

05/27/14

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business and Finance Committee

Thursday, June 5, 2014
UW-Milwaukee Union
Ballroom West, 1st Floor
Milwaukee, Wisconsin

10:15 am Business and Finance Committee – Union, Ballroom West

- a. Approval of the Minutes of the April 10, 2014 Meeting of the Business and Finance Committee
- b. Approval of UW-La Crosse Exclusive Pouring Rights Contract
[Resolution I.2.b.]
- c. Approval of UW-Madison Collaborative Training Agreement with Nestle Shuangcheng, Ltd.
[Resolution I.2.c.]
- d. Quarterly Report of Gifts, Grants, and Contracts (3rd Quarter)
- e. Modifications to the Program Revenue Balances Policy
[Resolution I.2.e.]
- f. Human Resource System Update
- g. Update and Discussion of Business and Finance Committee Goals
- h. Report of the Senior Vice President
 - Efficiency Studies

UW-La Crosse
Exclusive Soft Drink Pouring Rights
and Vending Rights Contract

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-La Crosse, the Board of Regents approves a contract with Gillette Pepsi-Cola Companies to provide Exclusive Soft Drink fountain and vending services to the University over a seven (7) year period.

June 6, 2014

I.2.b.

CONTRACT FOR EXCLUSIVE SOFT DRINK POURING RIGHTS AND VENDING RIGHTS FOR UW-LA CROSSE WITH GILLETTE PEPSI-COLA COMPANIES

BACKGROUND

The University of Wisconsin-La Crosse is prepared to enter into a Pouring Rights for Fountain and Vending Services contract with Gillette Pepsi-Cola Companies of La Crosse based on the response to RFP PS-14-2329. This request is for a contract starting August 15, 2014, through June 30, 2015, with six (6) automatic one-year renewals expiring on June 30, 2021. The contract spans a seven (7) year period.

The proposed agreement is the result of a process that has taken place over the course of nine months and included UW-La Crosse Student Representatives, University Centers and Campus Administration with assistance from System Administration. An RFP was issued in March 2014 with a general goal to improve beverage service and increase net revenues by maximizing the availability of product, and offering marketing and sales opportunities using strategies to benefit the students, the University and the beverage provider. The University, in offering fountain pouring and certain sponsorship opportunities to the beverage provider, asked for certain equipment, services, fees, and pricing guarantees in return. After evaluation of two proposals a decision was made to pursue contract negotiation with Gillette Pepsi-Cola Companies. The proposed agreement is a result of those negotiations.

REQUESTED ACTION

Approval of Resolution I.2.b.

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-La Crosse, the Board of Regents approves a seven year contract with Gillette Pepsi-Cola Companies of La Crosse to provide exclusive soft drink fountain and vending services to the University.

DISCUSSION

Two proposals were received and after initial evaluation an award was made to Gillette Pepsi-Cola Companies pending successful negotiation of a final contract. The final terms and provisions of the negotiated contract continue the strategy of consolidating the fountain and

vending service into one contract with significant equipment, service and financial benefits to the University. The principal provisions of the contract can be summarized as follows:

- The agreement is effective on August 15, 2014, and runs through June 30, 2015, with six (6) automatic one year renewals expiring on June 30, 2021. The contract is expected to span a seven (7) year period although either party may terminate the contract with 180 days written notice.
- New fountain service equipment is being provided in the dining units.
- The contractor agrees to pay the University a cash rights fee of seventy-thousand dollars (\$70,000) each year of the agreement for the exclusive rights under the contract.
- The contractor will provide an annual Athletic Department fund of fifteen-thousand dollars (\$15,000) each year of the agreement for marketing and promotional opportunities.
- The contractor will provide a Non-Athletic student activities fund of eleven-thousand dollars (\$11,000) per year of the agreement for sponsorship of events on campus, seasonal promotions and product/merchandise giveaways.
- Vending Services commission to the University is 55% or a Guarantee of eighty thousand dollars (\$80,000) whichever is greater. The estimated commission value is six hundred sixty-five thousand two hundred eighty dollars (\$665,280) for the life of the contract.
- Total Value of this contract is just over \$1.3 Million.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Signature Authority, Approval, and Reporting

UW-Madison Contractual Agreement
with Nestlé Shuangcheng, Ltd.

