

**BOARD OF REGENTS
BUSINESS, FINANCE, AND AUDIT COMMITTEE
APRIL 12, 2012
UW-SUPERIOR
YELLOWJACKET UNION – ROOM 203**

Joint Meeting of the Capital Planning and Budget Committee and the Business, Finance, and Audit Committee (UW-Superior, Yellowjacket Union, Room 203)

The Joint Meeting of the Capital Planning and Budget Committee and the Business, Finance, and Audit Committee was called to order at 1:33 pm by Regent Jeffrey Bartell. Regents Edward Manydeeds, Katherine Pointer, Gary Roberts, David Walsh, Michael Falbo, Mark Bradley, Troy Sherven, and Gerald Whitburn were present. Regents John Drew and Charles Pruitt were absent.

- **UW-Superior Presentation: “A Campus Transformed”**

The Committee met jointly to hear from UW-Superior on the physical transformation of their campus. Jan Hanson, UW-Superior Vice Chancellor of Administration and Finance, gave an overview of the campus transformation prompted by the 1999 Master Plan. She highlighted renovations, demolitions, property acquisitions, and the addition and replacement of buildings resulting in over a \$200 million capital investment in the campus. Harry Anderson, Acting Director of Campus Recreation, addressed the positive impact the Marcovich Wellness Center and the Yellowjacket Union has on the campus and the surrounding community. He said community relations have strengthened due to the Marcovich Wellness Center offering community memberships and programming. He also said the Yellowjacket Union is a vibrant, energetic space that promotes student life, expands educational opportunities, improves institutional services and has helped create a sense of community on campus. Vice Chancellor Hanson continued with her presentation by highlighting the renovations of the Jim Dan Hill Library and introduced Dr. Terry McGlasson who focused on improvements in Swenson Hall. Dr. McGlasson noted changes to the building such as improved lighting, art work, and updated classrooms and lecture halls. He said an environment does affect how teachers teach and how students learn. The updated building gives added richness to campus life and an understanding that learning is valued, and students are valued. As a side note, Vice Chancellor Hanson said the Swensons also provide 40 annual full scholarships for needy math and science students. She made special note to express how their generosity is very appreciated. Vice Chancellor Hanson addressed housing needs at UW-Superior. She noted that several residence halls have been or will be renovated, and the campus will need to address market needs of student housing. She went on to say they have double-loaded housing, some of the oldest housing stock in the state, and that developers have approached the university about potential activity. She said the Master Plan will be updated for future growth with a focus on residential options, as well as the athletic field. Vice Chancellor Hanson introduced Jason Serck, City of Superior Planning and Port Director, who commented on the excellent partnership between the city, county, and university. He indicated UW-Superior does an exceptional job of serving the city, county, and students. Regent Whitburn asked Mr. Serck how long he had been with the City of Superior in his position, and if the university was efficient in getting things done. Mr. Serck replied by saying he had been the city planner for 12 years and his experience with the University has been quite satisfying. Although he

does not work with the university on day-to-day operations, their partnership is one of a kind and hopes the cooperation continues.

- **Overview of items taken up by the Legislative Task Force on UW Restructuring and Operational Flexibilities: Additional operating flexibilities that could be provided to UW System institutions**

David Miller, Associate Vice President of Capital Planning and Budget, gave an overview of the information presented to the Legislative Task Force on UW Restructuring and Operational Flexibilities regarding additional operating flexibilities that could be provided to UW System institutions. He touched on the size and depth of the capital building program, the current processes, and emphasized the importance of “right-sized” recommendations to acknowledge the needs and responsibilities of all stakeholders. He also indicated there was discussion about refocusing the capital building program (over time) to an emphasis on existing campus facilities, and made special mention of the outstanding job the University of Wisconsin-Superior has done at finding the balance between new facilities, demolition of completely obsolete space, and salvaging existing facilities. Associate Vice President Miller offered the five recommendations made to the Task Force:

