

UW System Board of Regents
Business and Finance Committee
December 5, 2013
1920 Van Hise Hall

MEETING OF THE BUSINESS AND FINANCE COMMITTEE

The Business and Finance Committee was called to order at 10:35 a.m. by Regent Whitburn. Roll call was taken and Regents Whitburn, Behling, Farrow, Higgins, Mueller, Pruitt, Roberts, and Walsh were in attendance.

Regent Whitburn noted that the Committee was dealing with a very full agenda and time limitations due to Governor Walker's scheduled visit to the Board of Regents. He indicated the Committee would be moving quickly through the materials, however, if anyone had concerns or questions they should not hesitate to interject in the process.

a. Committee Business

1. Approval of the minutes of the October 10, 2013, meeting of the Business and Finance Committee [Resolution I.2.a.1.]

Upon the motion of Regent Behling, and the second of Regent Roberts, the Committee unanimously approved the minutes of the October 10, 2013, meeting of the Business and Finance Committee.

2. Quarterly Report of Gifts, Grants and Contracts (1st Quarter FY 2014)

Regent Whitburn said the report covered the three month period of July 1, 2013, through September 30, 2013. Total gifts, grants, and contracts for the period were approximately \$537.6 million, an increase of \$48.6 million for the same period in the previous year. Federal awards increased \$73.4 million while non-federal awards decreased by \$24.8 million.

3. UW-Madison Contractual Agreement with Pfizer, Inc. [Resolution I.2.a.3.]

Regent Whitburn offered a brief overview of the data analysis research agreement between UW-Madison and Pfizer, Inc. The agreement relates to biostatistics and medical informatics and has an estimated total value of \$963,483.26. Darrell Bazzell, UW-Madison Vice Chancellor for Administration, said it was a straight forward agreement and he had no additional comments to offer. The Committee approved the contract.

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

Resolution I.2.a.3.

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.

b. Review and Approval of a UW System Policy on the Distribution of GPR and Tuition Revenue to Individual University of Wisconsin Institutions [Resolution I.2.b.]

Regent Whitburn outlined previous actions taken by the Business and Finance Committee relating to methodology and policy pertaining to program revenue balances and reserves, and the legislative response to those actions. He said legislative leaders have asked for additional clarification and modification of the policies. Sr. Vice President David Miller acknowledged legislative concerns and noted the overlap with methodology and policy between the Joint Legislative Committee on Audit and Joint Legislative Committee on Finance. He also said it appears the legislative Audit Committee is looking for a tighter and more definitive policy which would address concerns relating to areas such as actual dollar amounts, reporting thresholds, and appropriate thresholds. Legislators also had questions concerning how and/or if reserves and spending plans intersect. The legislative Audit Committee agreed to allow UW System additional time to clarify and modify its submissions in order to address legislative concerns.

Regent Whitburn continued by saying the Board of Regents leadership, President Reilly, and Chancellor Telfer decided that the procedures surrounding institutional funding allocations needed a thorough review. In response to that decision, President Reilly appointed the UW System Working Group on Funding Allocations. The workgroup will be chaired by Mark Bugher and will include Regents, Chancellors, Chief Business Officers, and a representative from UW System Administration. The workgroup was formed to review the current methodology used to allocate general purpose revenue and tuition among the institutions, and determine whether changes are needed. Regent Whitburn said the workgroup is expected to report to the Board of Regents at the June 2014 meeting.

Steve Wildeck, Interim Vice President of Finance, gave background and context to the current procedures used for the allocation and distribution of these funds. The proposed policy (Resolution I.2.b.) reflects current procedures used by UW System for allocation and distribution. Freda Harris, Associate Vice President of Budget and Planning, described the actual allocation and distribution of funds for FY12-13 and FY13-14. Committee discussion followed and issues such as compensation, utility costs, entrepreneurial tuition, and debt service were covered. Regent Pruitt said the legislative interest in the distribution of funds is appreciated and thinks the workgroup is an excellent idea. However, he said it is important to remember that the allocation of funds, including tuition and GPR dollars, should remain under the province of the Board of Regents.

The UW System Policy on the Annual Distribution of Tuition and Fee Revenue and State General Purpose Revenue was approved by the Committee. Following full Board approval, this policy will be submitted to the Joint Committee on Finance for 14 day passive review as required by 2013 Wisconsin Act 20. This policy codifies current UW System practices in this area and will sunset as of June 30, 2015. This action fulfills the legislative requirement for submitting proposed policies by January 1, 2014.

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

Resolution I.2.b.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves for submission to the Legislature's Joint Committee on Finance the attached policy regarding the annual distribution of tuition and fee revenue and state general purpose revenue to each

institution. This policy would be effective for the 2013-15 biennium, and a sunset of June 30, 2015, is anticipated.

c. Trust Funds

1. Investment Policy Statement Review and Affirmation [**Resolution I.2.c.1.**]

Regent Whitburn said consistent with Board of Regents policy, the Business and Finance Committee performs annual reviews of the Investment Policy Statement. Minor changes and technical revisions were added to the document. The Committee had no additional questions or comments on the 2013 Investment Policy Statement and affirmed the policy statement.

Upon the motion of Regent Behling, and the second of Regent Roberts, the Committee unanimously approved Resolution I.2.c.1.

