

**UW System Board of Regents
Business & Finance Committee
UW-Oshkosh, Alumni Welcome Center, Sodexo Grand Ballroom C
August 21, 2014**

MEETING OF THE BUSINESS AND FINANCE COMMITTEE:

The Business and Finance Committee was called to order at 10:50 a.m. by Regent Mueller. Roll call was taken and Regents Mueller, Pruitt, Behling, Delgado, Farrow, Harsy, Higgins, and Walsh were in attendance.

I.2.a. Approval of the Minutes of the June 5, 2014, Meeting of the Business and Finance Committee

Upon the motion of Regent Pruitt, and the second of Regent Higgins, the Committee unanimously approved the minutes of the June 5, 2014, meeting of the Business and Finance Committee.

I.2.b. UW-Oshkosh Presentation: *Contingency Planning During Rapidly Changing Times*

UW-Oshkosh Chancellor Richard Wells presented information on how the institution managed \$3M in budget cuts while also reallocating \$2.5M toward three campus-based priorities. Chancellor Wells explained that, to address the required cuts and desired reallocations, the campus instituted a 4% base budget reduction which covered approximately 78% of the required budget reductions. The institution also committed \$668,000 of one-time resources to cover the remaining 22% of the cuts. These latter, one-time resources will be replaced with additional base cuts in the future as the institution identifies other opportunities for savings and reallocations. In addition to managing the required budget reductions, the institution was able to reallocate resources into three of its highest strategic priorities: \$500,000 to its Student Titan Employment Program (STEP); \$500,000 to its new general education initiative known on campus as the University Studies Program; and \$1.5M toward faculty and staff compensation.

Chancellor Wells discussed some of the details of the institutions salary equity review process noting that the institution uses a rigorous, regression-based process to evaluate faculty salary equity across campus. He noted that the institution uses two separate analyses for each faculty member. The first of these analyses uses data from the College and University Professional Association for Human Resources (CUPA-HR) and a second analysis is based on internal UW-Oshkosh data. The institution reviews these data and makes determinations regarding any salary adjustments to be made. Faculty members are eligible for review once every four years. A similar process is used for other, non-faculty employees.

Regent Delgado asked if the institution was looking at other UW institutions. Regent Mueller asked whether performance was considered in these salary reviews. Chancellor Wells answered in the affirmative to both questions. Regent Pruitt asked what other kind of salary enhancements can be layered onto these market/equity changes and the use of merit/cost of living adjustments. It was noted that the institution is currently challenged by the split of authority between the State

and UW in terms of allowable salary adjustments. The UW cannot award “merit” or cost of living adjustments beyond the State approved pay plan. He felt the institution has only about 2/3 control over the process. Looking back to the PR Balance issues that came to the Board before she was a member, Regent Farrow asked how the institution would respond to questions regarding why the UW had such large cash balances on hand. She asked for the “30 second elevator speech”. Chancellor Wells stated that UW-Oshkosh responded within three days of the story explaining its plans for the balances at the institution. He thought the broader University community did a poor job communicating the need for the balances and that he believes adequate fund balances are hugely critical to successful long-term planning. He felt that some good may have come from the crisis in that it may have provided all concerned with a better understanding of the situation, the University’s need for balances, and perhaps a strengthened focus on management of the balances.

I.2.c. Approval of UW-Madison Contractual Agreement for Distributed Antenna System for Cellular Services

Darrell Bazzell, Vice Chancellor for Administration at UW-Madison, discussed several key elements of an amendment to an existing contract between UW-Madison and Crown Castle NG Central LLC for distributed antenna systems for cellular services at the institution. Those elements include

Mr. Bazzell explained that the institution is currently experiencing very poor cellular coverage in certain facilities. He noted that this is, in part, due to newer construction standards and materials which present challenges to the otherwise suitable cellular coverage on campus. In order to provide the desired cellular coverage, Mr. Bazzell said that significant investments need to be made for internal building distributed antenna systems (IDAS) in the impacted facilities. Needed investments are estimated at about \$11 million. Mr. Bazzell explained that, to justify such investments, Crown Castle sought an extension of the existing agreement. After negotiation, an amended contract was proposed key elements of which are noted in the Committee materials.