BUSINESS AND FINANCE COMMITTEE

Resolution:

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 Nestlé Shuangcheng, Ltd.

**UW-MADISON CONTRACTUAL AGREEMENT
WITH NESTLÉ SHUANGCHENG, LTD.**

EXECUTIVE SUMMARY

BACKGROUND

UW Board of Regents policy requires any grant or contract with private profit-making organizations in excess of \$500,000 be presented to the Board for formal acceptance prior to execution.

REQUESTED ACTION

Approval of 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 Statement of Work and associated contractual agreement between the University of Wisconsin-Madison and Nestlé Shuangcheng, Ltd.

DISCUSSION AND RECOMMENDATIONS

The Office of Industrial Partnerships at the University of Wisconsin-Madison negotiated a Collaborative Training Agreement with Nestlé Shuangcheng, Ltd. (“Nestlé”) to develop a curriculum and assist with training at a dairy farming institute in Shuangcheng, Heilongjiang Province, China. In consideration for the curriculum and training, Nestlé shall pay the University \$1,675,252 in three installments over the period of the contract. The work will be performed over a three-year period commencing from the date of execution through April 30, 2017, and will be completed under the direction of Dr. Pamela Ruegg in the Department of Dairy Science. Either party may terminate the agreement with ninety (90) days written notice.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Signature Authority, Approval, and Reporting

QUARTERLY REPORT OF GIFTS, GRANTS, AND CONTRACTS
JULY 1, 2013 THROUGH MARCH 31, 2014
Revised 6/3/2014

BACKGROUND

Prior to 1993, the Board of Regents had been presented a detailed listing of all gift, grant, and contract awards received in the previous month. This reporting protocol was deemed overly labor intensive and information presented was easily misinterpreted. Very few gifts are given directly to the University; the vast majority of gift items listed in these reports represented a pass-through of funds raised by UW Foundations. In addition, reported grant and contract awards frequently span several years, making the monthly figures reported somewhat misleading to the uninformed reader.

In February 1993, the Board adopted a plan for summary reporting on a monthly basis, delegating to the UW System Vice President for Finance acceptance of contracts with for-profit entities where the consideration involved was less than \$200,000. Contracts in excess of \$200,000 were required to come to the Board prior to execution. This \$200,000 threshold was increased to \$500,000 at the Board's September 4, 1997, meeting.

At this same September 4, 1997, meeting, it was noted that, while the monthly summary reporting from UW institutions will continue, the Vice President for Finance will present the information to the Board on a quarterly, rather than monthly, basis. These quarterly summary reports have been presented to the Business and Finance Committee since that time and have generally been accompanied by a brief explanation of significant changes.

REQUESTED ACTION

No action is required; this item is for information only.

DISCUSSION

Attached is a summary report of gifts, grants, and contracts awarded to University of Wisconsin System institutions in the nine-month period July 1, 2013, through March 31, 2014. Total gifts, grants, and contracts for the period were approximately \$1.1 billion; this is a decrease of \$3.5 million from the same period in the prior year. Federal awards increased \$13.5 million, while non-federal awards decreased by \$17.0 million.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Signature Authority, Approval and Reporting

UNIVERSITY OF WISCONSIN SYSTEM
 GIFTS, GRANTS AND CONTRACTS AWARDED
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON
 FISCAL YEAR 2013-2014 (3rd Quarter)

