

MINUTES

Business, Finance, and Audit Committee

April 8, 2010

UW-Fond du Lac County

The Business, Finance, and Audit Committee convened at 1:56 p.m. in Room S112 Science, at UW-Fond du Lac County. Present were Regents Smith, Falbo, Walsh, Wingad and Womack.

a. UW Colleges and UW-Extension Presentation: Chancellor David Wilson opened the meeting with a presentation regarding local fundraising efforts by a variety of organizations associated with UW Colleges and/or UW-Extension. Chancellor Wilson reported that this past year, UW Colleges campus foundations raised more than \$3.3 million and awarded \$600,000 in scholarships. In addition, 4-H County Associations raise more than \$1 million annually from individuals and businesses through local fundraising. These funds subsidize youth participation in educational experiences, scholarships, community service grants, adult volunteer training, and more.

Following Chancellor Wilson's remarks, Christa Williams, Development Director of the UW-Fond du Lac Foundation, and Cindy Sheskey, President of Fond du Lac County's 4-H Adult Leaders Association, spoke more about fundraising efforts. Jar Xiong, UW-Sheboygan student and UW-Sheboygan Foundation scholarship recipient, and Elba Carbajal, UW-Extension Youth Leader and VISTA Volunteer, also addressed the Committee, in support of the fundraising programs.

b. Trust Funds Items

b.1. Voting of 2010 Non-Routine Proxy Proposals: In accordance with Regent Policy 31-10, regarding proxy voting policy for UW System Trust Funds, Portfolio Analyst Tom Reinders presented information regarding the non-routine shareholder proxy proposals. The dominant social issues for the 2010 season include the environment and sustainability, health care issues, human rights, and corporate political contributions.

Upon the motion of Regent Womack and the second of Regent Wingad, the Committee unanimously approved Resolution I.2.b.1.

[Resolution I.2.b.1.]

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2010 non-routine shareholder proxy proposals for UW System Trust Funds, as presented in the attachment.

b.2. Annual Endowment Peer Benchmarking Report: Trust Funds Director Doug Hoerr presented highlights from the annual benchmarking studies. Doug explained that the National Association of College and University Business Officers (NACUBO) and the Commonfund jointly conduct a detailed annual survey of college and university endowments, as of fiscal years ending June 30. He reported that annual returns for UW Trust Funds exceeded those of peers

managing funds in the \$100M to \$500M range, in the one, three, five and ten-year periods ending June 30, 2009. He also reported that UW System investment staffing is in line with the average for similar sized endowments and, while the System follows a typical methodology in establishing its spending rate, our 4% rate appears somewhat more conservative than the peer average of 4.8%.

b.3. Acceptance of New Bequests Over \$50,000: In accordance with Regent Resolution 8559, the Committee was asked to formally accept four bequests with a total value of \$1,062,000, all benefiting UW-Madison. These bequests include funding from the following generous donors:

Norma Benninger Trust	\$ 550,000
James Nelson Humphrey Trust	\$ 62,000
Cecil H. Royce Family Trust	\$ 400,000
William D. Wiener Trusts	\$ 50,000

Upon the motion of Regent Falbo and the second of Regent Womack, the Committee unanimously approved Resolution I.2.b.3.

[Resolution I.2.b.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 Chancellors of the benefiting University of Wisconsin institutions, the Deans and Chairs of the benefiting Colleges and Departments, and the President and Board of Regents of the University of Wisconsin System, 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. Office of Operations Review and Audit: Director Julie Gordon presented a status report on major projects underway in the Office of Operations Review and Audit. The update included information on five current projects:

1. Student Evaluation of Instruction
2. Prior Learning Assessments
3. Service Learning
4. NCAA Division III Athletic Departments
5. Enterprise Risk Management (ERM) Pilot Projects