Regent Walsh asked about a clause in the contract stating that the University gets 11% of Transport Revenue from the First Operator and that this seems to imply other amounts will be received as well. UW-Madison staff explained the compensation structure of the contract noting that the contract includes escalating revenue shares for additional Operators, small fees for Base Station Facility use by Operators, and one-time, signing bonus payments for each Operator signing on to use the system. It was noted that the 11% figure was the same as the original contract. Regent Farrow asked why we did not know about the building coverage issues before the contract, UW-Madison staff noted that they did not anticipate “dead spots” resulting from building to the LEED standards. The contract covers the entire campus and many of the spaces affected were not completed at the time the initial contract was executed. Regent Higgins asked whether the current technology would be relied on into the future. John Krogman, UW-Madison IT Chief Operating Officer, stated that, while technology can and likely will change in the future, the contract fixes such risk with the vendor since it applies only to the current technology and UW-Madison would be free to pursue other avenues should the opportunity arise. The Committee approved the contract.

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

Resolution I.2.c.

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 Crown Castle NG Central LLC.

I.2.d. Approval of UW-Madison Contractual Agreement with INC Research, LLC

Mr. Bazzell also addressed the Committee regarding this second of three UW-Madison contracts before the Committee. Mr. Bazzell stated that the University anticipates receiving revenue of approximately \$1.2M under the contract. Regent Mueller noted the contract includes a 4% annual rate increase which was acknowledged by Mr. Bazzell. The Committee approved the contract.

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

Resolution I.2.d.

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 INC Research LLC.

I.2.e Approval of UW-Madison Contractual Agreement with Chengdu Kanghong Biotechnology Co., Ltd.

Mr. Bazzell addressed the Committee regarding this third of three UW-Madison contracts before the Committee. He stated that the University expects to receive approximately \$750,000 under the agreement and that this contract also includes a 4% annual rate increase. This agreement, and the one above with INC Research, engage the UW-Madison Department of Ophthalmology and Visual Sciences to provide various technical services the Fundus Photograph Reading Center within the Department.

Regent Farrow asked who owns any new technology being developed under these contracts. Mr. Bazzell stated that the University retains any intellectual property and patent rights under the agreements and the entity funding the research gets the product. Regent Walsh noted that this is the normal standard under the Baye-Dole Act. He also noted that this is very significant activity in Ophthalmology and that big things could come from the work.

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

Resolution I.2.e.

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 Chengdu Kanghong Biotechnology Co., Ltd.

I.2.f. Quarterly Report of Gifts, Grants, and Contracts – 4th Quarter

David Miller, UW System Senior Vice President for Administration, provided the Committee with a summary of gift, grant, and contract awards for the twelve month period of July 1, 2013, through June 30, 2014. Senior Vice President Miller noted that the report handed out at the meeting had been revised to correct two typographical errors in the original report. He noted that total awards for the period were approximately \$1.4B, a decrease of \$24.6M from the same period in the previous year. Federal awards increased \$32.9M, while non-federal awards decreased by \$57.5M. Mr. Miller noted that federal awards increased most significantly in the Research category (\$30.6M) and that the increase was driven primarily by increases in NIH funding at UW-Madison. Non-federal awards decreased most significantly in the Physical Plant category (\$22.9M) and were again driven primarily by activity at UW-Madison.

Regent Mueller noted that she spent some time trying to reconcile the figures in this report to those in the State’s Chapter 20 budget and found that the figures were quite different. Mike Kraus from the UW System Office of Finance explained that the report shows “award data” rather than revenue, expense, or budget data so the figures will always be quite different from Chapter 20 budget data. The award data also often cover multiple years and are best viewed as a leading indicator of future revenue and expenses and reflect the results of our most recent efforts at securing federal and non-federal extramural funding commitments.

I.2.g. Semi-Annual Status Report on Large/Vital Information Technology Projects as Required by Wisconsin Statutes 13.58(5)(b)(3)

Senior Vice President David Miller walked through highlights of the report noting that it included three projects: UW Colleges and Extension’s Campus Network Infrastructure Project (CNIP); UW-Milwaukee’s Migration of Office 365; and UW-Milwaukee’s WiFi project. He noted that all three projects are on target with respect to schedule, scope and budget. Mr. Miller also noted that, like UW-Milwaukee, most UW institutions will be migrating to Office 365 and that UW System Administration is planning to make the move this Fall. Regent Mueller asked why the Human Resource System (HRS) project did not appear in the report. Mr. Miller said that the project has been completed, but may appear in the report in the future when planned upgrades are underway.