Revised 6/3/2014

FISCAL YEAR 2013-2014	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Total	81,262,592	41,071,669	615,330	83,776,923	15,550,408	697,423,987	207,769,729	1,127,470,638
Federal	50,702,577	25,371,220	0	8,488,608	0	450,875,424	192,105,571	727,543,400
Nonfederal	30,560,015	15,700,448	615,330	75,288,316	15,550,408	246,548,564	15,664,158	399,927,238
FISCAL YEAR 2012-2013								
Total	85,950,023	49,066,264	9,892,943	93,710,690	18,720,872	681,203,087	192,414,553	1,130,958,433
Federal	53,840,462	28,798,157	0	8,399,171	(8,302)	442,839,925	180,120,523	713,989,936
Nonfederal	32,109,561	20,268,107	9,892,943	85,311,519	18,729,174	238,363,162	12,294,030	416,968,497
INCREASE(DECREASE)								
Total	(4,687,431)	(7,994,595)	(9,277,613)	(9,933,767)	(3,170,464)	16,220,900	15,355,176	(3,487,794)
Federal	(3,137,885)	(3,426,937)	0	89,437	8,302	8,035,499	11,985,048	13,553,464
Nonfederal	(1,549,546)	(4,567,658)	(9,277,613)	(10,023,205)	(3,178,766)	8,185,401	3,370,129	(17,041,257)

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2013-2014 (3rd Quarter)

Revised 6/3/2014

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2013-2014								
Madison	31,717,551	27,388,583	597,187	69,911,358	15,435,911	669,303,113	44,984,898	859,338,601
Milwaukee	8,135,688	1,566,408	0	4,435,351	37,160	20,192,395	36,581,748	70,948,749
Eau Claire	90,858	1,372,227	0	381	0	581,251	12,609,763	14,654,480
Green Bay	1,267	1,971,887	500	237,948	271	1,133,046	5,243,450	8,588,369
La Crosse	545,642	367,815	0	957,609	0	1,175,734	9,393,125	12,439,925
Oshkosh	1,062,311	4,921,932	0	237,284	0	1,128,782	8,230,399	15,580,708
Parkside	413,533	525,732	0	30,578	35,881	114,075	9,027,992	10,147,792
Platteville	81,443	0	0	1,345,590	0	360,873	9,207,653	10,995,559
River Falls	1,208,411	1,085,697	648	992,508	3,790	297,453	8,659,405	12,247,912
Stevens Point	1,914,445	704,166	127	299,746	0	1,810,558	14,936,787	19,665,829
Stout	3,486,436	235,956	0	1,734,978	0	122,884	11,286,426	16,866,679
Superior	30,000	0	0	984,390	0	401,501	2,749,125	4,165,016
Whitewater	141,242	16,070	0	661,323	37,394	41,985	15,343,296	16,241,310
Colleges	2,175	657,967	16,868	713,919	0	60,000	19,515,663	20,966,591
Extension	32,431,591	0	0	0	0	700,337	0	33,131,928
System-Wide	0	257,229	0	1,233,960	0	0	0	1,491,189
