

MINUTES
BUSINESS, FINANCE, AND AUDIT COMMITTEE MEETING
JUNE 10, 2010
UW-MILWAUKEE

a. Joint Meeting of the Education Committee and the Business, Finance, and Audit Committee. Regent Brent Smith, Chair of the Business, Finance, and Audit Committee, convened the meeting at 3:10 p.m. in the Wisconsin Room of the UW-Milwaukee Union. Present were Regents Brent Smith, Michael Falbo, David Walsh, Aaron Wingad, Betty Womack, Judith Crain, Jose Vasquez, Mark Bradley, Danae Davis, and Tony Evers.

State Auditor Janice Mueller addressed the Committees regarding the first 5-year program review of the Wisconsin Partnership Program (WPP) by the Legislative Audit Bureau (LAB). The review was required by order of the State Commissioner of Insurance, and required an evaluation of the program at both the Medical College of Wisconsin and the UW School of Medicine and Public Health. Ms. Mueller reported that the Audit Bureau found that both schools "...generally complied with the requirements they established for awarding and monitoring their funding...", and that "most grantees met the objectives described in their proposals." She also reviewed several recommendations for improvement identified through the LAB review, including:

- Amend conflict of interest policies
- Clarify allowable uses of medical education and research funds
- Redefine the supplanting prohibition
- Determine the degree to which medical education and research funds should be competitively allocated
- Determine the level of public health funding the schools may directly expend.

Shelby McCulley, LAB Audit Supervisor, addressed the Committees and gave a power point presentation providing an overview of the program. She presented information regarding endowment balances, program expenditures, medical education and research grants awards (2004 through 2008), medical education and research grant expenditures, medical education and research grant outcomes, public health grants awarded (2004 through 2008), public health grant expenditures, public health grant outcomes, and the special initiative on healthy birth outcomes.

Robert Golden, Dean of the UW School of Medicine and Public Health, also addressed the Committee. He thanked LAB for the comprehensive report and extended his appreciation for their review of the Wisconsin Partnership Program. He indicated that their extensive review of 40 grants resulted in some recommendations regarding grants management and monitoring which the WPP has already implemented or is in the process of reviewing and implementing. Dean Golden reported that he is planning to meet with the Insurance Commissioner and the Wisconsin United for Health Foundation Board to respond to the suggestions made by LAB regarding clarification of the allocation of the funds for medical research and education, and of the definition of supplanting. He indicated that the formative years for the Wisconsin Partnership Program, as discussed in the report, focused on building a foundation for addressing the state's public health challenges through research, educational, and community health initiatives. Dean Golden reported that \$10 million has been pledged to address the high infant

mortality in the state's African-American population, and that most recently, the prevention of obesity, with an emphasis on children, has been identified as the next strategic area of focus. Dean Golden will be back before the Committee in August with the annual report.

Upon the motion of Regent David Walsh and the second of Regent Danae Davis, the Joint Meeting adjourned at 3:35 p.m.

The Business, Finance, and Audit Committee reconvened at 3:50 p.m. in the Fireside Lounge, in the UW-Milwaukee Union. Present were Regents Brent Smith, Michael Falbo, David Walsh, Aaron Wingad, and Betty Womack.

b.1. JP Morgan Commercial Real Estate Presentation: Representatives of J.P. Morgan Asset Management team addressed the committee and offered their perspectives on commercial real estate assets and the current state of the real estate market. They pointed out that real estate can provide diversification to a portfolio, as it has a low correlation to stocks and bonds. As real estate has been undervalued, they suggested that it could be an attractive time to enter the market. Regent Walsh expressed concern that the time may still not be right to enter into the real estate market. Regent Falbo agreed, and indicated that the stock market is still volatile, and he believes that real estate has not bottomed out yet. He also stated that the Committee would need to discuss criteria before deciding to invest.

b.2. Request for Principal Expenditure: Benninger Bequest: Current Board policy requires that gifts with a value greater than \$250,000 become Board-designated endowments. Such designation restricts expenditures to income only. The UW School of Medicine and Public Health requested that the \$274,845 of funds from the Norma Benninger Trust be applied toward the second phase of the Wisconsin Institutes for Medical Research. The will states the following under Article Five, section D: *"Part I shall be distributed to the Regents of the University of Wisconsin to establish a fund to be known as the Merlin and Norma Benninger Medical Research Fund. Although I place no binding restriction on the use of such fund, it is my desire that it be used for cancer and heart disease research."* Regent Wingad expressed reservations about using the money toward a building rather than toward research. Regent Walsh responded that because the will states *"...I place no binding restriction on the use of such fund..."* the money can be used toward the building. He also stated that buildings are needed to perform research, and without infrastructure, there would be no research.