I.2.h. Campus-based Efficiency Reviews – UW-Platteville Case Review

Senior Vice President David Miller noted that the Committee had five goals for FY2014, four of those had been accomplished and the fifth, a UW Systemwide Efficiency Review, is still being considered. Mr. Miller explained that such reviews can be prohibitively expensive and that they often point to improvement opportunities that clients are already aware of but have not yet

addressed because of staffing, resource, or other challenges to implementation. He noted that the UW System has undertaken quite a number of more targeted reviews including a series of Lean Reviews, a variety of campus-based efficiency programs, and UW System-funded, consultant-led review efforts at six UW institutions. Senior Vice President Miller noted that he had been counseled by Regent Mueller to ensure that we are doing what we can with what we already know before we undertake an expensive, broad-based review by external consultants. He expressed a need to be very clear regarding the scope of any review to ensure that the value gained is commensurate with the cost of the effort.

Senior Vice President Miller then turned to UW-Platteville Chief Business Officer Rob Cramer who provided a brief overview of efforts at UW-Platteville. Mr. Cramer began by noting that efforts at his institution reflect what each campus in the UW System is doing and that institutions meet and communicate regularly with one another to share ideas on how to enhance efficiency and effectiveness. Mr. Cramer made note that such efforts are aimed as much at avoiding future costs as they are at reducing current costs. Both are vitally important as institutions try to ensure their limited resources are applied in the most effective ways possible. He then walked through some representative projects completed at UW-Platteville as well as some upcoming efforts the institution intends to undertake.

Regent Higgins asked “What’s the point” of this agenda item? Senior Vice President Miller explained that this was the one remaining goal of the prior Committee and that some direction is needed on how to proceed. Mr. Miller stated that he and President Cross will continue to seek new efficiencies to better focus resources on core needs. He noted that contemporary efficiency reviews emphasize cost avoidance in the face of rising costs to allow a continued focus on core missions. Regent Delgado expressed congratulations to UW-Platteville, but stated that this should be the “new normal” for the UW System. Senior Vice President Miller explained that this is really more the “old normal” since the University has been very active in this area for many years. Mr. Miller also noted that such efforts would continue. In the near term, though, the University will seek to do as much as it can through internal means rather than through the engagement of expensive consultants. Regent Mueller stated that she had been exercising the Chair’s prerogative in seeking to avoid the high costs of external consultants and instead asking staff to look at existing internal knowledge and efforts. She noted that highly touted external reviews are always costly but not always of great value.

I.2.i. UW Medical Foundation Notice and Waiver Request

Steven Means, UW Medical Foundation General Counsel, addressed the Committee and explained the Foundation’s plans, why the Committee was being given notice of those plans and why it is seeking a waiver to the 60-day prior notice requirement. In essence, the Foundation is seeking to replace the organization currently operated as University Health Care, Inc. with a new entity to reflect its acquisition of Swedish American Hospital System. The Foundation is required, through a 1995 agreement with the Board of Regents, to provide the Board with at least 60 days prior notice of its intent to create or invest in subsidiary corporations or other business entities. This agenda item provides notice of its intent and seeks a waiver of the 60 days prior notice requirement to allow it to move forward expeditiously with its plans.

Regent Farrow asked why the 60-day notice was in place. Mr. Means stated that it was to allow feedback from the Board regarding intended actions of the Foundation. He noted the Foundation values its relationship with the University and wants to ensure that the solid working relationship it currently has with the University is maintained. Regent Walsh noted that the UW Hospital Authority Board has already dealt with the request and approved the changes being made. He explained that it was important to be flexible in allowing the Foundation to execute its plans and that there was no point in waiting for the 60 days to elapse before allowing the Foundation to move forward because the Board of Regents would not seek changes to the plans. Regent Farrow then asked whether any employees of Swedish American would become State employees with State funded benefits under these plans. Mr. Means said that no Swedish American employees would become State employees under the new arrangement.

Upon the motion of Regent Behling, and the second of Regent Higgins, the Committee approved Resolution I.2.i.

Resolution I.2.i.

That, upon the recommendation of the President of the Board of Regents of the University of Wisconsin System, the Board of Regents approves a one-time waiver of the required 60-day prior notice requirement regarding the creation of investment in subsidiary corporations or other business entities for the entity being created to replace University Health Care, Inc.

I.2.j. Report of the Senior Vice President

Senior Vice President David Miller provided brief updates on developments that he and President Cross wanted the Committee to be aware of. Discussion included updates on Shared Financial System benchmarking, State-wide heating plants, Human Resource System (HRS) internal controls, business intelligence management systems, UW System Administration position recruitments, and Program Revenue Balances Reporting Process. Senior Vice President Miller also pointed to several reports that would be provided to the Committee at its October meeting. The Committee concluded its meeting immediately following Mr. Millers presentation.

The Committee adjourned at 12:30 p.m.

Respectfully submitted,

Michael M. Kraus
Recording Secretary