand the differential beyond the current scope, while maintaining access and affordability. They emphasized the collaboration among students, faculty, and administrators. Terry Shadeberg, President of Nord Gear and an alumnus of UW-Eau Claire, spoke about the value of his degree and the desire of alumni to preserve that value into the future. Chancellor Levin-Stankevich confirmed that UW-Eau Claire is committed to meeting students' expectations, and in return asks that the students and their families support UW-Eau Claire. He stressed that alumni and donors have a role in committing to financial aid, and that alumni have strongly supported past campaigns and will be vital to the Blugold Commitment.

Regent Falbo reinforced that the Foundation needs to be committed to supporting the Blugold Commitment, and that details regarding financial aid must be spelled out in the process.

Regent Wingad agreed that the current process needs to be changed, and he would like information regarding the students' opinion of the new proposal. He felt strongly that the Blugold Commitment should not change the reason why students attend UW-Eau Claire.

Regent Connolly-Keesler questioned if it is feasible to promise students that they will graduate in four years rather than five. Chancellor Levin-Stankevich responded that one of the goals is to develop a four-year track for students—but it could not be guaranteed.

President Reilly indicated that a four-year guarantee was offered to students several years ago, and only a few people were interested. He indicated that it is important to take the time to “get it right” rather than rush the process—and that additional information needs to be gathered from other UW System institutions, and shared with the full Board.

b. Status Update on UW System Human Resource System (HRS). In accordance with the Committee's request for regular briefings on the status of the HRS project, Senior Vice President Tom Anderes provided an update on the status of the HRS project. He reported that since the last Board meeting, new safeguards for the project have been negotiated with Huron Consulting Corp., the primary consultant on the project. Key safeguards include:

- Huron agrees to take specific and meaningful action to incentivize key employees to remain at Huron
- Huron agrees to pay liquidated damages of \$100,000 if Huron is unable to find within 10 days a suitable replacement for a professional who leaves the company
- Huron agrees to pay UW System, as liquidated damages, 10% of the budget less payments as of the date of such failure to perform.

Regent Connolly-Keesler expressed concern about the date of September 1, 2010 mentioned in the Summary of Key Safeguards document that was previously mailed to Board members—and asked why it didn't state "through the end of the contract". Mr. Anderes responded that by September 1, 2010 two-thirds of Huron's work will be completed and the UW System will have a lot of leverage.

Regent Falbo asked if the project was on track—to which Mr. Anderes indicated that at this time, the project is on time and on budget.

c.1. Managing Endowments: Implications of New Legal, Accounting, and Reporting Frameworks. Doug Hoerr, UW System Trust Funds Director, presented the key changes and implications of Wisconsin's change from the guidance provided by the Uniform Management of Institutional Funds Act (UMIFA) to new guidance provided through the Uniform Prudent Management of Institutional Funds Act (UPMIFA). These changes, which bring in the concept of prudence, were approved by the Uniform Law Commission in 2006, and recently adopted by the State of Wisconsin, effective August 4, 2009.

Mr. Hoerr indicated that a key difference between UMIFA and UPMIFA is that UPMIFA eliminates the concept of historic dollar value, yet identifies factors that must be considered for the expenditure of funds. The description of the law indicates that it is clear that there is still the responsibility to maintain the purchasing power of the endowment in perpetuity, which eliminates the possibility of spending below the historic dollar value.

Regent Connolly-Keesler expressed caution that even though UPMIFA allows the elimination of historic dollar value, Boards need to be sure to conform to the details of the will; i.e., if the will indicates that no principal can be spent, Boards must abide by that. She also emphasized that Boards need to be careful not to spend too freely because of the long time it takes to recover funds spent when an account is underwater.

c.2. 2009 Proxy Voting Season Results. Portfolio Analyst Tom Reinders reported on the results of specific proxy voting of shareholder proposals. The UW System Trust Funds actively participates in issues involving discrimination, the environment, and substantial social injury via proxy voting of shareholder proposals addressed in Regent Policies. Mr. Reinders reported that the 2009 proxy season saw the filing of 361 proposals related to social issues, with nearly half of them coming to votes. Through the end of June, 174 social issue proposals resulted in shareholder votes, 143 were withdrawn, and 44 were allowed to be omitted by the Securities Exchange Commission.

c.3. Acceptance of New Bequests Over \$50,000. The Committee accepted seven bequests with a total value of \$665,000. These bequests include funding from the following generous donors:

1)	Eunice Bonow Bardell Estate	\$ 82,000	UW-Madison
2)	Dorothy M. Keenan Estate	\$ 97,000	UW-Madison
3)	Pauline H. Risser Trust	\$ 61,000	UW-Madison
4)	Arthur R. Mlodozienec Trust	\$ 88,000	UW-Madison
5)	Genevieve Gates Porter Estate	\$ 75,000	UW-Madison
6)	David F. Garno Estate	\$ 100,000	UW-Madison
7)	Carol L. Cunningham Estate	\$ 162,000	UW-Madison

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

[Resolution I.2.c.3.]