- 1) Place primary responsibility for planning and design with the Board of Regents
- 2) Strengthen DOA bidding and construction capacity
- 3) Redefine enumeration to create two categories: new space and existing facilities
- 4) Incentivize investment in existing facilities by establishing a base level budget for renovation and repair
- 5) Assign authority for lease to the Board of Regents

Associate Vice President Miller went on to address the presentation to the Legislative Task Force on UW Restructuring and Operational Flexibilities regarding procurement and purchasing. He said total cost of spend for the state is approximately \$1 billion per year. The UW is \$482 million of the \$1 billion spent. He also said University procurement is unique compared to others involved in state procurement due to the impact delays can have on critical areas of research and teaching.

The recommendation put forward was to allow procurement authority be vested with the Board of Regents. This action could allow universities to support their local communities and businesses through local purchasing. Associate Vice President Miller also noted that since most current waivers are eventually approved, it calls into question the necessity of the current pre-approval process. Accountability could be insured through reports and audits to the Legislature and changes to the program as needed.

The joint meeting was adjourned at 2:20 p.m.

Business, Finance, and Audit Committee (UW-Superior, Yellowjacket Union, Room 203)

The Business, Finance, and Audit Committee meeting was reconvened and called to order at 2:23 pm by Regent Michael Falbo. Regents Mark Bradley, Troy Sherven, and Gerald Whitburn were present. Regent Charles Pruitt was absent.

a. Tuition-Related Issues

1. Review of UW-Stevens Point Differential Tuition Proposal

UW-Stevens Point Chancellor Bernie Patterson along with UW-Stevens Point and UW-Eau Claire student representatives presented information and background on a new differential tuition proposal for the institution. Given the Act 32 prohibition on increases in tuition beyond a 5.5% ceiling, the Committee was not asked to approve the differential at this time but rather be apprised of the institution's interest in pursuing differential tuition.

Chancellor Patterson emphasized and complimented the student's efforts and hard work, as well as the student population's extraordinary involvement in considering the differential tuition proposal. Chancellor Patterson also said differential tuition would help students succeed at UW-Stevens Point (UWSP). He said differential tuition would reduce the number of students waiting for required courses, thus help students graduate on time, and ultimately decrease their educational cost. He also cited UWSP as the second highest institution in the System of "credits to degree". He said that was not a favorable indicator. Chancellor Patterson said he wanted UWSP to be efficient with resources, and does not want students incurring additional costs as they wait for openings in required courses. He also voiced concern of the possibility of creating a two tier comprehensive program in the System if differential tuition is not implemented at UWSP.

Student representatives spoke on the benefits of differential tuition including additional investment in Student Academic Support Services, Undergraduate Research, and maintaining the value, reputation and quality of the educational instruction. Student representatives also addressed the process the campus went through to engage and educate the student population on the value of differential tuition. Outreach sessions were held in residence halls, surveys were conducted, and a student advisory board was created. These types of interactions lead to changes in the initial offering of differential tuition. For example, a three (3) year graduated implementation plan and a termination clause were added to the proposal. In addition, student oversight on the spending of these dollars was expanded giving the student population equal representation.

The differential tuition proposal and outreach process also met opposition. Student representatives voiced concern as to how the proposal was presented to the student population. Some students felt presentations were biased and vague on what the dollars would be used for. It was also suggested the student representatives had not remained neutral during the outreach process. Survey results were questioned and concern was voiced that the proposal did not come before the student body in referendum as initially suggested.

Several student representatives also stated the root problem is the financial cost of higher education and the lack of funding. Although differential tuition is not the solution, it may allow creative solutions to the challenges facing UWSP.

Regent Falbo thanked Chancellor Patterson and the student representatives for their presentation. He asked what the Student Senate vote was on differential tuition (20-3-1) and also why the issue was not put to referendum. The student representatives stated the issue became too complex and the UWSP Senate decided to not take differential tuition to referendum. Regent Bradley asked for a sense of the substantive discussion occurring during the outreach sessions. Student representatives responded by saying the outreach occurred very early in the process, and most often the students wanted to better understand what each specific point would mean for them. Overall the students were looking for a clear explanation of the proposal.