Totals	81,262,592	41,071,669	615,330	83,776,923	15,550,408	697,423,987	207,769,729	1,127,470,638
Madison	25,652,889	13,635,491	0	2,198,555	0	429,093,743	33,462,677	504,043,354
Milwaukee	4,538,994	1,471,408	0	2,235,289	0	17,653,479	36,580,423	62,479,594
Eau Claire	86,944	1,091,109	0	0	0	541,754	12,606,415	14,326,222
Green Bay	0	1,506,115	0	4,060	0	648,160	5,009,597	7,167,932
La Crosse	380,373	347,815	0	876,659	0	745,644	9,382,975	11,733,466
Oshkosh	940,851	4,625,077	0	9,359	0	778,785	7,734,087	14,088,158
Parkside	360,628	275,531	0	0	0	0	8,807,176	9,443,335
Platteville	4,000	0	0	384,198	0	332,907	9,207,653	9,928,758
River Falls	1,138,564	1,084,812	0	562,299	0	109,550	7,861,520	10,756,745
Stevens Point	323,557	429,564	0	(16,410)	0	853,195	14,535,931	16,125,837
Stout	3,297,495	76,312	0	989,659	0	97,941	10,976,922	15,438,329
Superior	0	0	0	722,497	0	20,266	2,599,125	3,341,888
Whitewater	113,886	0	0	273,639	0	0	14,485,912	14,873,437
Colleges	0	570,757	0	248,805	0	0	18,855,159	19,674,720
Extension	13,864,397	0	0	0	0	0	0	13,864,397
System-Wide	0	257,229	0	0	0	0	0	257,229
Federal Totals	50,702,577	25,371,220	0	8,488,608	0	450,875,424	192,105,571	727,543,400
Madison	6,064,662	13,753,093	597,187	67,712,804	15,435,911	240,209,370	11,522,222	355,295,248
Milwaukee	3,596,694	95,000	0	2,200,062	37,160	2,538,915	1,325	8,469,156
Eau Claire	3,914	281,118	0	381	0	39,497	3,348	328,258
Green Bay	1,267	465,772	500	233,888	271	484,887	233,853	1,420,437
La Crosse	165,269	20,000	0	80,950	0	430,090	10,150	706,459
Oshkosh	121,460	296,855	0	227,925	0	349,997	496,312	1,492,549
Parkside	52,905	250,201	0	30,578	35,881	114,075	220,816	704,457
Platteville	77,443	0	0	961,392	0	27,966	0	1,066,801
River Falls	69,847	885	648	430,209	3,790	187,903	797,885	1,491,167
Stevens Point	1,590,888	274,602	127	316,156	0	957,363	400,856	3,539,992
Stout	188,941	159,644	0	745,319	0	24,943	309,504	1,428,350
Superior	30,000	0	0	261,893	0	381,235	150,000	823,128
Whitewater	27,356	16,070	0	387,684	37,394	41,985	857,384	1,367,873
Colleges	2,175	87,210	16,868	465,114	0	60,000	660,504	1,291,871
Extension	18,567,194	0	0	0	0	700,337	0	19,267,531
System-Wide	0	0	0	1,233,960	0	0	0	1,233,960
Nonfederal Totals	30,560,015	15,700,449	615,330	75,288,315	15,550,408	246,548,563	15,664,158	399,927,238