That, upon the recommendation of the Chancellors of the benefiting University of Wisconsin institutions and the President of the University of Wisconsin System, 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 Board of Regents and the President 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.

d. Review of Food Service Contract Language Regarding Contractor Employee Transitions. Senior Vice President Anderes reported that the UW-Green Bay Food Service Contract prompted a review of employee transitions of food service contractors. Following up on a discussion at the September Board meeting regarding food service contracts at UW-Green Bay, the Office of Operations Review and Audit reviewed contracts from 13 colleges and universities, interviewed three food service contractors, a national food service consultant, and representatives of the National Association of College Auxiliary Services. Julie Gordon, Director of Operations Review and Audit, reported that the UW System review of higher education food services found that it is not standard industry practice to contractually require a new food service vendor to retain all employees of a previous contractor. Senior Vice President Anderes indicated that the universities have to try to strike an appropriate balance between the needs of the food service contractors and the workers. Accordingly, to encourage and facilitate the retention of staff from one contractor to another, the UW System Office of Procurement will insert language into all future Food Service Requests for Proposals that will require vendors to:

- Hold a meeting to introduce vendor representatives to employees of the current contractor.
- Give assurances that all employees of the current contractor will have the opportunity to compete for positions with the new contractor.
- Review hiring criteria with those current contractor employees who are interested in pursuing employment with the new contractor.

Regent Drew indicated that he would like the Committee to do more. He expressed concern that employees be treated fairly, and that they be given rights to their job and benefits when there is a change in vendors. He stressed that the loss of health insurance and low pay are of concern, and he would like food service workers to receive fair treatment, equal pay, and health coverage.

Because this was a Discussion Item only, Regent Smith stated that the full Board of Regents would need to review and discuss future language.

e.1. Approval of the Minutes of the September 10, 2009 Meetings. Prior to the meeting, Regent Bartell informed Regent Smith of some suggested changes to the minutes of the September 10, 2009 Business, Finance, and Audit Committee which were distributed previously. The changes are to paragraph three under agenda item I.2.a.1., Review and Approval of Human Resources System Project Implementation.

Upon the motion of Regent Connolly-Keesler and the second of Regent Falbo, the Committee unanimously approved the revised minutes of the September 10, 2009 Business, Finance, and Audit Committee meeting--and the minutes of the September 10, 2009 joint meeting of the Business, Finance, and Audit Committee and the Education Committee.

e.2. Approval of UW-Madison Contract for Merchandising Rights and Facility Rental with Gold Country, Inc. Upon the motion of Regent Falbo and the second of Regent Connolly-Keesler, the 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-Madison and the President of the University of Wisconsin System, the Board of Regents approves an additional two-year contract extension with Gold Country, Inc. for space rental and merchandising rights for UW-Madison Athletics, through June 30, 2016.

e.3. 2009-10 Committee Agenda and Priorities. Senior Vice President Tom Anderes presented a list of agenda items and priorities for fiscal year 2009-10. The list includes regular updates on the Human Resource System project, development of the 2011-13 biennial budget, differential tuition review and discussion, reporting on large and high-risk information technology projects, the annual financial report, trust fund reports, audit reports, and other quarterly financial updates. In addition, there will be a focus on strategic financing.

f. Report of the Senior Vice President. Senior Vice President Tom Anderes informed the Committee that the UW System Chief Business Officers will meet on October 21-22, 2009, and some of the items on the meeting agenda are differential tuition, costs for utilities, flexibilities,

and goals. Regent Falbo asked if President Reilly will develop guidelines for developing differential tuition proposals, and Regent Wingad affirmed that the UW System should look at the role of differential tuition on all of the System campuses. President Reilly indicated that UW System staff is currently working on differential tuition guidelines, and would like to have them in place before the Board is asked to approve UW-Eau Claire's Blugold Commitment.

A full discussion of differential tuition will take place at the December Board of Regents meeting.

g. Other items. No other items were presented to the Committee.

Upon the motion of Regent Connolly-Keesler and the second of Regent Wingad, the meeting adjourned at 3:45 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Zayda R. Back". The signature is written in black ink and is positioned above the typed name.

Zayda R. Back
Recording Secretary