2. Approval of Extension of Differential Tuition Reviews Previously Scheduled in 2011-13 (Resolution I.2.a.2.)

The Committee was asked to approve an extension to delay the scheduled five-year review of a number of previously approved differential tuitions until February 2013. Freda Harris, Associate Vice President of the Office of Budget and Planning, outlined the process of the five-year review and said the request was made to avoid any potential conflicts with Act 32 language which prohibits any new tuition increases, including differentials, beyond the stated 5.5% cap. She said typically the institution brings forward their review request and student comments/input on how the differential is working. Sometimes institutions will request the Board for an increase to provide the same services and/or add additional value to the service. Currently institutions could perform the review process, but could not ask for any additional changes to their differential. Ms. Harris went on to say this may mean the institutions will perform substantial work and not have an opportunity to present to the Board if changes are needed. Ms. Harris stated the extension would provide a service to the institutions as well as to the Board. She also noted a clause in the differential agreement that states that unless the institution receives specific Board approval, the differential must not have a substantial change to the original purpose. Regent Falbo agreed with Ms. Harris' review and briefly commented that during the original differential discussion it was acknowledged there is often not enough dollars in the second year due to the cost to continue to provide the same level of services.

Upon the motion of Regent Whitburn and the second of Regent Sherven, the Committee unanimously approved Resolution I.2.a.2.

[Resolution I.2.a.2.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents suspends review of any current differential tuition programs until February 2013.

b. Trust Funds

1. Peer Endowment Benchmarking Report

Trust Funds Senior Portfolio Analyst Tom Reinders presented highlights from the Annual Endowment Peer Benchmarking Report which compares data and characteristics for the UW

Trust Fund endowment to those of various peers groups. The report utilizes two information sources 1) the 2011 NACUBO-Commonfund Study of Endowments (NCSE); and 2) the informal "Peer Benchmark Survey" conducted by Penn State University. Some of the highlights he mentioned included annualized returns for UW Trust Funds exceeding the average performance of peers in the one, three, five, and ten year periods ending June 30, 2011. Top quartile performance was achieved in the three, five, and ten year periods and UW investment staffing is in-line with the average for similar sized endowments. He also noted, while a typical methodology in establishing the spending rate is followed, a 4% rate appears somewhat more conservative than the "all institution" average of 4.7%. Mr. Reinders addressed Office staffing issues and the use of fund managers and not consultants. Regent Bradley asked how other organizations use consultants and if there is a need for consultants within the Trust Fund Office. Mr. Reinders said although consultants are not used, the Trust Fund Office has a variety of "strategic relationships" that are utilized. Regent Falbo asked if fees were higher because the Office does not use consultants. Mr. Reinders stated fee costs were difficult to calculate because many fees are contained within transactions, but stated the Office costs are in-line. Regent Whitburn inquired if staff is able to attend industry meetings and conferences on emerging issues. Mr. Reinders responded positively and said he does not think they are missing out on emerging information, and again stressed the use of strategic partners. Debbie Durcan, Vice President for the Office of Finance, noted the very favorable investment returns without the use of consultants.

2. Voting of 2012 Non-Routine Proxy Proposals (I.2.b.2.)

Trust Funds Senior Portfolio Analyst Tom Reinders continued with a brief overview of Regent Policy 31-10; the proxy voting policy for UW System Trust Funds. Non-routine shareholder proposals, particularly those dealing with the environment, discrimination, or substantial social injury (issues addressed under Regent Policies 31-5, 31-6, and 31-13, respectively), are reviewed with the Committee so as to develop a voting position. The Committee was asked to approve 17 non-routine shareholder proxy proposals along with any additional proxies coming to a vote in 2012 if the proposals can reasonably be viewed as falling under one of the previously approved "issues". Similar to the last few years, the dominant social issues for the 2012 season are corporate political contributions and lobbying (141 of the 336 proposals), followed by the environment and "sustainability", equal employment opportunity, and animal welfare.