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2012-2013								
Madison	32,609,781	33,104,673	9,876,526	79,185,291	18,631,466	645,845,737	34,379,999	853,633,473
Milwaukee	7,261,571	4,045,791	13,200	5,653,498	0	22,229,051	36,916,483	76,119,594
Eau Claire	173,737	1,590,759	0	0	0	530,744	12,760,420	15,055,660
Green Bay	39,241	1,828,605	0	372,629	0	1,751,240	5,475,721	9,467,436
La Crosse	631,396	104,629	0	1,183,415	0	1,823,034	9,534,819	13,277,293
Oshkosh	959,579	6,390,709	0	0	0	2,146,020	7,464,102	16,960,410
Parkside	1,027,710	789,611	0	26,840	15,504	123,409	8,736,183	10,719,257
Platteville	606,645	54,901	0	32,313	0	986,229	10,010,907	11,690,995
River Falls	474,378	48,725	3,217	1,349,936	6,000	305,174	3,841,297	6,028,727
Stevens Point	2,670,649	298,168	0	1,250,284	0	1,580,879	14,546,270	20,346,250
Stout	1,940,434	189,040	0	2,148,670	425	589,391	11,306,564	16,174,524
Superior	106,800	0	0	782,443	0	582,363	2,498,615	3,970,221
Whitewater	1,905,013	42,245	0	870,348	67,477	357,260	14,441,782	17,684,125
Colleges	13,825	555,499	0	845,994	0	232,699	20,501,391	22,149,408
Extension	35,529,264	0	0	0	0	247,105	0	35,776,369
System-Wide	0	22,910	0	9,030	0	1,872,752	0	1,904,692
Totals	85,950,023	49,066,264	9,892,943	93,710,690	18,720,872	681,203,087	192,414,553	1,130,958,433
Madison	28,823,703	16,066,762	0	1,716,944	(8,302)	415,539,040	24,768,131	486,906,279
Milwaukee	4,684,174	3,165,916	0	1,896,862	0	18,082,784	36,841,003	64,670,738
Eau Claire	138,506	1,299,353	0	0	0	289,890	12,757,485	14,485,234
Green Bay	35,502	1,321,145	0	20,045	0	1,644,496	5,281,061	8,302,249
La Crosse	369,128	103,879	0	1,006,981	0	455,554	9,416,305	11,351,847
Oshkosh	861,468	5,562,274	0	0	0	1,777,100	7,464,102	15,664,944
Parkside	1,026,885	581,474	0	0	0	0	8,651,742	10,260,101
Platteville	489,223	31,947	0	0	0	831,505	10,010,907	11,363,582
River Falls	430,123	0	0	903,810	0	264,399	3,815,797	5,414,129
Stevens Point	117,668	0	0	423,915	0	542,598	14,400,654	15,484,835
Stout	1,550,092	93,442	0	1,053,478	0	549,998	10,981,425	14,228,435
Superior	106,800	0	0	762,340	0	200,000	2,498,615	3,567,755
Whitewater	1,899,756	10,849	0	317,530	0	323,954	13,405,165	15,957,254
Colleges	5,700	553,207	0	297,266	0	218,750	19,828,131	20,903,054
Extension	13,301,734	0	0	0	0	247,105	0	13,548,839
System-Wide	0	7,910	0	0	0	1,872,752	0	1,880,662
Federal Totals	53,840,462	28,798,157	0	8,399,171	(8,302)	442,839,925	180,120,523	713,989,936
Madison	3,786,078	17,037,911	9,876,526	77,468,346	18,639,768	230,306,697	9,611,868	366,727,194
Milwaukee	2,577,397	879,875	13,200	3,756,636	0	4,146,267	75,480	11,448,855
Eau Claire	35,231	291,406	0	0	0	240,854	2,935	570,426
Green Bay	3,739	507,460	0	352,584	0	106,745	194,660	1,165,187
La Crosse	262,268	750	0	176,434	0	1,367,480	118,514	1,925,446
Oshkosh	98,111	828,435	0	0	0	368,920	0	1,295,466
Parkside	825	208,137	0	26,840	15,504	123,409	84,441	459,156
Platteville	117,422	22,954	0	32,313	0	154,724	0	327,413
River Falls	44,255	48,725	3,217	446,126	6,000	40,775	25,500	614,598
Stevens Point	2,552,981	298,168	0	826,369	0	1,038,281	145,616	4,861,415
Stout	390,342	95,598	0	1,095,192	425	39,393	325,139	1,946,089
Superior	0	0	0	20,103	0	382,363	0	402,466
Whitewater	5,258	31,396	0	552,818	67,477	33,306	1,036,617	1,726,871
Colleges	8,125	2,292	0	548,728	0	13,949	673,260	1,246,354
Extension	22,227,530	0	0	0	0	0	0	22,227,530
System-Wide	0	15,000	0	9,030	0	0	0	24,030
Nonfederal Totals	32,109,561	20,268,107	9,892,943	85,311,519	18,729,174	238,363,162	12,294,030	416,968,497