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

[Resolution I.2.b.2.]

That, upon recommendation of the Dean of the UW School of Medicine and Public Health, the Chancellor of UW-Madison, and the President of the University of Wisconsin System, the principal of the bequest from the Norma Benninger Trust u/w/o Merlin C. Benninger is to be made available for spending.

c.1. Human Resource System Status Update: Ed Meachen, Associate Vice President for Learning and Information Technology, provided an update on the status of the UW System Human Resource System (HRS) project through April 30, 2010. Mr. Meachen indicated that staffing challenges still remain in both the technical and functional areas of the project. He reported that another challenge was that the PeopleSoft system was not equipped to handle furlough processing for those employees who are furloughed on a percentage basis. He indicated that in spite of these challenges, the project timeline would not be affected.

c.2. Human Resource System Review and Approval of the FY 2011 Project

Implementation Budget: Associate Vice President Ed Meachen discussed the anticipated actual expenditures for 2010, and reviewed the FY 2011 expenditure plan for the HRS project. He indicated that staffing issues still presented challenges, but project milestones are being met and projected expenditures are within budget, and that the project is on time and on budget.

Regent Falbo questioned how the project remains on time and on budget in spite of staffing challenges. Associate Vice President Meachen responded that staff have been shifted around to cover duties, and in some cases Huron Consulting staff have been used, rather than taking the additional time required to hire other staff.

Regent Walsh asked if Huron staff have met our expectations, to which Associate Vice President Meachen responded that working with Huron has exceeded his expectations. Mr. Meachen also indicated that the testing performed is very thorough.

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

[Resolution I.2.c.2.]

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Human Resource System implementation budget for fiscal year 2011.

d.1. Discussion of Cost to Continue Items in the 2011-13 Biennial Budget: Associate Vice President Freda Harris presented information regarding the UW System's anticipated cost to continue budget request for FY2011-13. She indicated that allowable items to be included in the request are prescribed by the State Department of Administration, and typically include changes in fringe benefit costs, utilities, salaries, debt service, and other items required to maintain the University's current level of service. Additionally, there will be adjustments for program revenue and statutory language changes.

d.2. Quarterly Report of Gifts, Grants, and Contracts (3rd Quarter): Vice President for Finance Debbie Durcan reported total gifts, grants, and contracts for the 9-month period were \$1.258 billion, an increase of \$180.2 million over the same period in the prior year. The large increase in federal awards was primarily driven by substantially-increased research funding opportunities associated with the American Recovery and Reinvestment Act (ARRA), and the increases to financial aid were due to timing issues.

d.3. Approval of Revisions to Wisconsin Administrative Code Chapter 19 Relating to Reinstatement Period for Sick Leave Benefits: Al Crist, Associate Vice President for Human

Resources and Workforce Diversity, reviewed draft rules amending Chapter 19 of the Wisconsin Administrative Code to bring sick leave reinstatement rights of unclassified staff into alignment with classified staff, which is five years. This is consistent with the recent change to the leave of absence policy to encourage entrepreneurial activities.

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

[Resolution I.2.d.3.]

That, upon the recommendation of the President of the University of Wisconsin System, the Secretary of the Board of Regents and staff transmit the attached draft rules amending Chapter 19, Wisconsin Administrative Code, to the Legislative Council for review, pursuant to Chapter 227, Wisconsin Statutes.

e.1. Minutes of the May 6, 2010 Meeting: Upon the motion of Regent Walsh and the second of Regent Falbo, the Committee unanimously approved the minutes of the May 6, 2010 meeting of the Business, Finance, and Audit Committee.

f. Report of the Senior Vice President: Senior Vice President Tom Anderes did not attend the meeting, so Vice President Debbie Durcan spoke on his behalf. She reported that the UW System Chief Business Officers will meet on June 17 and 18, 2010 and the agenda includes reviewing the ideas that came out of the Board's strategic financing discussion and looking for recommendations to bring back to the Business, Finance, and Audit Committee; reviewing the various components of the biennial budget; and reviewing the Competitive Workforce recommendations and discussing the fiscal impacts of some of those recommendations.

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

The meeting adjourned at 5:00 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