Upon the motion of Regent Bradley and the second of Regent Sherven, the Committee unanimously approved Resolution I.2.b.2.

[Resolution I.2.b.2.]

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

c. Committee Business

1. Approval of the Minutes of the February 9, 2012, meeting of the Business, Finance, and Audit

Upon the motion of Regent Bradley and the second of Regent Sherven, the Committee approved the minutes of the February 9, 2012, meeting of the Business, Finance, and Audit Committee.

2. Committee Business: Review and Approval of a UW-Madison Contractual Agreement with Pfizer, Inc. (Resolution I.2.c.2.)

Paul DeLuca, UW-Madison Provost, asked the Committee to approve a four-year data analysis contractual agreement with Pfizer, Inc. Provost DeLuca indicated the term of the agreement actually began in March 2011; however, payments to be received in subsequent years will bring the value of the contract above the \$500,000 threshold requiring Regent approval. He also stated the agreement was fairly typical. Provost DeLuca noted this contract subsumes an existing interim agreement and brings all the details into one contractual agreement. The total value of the agreement over its four year life is expected be over \$760,000.

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

[Resolution I.2.c.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 the contractual agreement between the University of Wisconsin–Madison and Pfizer, Inc.

3. Committee Business: Review and Approval of the UW-La Crosse Dining Services Contract (Resolution I.2.c.3.)

Bob Hetzel, UW-La Crosse Vice Chancellor for Administration and Finance, asked the Committee to approve a seven-year contract for dining services with Sodexo Operations. The contract would be effective July 1, 2012, and involve a change in vendor from Chartwell, who had been with the institution for over 20 years. Vice Chancellor Hetzel briefly outlined the RFP process. He said the RFP Committee consisted of 6 student members and 6 faculty/staff members. The Committee was impressed by Sodexo's high level of quality food at lower costs. Vice Chancellor Hetzel said there is a projected 50 cent saving per day per boarder, a \$100 a year savings. The Committee was also impressed with Sodexo's willingness to be flexible with their menus, hours, and cash operations; as well as their commitment to sustainability, buying locally and healthy menu management. The agreement covers all dining services including the residence halls dining program, retail operations, catering, summer camps, and conferences and is expected to have a value of more than \$7.0 million over its seven year term. Sodexo will also invest \$950,000 in updating and upgrading the institution's current dining facilities. Vice Chancellor Hetzel went on to say Sodexo would be retaining the 70 current unionized Chartwell employees for 90 days. Following that 90 day time period, Sodexo is expected to review and retain most of the current workforce. Regent Whitburn asked what percentage of students on campus participate in the meal plan and Vice Chancellor Hetzel said 3,000 of the 10,000 students, as well as 300+ off campus students.

Upon the motion of Regent Bradley and the second of Regent Sherven, the Committee unanimously approved Resolution I.2.c.3.

[Resolution I.2.c.3.]

That, upon the recommendation of the Chancellor of the University of Wisconsin-La Crosse and the President of the University of Wisconsin System, the Board of Regents approves the contract with Sodexo Operations to provide Dining Services at the University of Wisconsin-La Crosse effective July 1, 2012, for a period of one (1) year with the option of six (6) additional one-year periods.

d. Report of the Senior Vice President

1. Status Update on the Human Resource System

Senior Vice President Michael Morgan gave a brief update on the current status of the Human Resource System (HRS) implementation. He said the HRS project is on budget and on time, and the project will be closed out at the June Board of Regents meeting. Sr. Vice President Morgan said there are still challenges facing operationalizing HRS, but the HRS Team is working through them. Regent Bradley asked why three campuses did not implement HRS within the designated time period. Mr. Morgan indicated all campuses did go live with HRS in 2011; however, three campuses did not implement the Talent Acquisition Management (TAM) component because of the upcoming changes in the university personnel system. Due to the complexity of their current systems, it was determined these campuses would wait until the new personnel program was in place (July 2013). Mr. Morgan assured the Committee that HRS will be the sole operating system for Human Resources.