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
INCREASE (DECREASE)								
Madison	(892,231)	(5,716,090)	(9,279,339)	(9,273,932)	(3,195,555)	23,457,376	10,604,899	5,705,128
Milwaukee	874,117	(2,479,382)	(13,200)	(1,218,147)	37,160	(2,036,657)	(334,735)	(5,170,844)
Eau Claire	(82,879)	(218,532)	0	381	0	50,507	(150,657)	(401,180)
Green Bay	(37,974)	143,282	500	(134,681)	271	(618,194)	(232,271)	(879,066)
La Crosse	(85,754)	263,186	0	(225,806)	0	(647,300)	(141,694)	(837,368)
Oshkosh	102,732	(1,468,777)	0	237,284	0	(1,017,238)	766,297	(1,379,702)
Parkside	(614,177)	(263,879)	0	3,738	20,377	(9,333)	291,809	(571,464)
Platteville	(525,202)	(54,901)	0	1,313,276	0	(625,356)	(803,254)	(695,436)
River Falls	734,033	1,036,972	(2,569)	(357,428)	(2,210)	(7,721)	4,818,108	6,219,185
Stevens Point	(756,204)	405,998	127	(950,538)	0	229,679	390,517	(680,421)
Stout	1,546,002	46,916	0	(413,692)	(425)	(466,508)	(20,138)	692,155
Superior	(76,800)	0	0	201,947	0	(180,862)	250,510	194,795
Whitewater	(1,763,772)	(26,175)	0	(209,025)	(30,082)	(315,275)	901,514	(1,442,815)
Colleges	(11,650)	102,468	16,868	(132,075)	0	(172,699)	(985,729)	(1,182,816)
Extension	(3,097,673)	0	0	0	0	453,232	0	(2,644,441)
System-Wide	0	234,319	0	1,224,930	0	(1,872,752)	0	(413,503)
Totals	(4,687,431)	(7,994,595)	(9,277,613)	(9,933,767)	(3,170,464)	16,220,900	15,355,176	(3,487,794)
Madison	(3,170,814)	(2,431,271)	0	481,610	8,302	13,554,703	8,694,545	17,137,075
Milwaukee	(145,180)	(1,694,507)	0	338,427	0	(429,305)	(260,580)	(2,191,145)
Eau Claire	(51,562)	(208,244)	0	0	0	251,864	(151,070)	(159,012)
Green Bay	(35,502)	184,970	0	(15,985)	0	(996,336)	(271,464)	(1,134,317)
La Crosse	11,245	243,936	0	(130,322)	0	290,090	(33,330)	381,619
Oshkosh	79,383	(937,197)	0	9,359	0	(998,315)	269,985	(1,576,785)
Parkside	(666,257)	(305,943)	0	0	0	0	155,434	(816,766)
Platteville	(485,223)	(31,947)	0	384,198	0	(498,598)	(803,254)	(1,434,824)
River Falls	708,441	1,084,812	0	(341,511)	0	(154,849)	4,045,723	5,342,616
Stevens Point	205,889	429,564	0	(440,325)	0	310,597	135,277	641,002
Stout	1,747,402	(17,130)	0	(63,819)	0	(452,057)	(4,503)	1,209,893
Superior	(106,800)	0	0	(39,843)	0	(179,734)	100,510	(225,867)
Whitewater	(1,785,870)	(10,849)	0	(43,891)	0	(323,954)	1,080,747	(1,083,817)
Colleges	(5,700)	17,550	0	(48,461)	0	(218,750)	(972,973)	(1,228,333)
Extension	562,663	0	0	0	0	(247,105)	0	315,558
System-Wide	0	249,319	0	0	0	(1,872,752)	0	(1,623,433)
Federal Totals	(3,137,885)	(3,426,937)	0	89,437	8,302	8,035,499	11,985,048	13,553,464
Madison	2,278,584	(3,284,819)	(9,279,339)	(9,755,543)	(3,203,857)	9,902,673	1,910,354	(11,431,947)
Milwaukee	1,019,297	(784,875)	(13,200)	(1,556,574)	37,160	(1,607,352)	(74,155)	(2,979,699)
Eau Claire	(31,317)	(10,288)	0	381	0	(201,357)	413	(242,168)
Green Bay	(2,472)	(41,689)	500	(118,696)	271	378,142	39,193	255,250
La Crosse	(96,999)	19,250	0	(95,484)	0	(937,390)	(108,364)	(1,218,987)
Oshkosh	23,349	(531,580)	0	227,925	0	(18,923)	496,312	197,083
Parkside	52,080	42,064	0	3,738	20,377	(9,333)	136,375	245,302
Platteville	(39,979)	(22,954)	0	929,078	0	(126,758)	0	739,388
River Falls	25,592	(47,840)	(2,569)	(15,917)	(2,210)	147,128	772,385	876,569
Stevens Point	(962,093)	(23,566)	127	(510,213)	0	(80,918)	255,240	(1,321,423)
Stout	(201,400)	64,046	0	(349,873)	(425)	(14,451)	(15,635)	(517,738)
Superior	30,000	0	0	241,791	0	(1,128)	150,000	420,663
Whitewater	22,098	(15,326)	0	(165,134)	(30,082)	8,679	(179,233)	(358,998)
Colleges	(5,950)	84,918	16,868	(83,614)	0	46,051	(12,756)	45,517
Extension	(3,660,336)	0	0	0	0	700,337	0	(2,959,999)
System-Wide	0	(15,000)	0	1,224,930	0	0	0	1,209,930
Nonfederal Totals	(1,549,546)	(4,567,658)	(9,277,613)	(10,023,205)	(3,178,766)	8,185,401	3,370,128	(17,041,258)

