

MINUTES  
BUSINESS, FINANCE AND AUDIT COMMITTEE MEETING  
APRIL 7, 2011  
UW-PLATTEVILLE, ULLSVIK HALL, PLATTEVILLE, WISCONSIN

Chair Brent Smith called the meeting of the Business, Finance, and Audit Committee to order at 1:14 in the Robert I. Velzy Commons North. Regents Brent Smith, Michael Falbo, Mark Bradley, David Walsh, Aaron Wingad, and Betty Womack were present.

**I.2.a. UW-Platteville Presentation: The Wisconsin Idea Partnership at UW-Platteville**

Rob Cramer, Vice chancellor for Administrative Services, started by saying that UW-Platteville is the fastest growing campus in UW System, which has created challenges. For this coming fall, deposits for freshmen are up 8% and [Tri-State Initiative](#) applicants are up 15%. Cramer highlighted increases in engineering, criminal justice, biology and business majors, as well as the 1300% growth in their distance education program. Challenges from this growth are in three areas: human capital, physical infrastructure, and academic priorities.

Priorities in managing human capital include increasing diversity, recruiting and retaining outstanding faculty and staff, increasing professional development, and addressing compensation disparities. Cramer remarked that UW-Platteville is second from the bottom in faculty pay.

In the area of physical infrastructure, Cramer noted they are in the final months of updating the campus master plan. They are looking at additional student housing projects. There is not a lot of private development in Platteville and many private homes have been converted to rentals. Cramer estimated 53% of housing is rentals, which has created tension between the campus and community. A real estate foundation has been established to help with housing projects.

Academic priorities include increasing retention and graduation rates, revising the general education curriculum, expanding undergraduate research, implementing new majors, and strengthening the academic planning process. Cramer noted the Growth Agenda has helped focus discussion on these issues.

Cramer next outlined steps they are taking to control their own destiny. They are redirecting money to professional development and continuing to expand the Tri-State Initiative through recruiting and competitive pricing. The Tri-State Initiative currently funds 112 positions.

Shenita Ray, Assistant Director of the Distance Learning Center, spoke on the distance learning program at UW-Platteville. They are reaching out to more students, primarily non-traditional adult learners. The average age of their students is 36, 12% are minorities, and over half are male. They also serve a large number of veterans and military personnel. Students are attracted to their programs because of the flexibility of online programs and they don't have to leave their home, community, or state to earn a degree. This fiscal year they serve students in 42 states and 12 countries. They currently serve about 2000 students in four programs – business administration, criminal justice, project management, and engineering. They have developed a plan to grow enrollments by 75% over the next 5 years, primarily through three new online graduate programs. In terms of revenue, over the past 13 years, the Distance Learning Center has achieved sustained positive growth. They are a cost-recovery entity and therefore receive no state support. Forty five percent of revenue comes from out-of-state students, which helps

support in-state students. Regent Bradley asked if they grant any degrees in the online programs. Ray responded that they offer five degrees which can be completed completely online.

Regent Bradley asked about tuition pricing for the Tri-State Initiative, and why that would be attractive to Iowa students when Iowa's tuition is lower. Cramer responded that historically that might have been the case, but Iowa's tuition has increased over the last several years. He added that every spring and fall they assess tuition/housing costs in Iowa and Illinois to see how price competitive they are.

In response to a question by Regent Smith regarding the housing situation, Cramer explained that the real estate foundation has hired a developer to build a proposed 600-bed suite style residence hall. The Board is currently considering the sale of a parcel of land to the real estate foundation to complete the development site. The real estate foundation is targeting an August 2012 completion date. Cramer went on to further explain the role of the real estate foundation. The campus is also planning a 400-bed housing project for completion in fall 2013. In response questions from Regent Bradley, there was ensuing discussion regarding the administrative obstacles currently in place and how that would change under the flexibilities sought with the Wisconsin Idea Partnership (WIP). Using the real estate foundation example, Senior Vice President Michael Morgan commented that when you get off the state track you run these deals through much faster. There was further discussion regarding financing details of various projects.

Chancellor Wells asked if anyone had an update regarding a threat to distance education programs nationally; that out-of-state students may have to pay fees and federal funding could be threatened. Tom Stafford responded that UW System has a working group on the Program Integrity Regulation. The regulation, which goes into effect July 1, requires state authorization. This means that if an institution wants to offer a distance education program in other states they must apply to do business in those states, which may require payment of fees or getting licensed, etc. Stafford added that the provosts are going to address this at their meeting next week.