2. Status Update on University Personnel Systems

Sr. Vice President Morgan and Associate Vice President for Human Resources and Workforce Diversity Al Crist led a discussion to determine what information and format would be most useful to the Committee members to keep them apprised of the developments and progress of the new University Personnel Systems (UPS) currently being developed for UW-Madison and the balance of the UW System institutions.

Regent Falbo commented on the usefulness of the format of the Human Resource System (HRS) reports and suggested something similar; making note of stated goals, financials, and timelines. Associate Vice President Crist posed consideration of three categories: statutory changes, Board of Regent changes, and institutional changes. In addition, he said there should be a separate category for items that will need more focused and concentrated consideration. Mr. Crist said he would have a much better understanding of position and structure at the June Committee meeting because the work teams for UW-Madison and the balance of the UW System will be releasing recommendations. Also the UPS Task Force will have met to review the recommendations and determine areas where the continuum of the two groups must be together and where it is acceptable to diverge from each other. The intent is to bring the proposal to the Committee in December for final approval.

Regent Whitburn offered his perspective on the volume and depth of this project and the need for transparency. He also stressed the importance of clarifying and condensing the issues in the final proposal so the Joint Committee on Employment Relations (JCOER) can take action easily. Mr. Crist agreed and said organizing the proposal around the three broad categories (noting statutory and technical changes) would foster clarification. He also suggested the activity of the Legislative Task Force may influence the process as well. Regent Falbo asked if there was a timeline for the project. Mr. Crist said the intent was to bring the proposal to the Board in December, introduce a bill containing the technical changes in January, and probably combine the more substantive items in a separate bill. The goal is to present to JCOER in February 2013. Regent Falbo stated the Task Force would be releasing a report and not suggested legislation. He thought it may be possible legislators would decide to bring items forward from the report. Al Crist commented that he hoped they could use the Task Force recommendations when speaking with legislative leaders this summer. Regent Falbo noted the large investment of resources made before knowing what the Legislature is willing to consider.

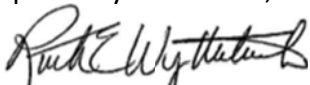
Sr. Vice President Morgan agreed and said the question is how much change the Legislature will allow to the personnel systems. He went on to say that the UW System wants optimal flexibilities, noting that technical changes will help, but would like assurances that UW pay plans will not need to go back to the Legislature for approval. UW System is asking that the Legislature give the Board of Regents decision making authority over personnel policy, outside of the budget process.

3. Review of the 2012-13 Annual Distribution Adjustments

Senior Vice President Morgan gave an overview of the annual distribution adjustments for new GPR/Fee funding in the coming 2012-2013 fiscal year. While part of the 2011-2013 biennial budget, these second year amounts have not yet been allocated among UW System institutions. Additional funding will be allocated in four areas – Lawton Undergraduate Minority Retention Grants and the Advanced Opportunity Program, Tuition Increase Grants, Utilities, and Student Technology Fees. Formula distribution is used for the Lawton Undergraduate Minority Retention Grants and the Advanced Opportunity Program, Tuition Increase Grants, and Student Technology Fees. Distribution adjustment for utilities is based on actual costs. Regent Falbo asked if we had a positive utility savings this year and who would reap those benefits. Vice President of Finance Debbie Durcan indicated savings were being anticipated at the end of this year. The Chief Business Officers have a working group discussing how those dollars or savings should be distributed among UW System institutions.

The meeting was adjourned at 3:40 pm.

Respectfully submitted,



Ruth E. Wyttenbach
Recording Secretary