Revisions to UW System
Board of Regents Policy
on Program Revenue
Balances and Reserves

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, as directed by the Wisconsin Legislature's Joint Committee on Finance and upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revisions to the Program Revenue Balances and Reserves Policy.

REVISIONS TO UW SYSTEM BOARD OF REGENTS POLICY ON PROGRAM REVENUE BALANCES AND RESERVES (RPD 21-6)

BACKGROUND

2013 Wisconsin Act 20 requires the Board of Regents to develop a methodology for the calculation of program revenue balances and reserves, expressed in both dollars and as percentages of total annual expenses, for the University of Wisconsin System as a whole, for individual University of Wisconsin institutions, and UW Extension. The Board of Regents was also directed to develop proposed limits and report on program revenue account balances for the University of Wisconsin System as a whole and for each individual institution.

The Board of Regents Policy on Program Revenue Balances and Reserves has been reviewed and approved, with modifications, by Joint Legislative Audit Committee on April 24, 2014, and the Joint Committee on Finance on May 6, 2014.

REQUESTED ACTION

Approval of Resolution I.2.e.

DISCUSSION

The revised policy includes the following changes to the version adopted by the Board of Regents at the April 2014 meeting:

- The minimum targeted fund balance of 10% of total fiscal year expenditures for Tuition and Auxiliary Operations was eliminated. Institutions with negative balances will need to submit a plan for eliminating the negative balance to the Board of Regents.
- The 15% reporting threshold was reduced to 12%. Institutions with balances above 12% of total fiscal year expenditures shall submit justifications for the entire balance along with a defined multi-year spending plan for Tuition (Academic Student Fees and Extension Student Fees), Auxiliary Operations, General Operations, and Other Unrestricted Program Revenue.
- UW System Administration will annually develop and submit a plan for the entire carry-forward balance held in UW Systemwide for Board approval.

In addition, the Joint Committee on Finance and the Joint Legislative Audit Committee directed the Board of Regents to report on program revenue balances annually by October 15th.

RELATED REGENT POLICIES

Regent Policy Document 21-6: Program Revenue Balances and Reserves Policy

21-6 PROGRAM REVENUE CALCULATION METHODOLOGY AND FUND BALANCES POLICY

Scope

This policy addresses program revenue account balances and appropriate reserve levels, and the methodology for calculating these levels, at UW System and UW System institutions.

Purpose

The purpose of this policy is to ensure the financial health and stability of each UW System institution and the UW System as a whole and to communicate an accurate fiscal condition more broadly and clearly. The policy balances prudent fiscal management with adequate levels of resources to carry out the universities' missions, programs, strategic goals, and objectives in an effective and efficient manner.