Cramer concluded his presentation by giving examples of how UW-Platteville would benefit from flexibilities under the Wisconsin Idea Partnership. In the area of financial management, they would be able to invest savings to create an endowment. With tuition flexibility they could expand non-resident enrollment, and capital and purchasing flexibilities could save \$200,000 a year.

#### **b. Enterprise Risk Management in the UW System**

Sheri Ackley, Director of the UW System Office of Safety and Loss Prevention, provided an overview of the Enterprise Risk Management (ERM) initiative. She explained that ERM is about identifying best business practices, managing risk as an integral part of an organization, and taking advantage of opportunities to minimize the downside of risks. Higher education is starting to take a closer look at ERM. In the last month, Sheri has taken calls from Florida, Minnesota and North Carolina, all looking to implement ERM programs. She added that the UW is a bit ahead of the curve.

Ackley provided some background on the ERM initiative. Initial discussions started about five years ago and a pilot project was started two years ago, with four campuses participating (Oshkosh, Superior, Parkside, and Whitewater). A decision was made early on to go with a consultant. She also explained the goals and objectives, structure, implementation approach, and key concepts of the ERM Initiative. Tom Sonleitner shared the UW-Oshkosh experience with ERM and thanked the System for funding and identifying an issue that needed to be addressed.

Ackley concluded by summarizing achievements and lessons learned from the program. There has been a significant transfer of ERM knowledge and expertise and the UW System is getting a lot of national attention from institutions looking to implement this program. Among the lessons learned have been that high-level sponsorship is critical; no new bureaucracy is required; both top-down and bottom-up involvement early in the process is needed; and having a legal perspective on the team is helpful. Next steps are to expand the number of campuses implementing ERM and assessing the value of establishing a System-level Risk Council.

**c. Trust Funds**

1. Peer endowment benchmarking report:

Doug Hoerr, Director of Trust Funds, presented highlights from the annual benchmarking studies. The current size of the endowment is around \$300 million. Annualized 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, 2010. Hoerr highlighted asset allocation differences and noted fees are in line with peers. While we follow a typical methodology in establishing our spending rate, our 4% rate appears somewhat more conservative than the “all institution” average of 4.7%. Another area where we compare favorably with peers is in Resources, Management, and Governance; our staffing is low (probably less than two people); we do not use a consultant, and we also tend to use fewer investment firms. The report also included some socially responsible investment practices. Hoerr concluded by saying that, compared to the UW Foundation, Trust Funds’ performance has been very strong, in fact Trust Funds has significantly outperformed over the past three, five, and ten years by an average of three percentage points. In the past ten years, the regents and investment staff have been excellent stewards of these investments at a very low cost.

2. Voting of non-routine proxy proposals

Tom Reinders, Senior Portfolio Analyst, built on Doug Hoerr’s discussion of socially responsible investment (SRI) programs. The dominant social issues for the 2011 season include global warming, sustainability, human rights, equal employment opportunity, and corporate political contributions. Newer issues are coal reliance and worker safety, due to recent coal mine explosions and the BP oil spill. The majority of the 38 non-routine shareholder proxy proposals currently under consideration fall under the 26 categories that the Business, Finance, and Audit Committee has already approved for support (voting in the affirmative).

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 the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2011 non-routine shareholder proxy proposals for UW System Trust Funds, as presented in the attachment.

3. Acceptance of new bequests over \$50,000

Regent policy provides that individual bequests of \$50,000 or more will be brought to the Business, Finance, and Audit Committee so that can be formally accepted and recognized. The Committee accepted four bequests with a total value of \$2,623,400.

Upon the motion of Regent Bradley 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 President of the University of Wisconsin System and the Chancellors of the benefiting University of Wisconsin institutions, 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 President and Board of Regents 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. Operations Review and Audit**

1. Program review on short-term loan programs:

Joshua Smith, Assistant Director of the UW System Office of Operations Review and Audit, discussed highlights of a recently-completed review of short-term loan programs and their administration at UW System institutions. He explained that short-term loans are not financial aid, but intended to address other unexpected student needs. Most campuses have only one or two funds and even Madison, despite its size, manages with a relatively small number of accounts. Usually our institutions are not charging interest during the loan term, which is more generous than other institutions across the country. It is not atypical to charge interest if a loan is delinquent, but more frequently an administrative hold is put on records. Smith further explained that they did not see the expected spike in the use of short-term loan programs with the recession. In fact, they went down with the exception of UW-Oshkosh which aggressively promoted their program because of a gift. The review also addressed ways to maximize funds, by repurposing the funds and providing financial counseling to students. The review concluded with two recommendations: 1) for those that have not yet done so, institutions should establish written policies addressing loan application, approval, terms, disbursement, repayment, default, and collection; and 2) UW institutions consider alternate means, such as vouchers or deferments, to assist students in meeting unexpected short-term financial needs.