Director Gordon also provided information on the Legislative Audit Bureau's (LAB) audit activity. She indicated that LAB recently completed the annual compliance audit of federal

grants and expenditures, including student financial aid, for FY 2008-09, with the report issued in March 2010, and they are also conducting an evaluation of the use of funds provided to the University of Wisconsin-Madison School of Medicine and Public Health by the Wisconsin United for Health Foundation.

d. Status Update on Human Resources System: Senior Vice President for Administration and Fiscal Affairs Tom Anderes presented information on the current status of the UW System Human Resources System project. He reported that while the majority of tasks are on schedule, there are a couple areas where work is slightly behind, and unfilled positions in both the technical and functional areas of the project continue to be a challenge. He indicated that actual fiscal year expenditures to date are less than planned. Regent Falbo stated that UW System staff should be monitoring Huron's financial statements. Consequently, the Committee asked Senior Vice President Anderes to review the 2009 financial report and annual audit of Huron Consulting, and report back to the Committee at the next meeting.

e. Review and Approval of Revised Differential Tuition Policy: The Committee was asked to approve a new differential tuition policy. Based on feedback at the February meeting, a subcommittee consisting of Regents Brent Smith and Eileen Connolly-Keesler, Chancellor Joe Gow, Senior Vice President Tom Anderes, and General Counsel Pat Brady met to discuss revisions to the materials presented in February. All Regents were asked to comment, and many of those comments have been incorporated into the revised policy. Recognizing individual campus differences, mandatory restrictions were not put in place for limiting the amount of the differential, a fixed percentage for financial aid, or a prescribed process for student input.

Some of the more substantial changes to the document include:

- Adding that students are to be "consulted" regarding any differential tuition Initiatives
- Expanding requirements on Board receipt of student positions on initiatives from all known sources
- Ensuring adequate time for student government review
- Requiring institutions to consult with the UW System and Board Presidents prior to publicly announcing or seeking student support for a differential tuition initiative.

Regent Wingad stated that he would like to assure that students have an active and ongoing role in the process, and he requested that the proposed policy be revised to reflect that issue. The Committee discussed the possible change to more clearly specify that students will be provided a mechanism for periodic review of expenditures. There was a desire to provide that interim modifications, if agreed upon by students and the chancellor, could be brought to the Board for consideration.

Upon the motion of Regent Wingad and the second of Regent Falbo, the Committee unanimously approved Resolution I.2.e., with the understanding that Attachment 1, the Proposed Policy on Differential Tuition Initiatives, would be revised to reflect Regent Wingad's concerns.

[Resolution I.2.e.]

That, upon the recommendation of the President of the University of Wisconsin System, Regent Policy Document 32-7, Student Involvement in Differential Tuition Initiatives, be repealed and recreated to read as set forth in Attachment 1.

f. 1. Review of 2010-11 Annual Distribution Adjustments: Senior Vice President Tom Anderes presented brief information on 2010-11 annual distribution adjustments related to the 2009-11 UW System biennial budget. Highlights included:

- An additional base reduction of \$1 M
- \$5 M added for recruitment and retention
- \$8.3 M added for the Tuition Increase Grant (TIG) Program
- \$6 M added for the Lawton Undergraduate Minority Retention Grant and the Advanced Opportunity Program (AOP)
- \$5 M added for utilities
- \$1.1 M added for the Student Technology Fee
- \$8.2 M provided for the Wisconsin Institutes for Discovery

g. Report of the Senior Vice President: Regarding the More Graduates Initiative, Senior Vice President Anderes reported that numbers are evolving and they will define how the budget will be built. He indicated that the UW System will need state money as well as tuition dollars. He also stated that the System needs to become even more efficient and needs to review capital costs to create a financial structure to accommodate more graduates.

h.1. Minutes of February 4, 2010 Meeting: Upon the motion of Regent Wingad and the second of Regent Falbo, the Committee unanimously approved the Minutes of the February 4, 2010 meeting of the Business, Finance, and Audit Committee.

i. Additional items: No additional items were presented to the Committee.

The meeting adjourned at 4:22 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 printed name and title.

Zayda R. Back
Recording Secretary