Resolution I.2.c.1.

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the recommended revisions to, and otherwise reaffirms its adoption of, the *Investment Policy Statement* for the University of Wisconsin System Trust Funds.

2. Acceptance of New Bequests over \$50,000 [**Resolution I.2.c.2.**]

Regent Whitburn outlined the Board of Regents policy on acceptance of bequests over \$50,000 and said there were five bequests before the Committee with a total value of over \$2.4 million. He extended the UW System's appreciation of the donations. The Committee had no additional questions or comments and accepted the bequests.

Upon the motion of Regent Behling, and the second of Regent Walsh, 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 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 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.

3. 2013 Proxy Voting Season Results

Regent Whitburn offered an overview of the 2013 proxy voting season results. He explained the 2013 proxy interests focused on areas such as fair employment policies, corporate political contributions, and sustainability efforts. The UW Trust Funds Office submitted voting instructions on 25 different proxies in 2013, in comparison to 38 proxies in 2012. Of the 25 proxies, 11 were voted on, 12 were withdrawn, one was omitted, and one was pending. Doug Hoerr, Director of the UW System Trust Funds Office, outlined the proxy process and proxy

proposal recommendations. He said direction on these proposals was given by the Business and Finance Committee last spring. He concluded by saying this briefing is for information only and the Committee did not need to act upon the results. Regent Whitburn indicated the Committee would spend additional time reviewing the 2014 proxy proposals and recommendations in the spring.

4. Tripp Trust Fund Allocation [Resolution I.2.c.4.]

Regent Whitburn outlined the request for a special transfer from the Tripp Trust Fund for additional maintenance at the Brittingham House, also known as the President's House. The Tripp Trust Fund covers maintenance costs at Brittingham House. In 1990 the Board of Regents approved a policy that would move \$30,000 each year from the Tripp Fund to a sub-fund within the Tripp Trust Fund to be drawn on for significant projects and maintenance. As a result of the annual transfers to the sub-fund, there is currently \$220,000 available for use. This resolution would transfer an additional \$275,000 to the sub-fund this year. The Board of Regents leadership has recommended that needed maintenance and renovations be done on Brittingham House. The Board of Regents' Capital Planning and Budget Committee approved the proposed Brittingham House project. The approved project will be more than \$400,000 but less than \$500,000 in scope, and there are no state dollars involved. Passage of this resolution will fund the approved project. The Committee approved the resolution.

Upon the motion of Regent Walsh, and the second of Regent Behling, the Committee unanimously approved Resolution I.2.c.4.

Resolution I.2.c.4.

The Board of Regents approves a one-time increase for 2013-14 in the allocation from the Tripp Trust Fund income account to the Tripp Trust Fund – Brittingham House Maintenance account, from \$30,000 to up to \$275,000.

d. Update on Actions to Address Recommendations from PricewaterhouseCoopers Risk Assessment of Human Resource System (HRS)

The Committee was updated on the efforts to address recommendations from the external risk assessment of the Human Resources System (HRS) performed by Price WaterhouseCoopers. Steve Wildeck, Interim Vice President of Finance, said as of December 1st, Service Center employees had transitioned from UW-Madison to UW System Administration. Discussion continued regarding some transition issues, as well as the physical move of the Service Center, which will occur in mid-2014. Director Larry Henderson, UW Service Center, briefed the Committee on improvement efforts around internal controls, training, security, benefits redesign, and reconciliations. Although progress has been made on many of the recommendations, he said there is much work yet to be done to improve business processes, enhance the technology, and improve internal controls. Progress also continues in moving to a "person-view" approach to benefits administration. Regent Mueller asked for an update on the financials for HRS; in particular, the cost of the HRS system to date, the annual operating budget, and the source(s) of HRS funding.

e. Report on Faculty Turnover in the UW System

David Miller, Sr. Vice President of Administration & Fiscal Affairs, reported on Faculty Turnover in the UW System. He said the total UW System faculty turnover was 7.2% in FY2011, 5.4% in FY 2012, and 5.9% in FY 2013. Faculty turnover not related to retirements ranged from 2.3% to

4.8%. He said this report is a three-year snapshot and is not a required report. Regent Whitburn said the report provides some insight into what is occurring on our campuses and suggested the report be updated in subsequent years. The Committee discussed the need to put this data into context and whether industry standards are available for comparison.

f. Report on One-Time Supplemental Salary Payments

Due to time restraints, the Committee decided to discuss this report at a future meeting.

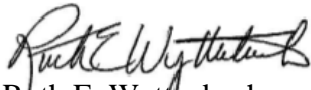
g. Report of the Senior Vice President

Sr. Vice President David Miller, Office of Administration & Fiscal Affair, had no additional comments.

Regent Whitburn said that he would like the Committee to focus on debt service and suggested a joint meeting with the Committee on Capital Planning and Budget. He asked that the Department of Administration and possibly the citizen member of the Building Commission be invited to this meeting. Regent Whitburn said it is important for the Committee to be sensitive to the fiscal impact and obligations incurred with debt service.

The Committee adjourned at 11:55 a.m.

Respectfully Submitted,



Ruth E. Wyttenbach
Recording Secretary