2. Status update:

Josh Smith also provided an update on the other major reviews the UW System Office of Operations Review and Audit is conducting. He also mentioned the Legislative Audit Bureau projects that involve the UW System, specifically, the continuing state overtime review and contract sunshine audit.

**e. Regent Policy Document Review**

The Committee began its review of Regent Policy Documents this month as part of the overall Board initiative to review and update policies and practices with the goal of delegating flexibilities to the institutions.

1. RPD 20-16 Bone Marrow and Human Organ Donation Leave for Faculty and Academic Staff  
The Committee took action on the elimination of the Regent policy regarding the use of staff leave time related to bone marrow and human organ donation because it duplicates requirements already included in State of Wisconsin Statutes.

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

**[Resolution I.2.e.1.]**

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents authorizes the Secretary of the Board to remove from the Regent Policy Documents RPD 20-16, "Bone Marrow and Human Organ Donation Leave for Faculty and Academic Staff".

2. RPD 20-18 Review of University Personnel Policies and Practices  
The Committee considered a resolution returning delegated authority to the chancellors for the approval of "limited status" unclassified appointments.

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

**[Resolution I.2.e.2.]**

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents amends Regent Policy Document 20-18 to allow the UW Chancellors the authority to approve limited status for unclassified appointments.

3. RPD 31-13 Investment and Social Responsibility  
Doug Hoerr explained that the main change proposed to this policy is the elimination of the automatic requirement to hold an annual investment forum. In place of the mandatory requirement is the recommendation to hold a forum only if there is a request by interested parties to present their concerns to the Board in a public setting.

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

**[Resolution I.2.e.3.]**

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revised Regent Policy Document 31-13 "Investment and Social Responsibility."

**f. Delegation of Certain Unclassified Personnel Flexibilities Permitted Under RPD 20-8: Academic Staff title and Compensation Plan**

The Committee approved a resolution delegating additional unclassified personnel authority to UW System Chancellors.

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

**[Resolution I.2.f.]**

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents endorses the President's delegation to the UW chancellors, as permitted in RPD 20-8, the authority to approve the use of unclassified titles for the Director Unspecified, Administrative Officer, and Special Assistant series; to create new positions with the Dean (academic) title; and to approve each institution's unclassified staff pay plan distribution plan.

**g. Committee Business**

1. Approval of the minutes of the February 10, 2011 meeting

Upon the motion of Regent Walsh and the second of Regent Falbo, the Committee approved the minutes of the February 10, 2011 meeting of the Business, Finance, and Audit Committee.

2. Approval of the minutes of the March 10, 2011 meeting

Upon the motion of Regent Walsh and the second of Regent Falbo, the Committee approved the minutes of the March 10, 2011 meeting of the Business, Finance, and Audit Committee.

3. Management Response to LAB Concerns in 2010 Annual Financial Audit

Julie Gordon, Associate Vice President for Financial Administration, addressed how the UW System is responding to the findings from the recent LAB annual audit of the UW System's financial statements (five findings; two are repeat findings). The last two were more categorization issues. In both cases the issues were corrected before the financial report was published. Regent Falbo asked if there is a committee looking at controls within the Human Resource System (HRS). Michael Morgan responded that there is an executive committee that oversees that controls are in place.

**h. Status Update on Human Resource System**

Michael Morgan provided the regular update on the Human Resource System (HRS). Yesterday, April 6, the cut-over began, which was preceded by a tremendous amount of activity over the last month. The May 1st unclassified payroll will be the first generated by the new system. Morgan added that there were many internal discussions on how to address the increased health insurance and retirement contributions in the proposed budget repair bill, which is currently caught up in court. The concern was these changes coinciding with the cut-over. The decision was made about a week ago to remove the changes from the system and Morgan wrote a letter to DOA Secretary Huebsch that unless the budget repair bill was law by yesterday, the UW could not make changes to HRS until sometime in May.

Regent Smith asked what happens to HRS if the New Badger Partnership happens. Morgan replied that HRS will stay in place and be the preferred HR system for the UW System and UW-Madison. If Madison would want to move away from HRS in the future and build another system, it would be a huge expense and one that their board would likely hesitate to consider.

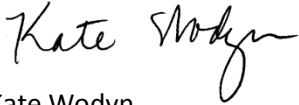
**i. Report of the Senior Vice President**

As above.

June 7, 2011

Upon the motion of Regent Walsh and the second of Regent Wingad the meeting adjourned at 3:58 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Kate Wodyn". The signature is written in a cursive style with a large, looping initial "K".

Kate Wodyn  
Recording Secretary