The policy ensures that:

- Individual institutions have the necessary flexibility to manage program revenue accounts to meet cash flow needs throughout the year, financial commitments, plans, and goals.
- Reporting of program revenue cash balances is at a level that provides the Board of Regents, Legislature, and public with a complete, consistent and transparent understanding of end-of-year balances.
- Institutions have the flexibility to continue to invest in and cultivate creative academic programs to reach all students seeking higher education.
- Institutions have the flexibility to invest in facilities that provide a world-class education.
- The University of Wisconsin is not incentivized to undertake unnecessary end-of-year spending in order to meet restrictive carry-forward caps.

Definitions and Methodology for Calculating

Program revenue balances shall be calculated subsequent to year-end reconciliation. Balances will be calculated starting with the prior year's ending cash balance, adding revenues received, and deducting expenditures made during the fiscal year. This produces the budgetary fund balance at the end of a given fiscal year. Balances will not reflect accruals for advance deposits received for future academic terms, accounts payable, or accounts receivable.

Year-end program revenue balances shall be calculated for:

Unrestricted Funds

- 1) Tuition (Academic Student Fees and Extension Student Fees)
- 2) Auxiliary Operations
- 3) General Operations
- 4) Other Unrestricted Program Revenue
- 5) Federal Indirect Cost Reimbursement

Restricted Funds

- 6) Gifts
- 7) Nonfederal Grants and Contracts
- 8) Federal Grants and Contracts
- 9) Other Restricted Program Revenue

A description of UW appropriations included in each category of program revenue balances will be provided to aid in understanding the information presented (attached).

Year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue shall be expressed in dollars for the UW System as a whole and for each UW institution. Year-end balances will be calculated as a percentage of the total expenditures by that fund for the fiscal year. Tuition balances shall be expressed as a percentage of the combined expenditures for GPR (less GPR-funded debt service) and Student Fees (tuition).

UW System Administration year-end balances will be reported as an institution. UW system-wide balances, which are those maintained for the support of all UW institutions, will be reported in dollars and as a percentage change over the prior year-end balance. Allocations from systemwide accounts to institutions will occur before an institution calculates its program revenue balance.

Federal Indirect Cost Reimbursement year-end balances shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage change from the prior year-end balance.

Reported year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, (4) Other Unrestricted Program Revenue, and (5) Federal Indirect Cost Reimbursement shall be categorized by the methodology used in the Legislative Audit Bureau's Report 13-17. The categories are obligated, planned, designated, reserves, and undocumented.

Year-end balances for restricted funds (Gifts, Nonfederal Grants and Contracts, Federal Grants and Contracts, and Other Restricted Program Revenue) will be reported in total dollars for the UW System as a whole and for each UW institution.

Policy Statement

It is the policy of the Board of Regents that the UW System and UW System institutions maintain appropriate balances to protect the institutions in cases of sudden shortfalls in revenue, to provide for extraordinary events, and to protect against unbudgeted future expenses or losses. Institutions with negative balances for (1) Tuition and (2) Auxiliary Operations shall submit a savings plan on how they will eliminate the negative balance and within what time frame.

The Board of Regents recognizes there are many instances where accumulation of balances is a prudent practice in order to achieve strategic priorities over a multi-year period (establishing new

academic programs, purchasing major equipment, funding start-up packages for new faculty, etc.). Institutions with balances above 12% of total fiscal year expenditures shall submit justifications for entire balance along with a defined multi-year spending plan for each of the following four categories: (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue. Total balances above the 12% threshold should be obligated, planned, or designated by the Chancellor for specific purposes.

The 12% threshold is established to determine an amount which will require a report and Board approval. It is not established as cap on end-of-year balances.

Oversight, Roles, and Responsibilities

UW System Administration will provide the Board of Regents with estimates of year-end program revenue balances for use in determining UW System's annual budget and setting tuition rates for the subsequent academic year. Actual year-end balances categorized by each institution and the System as a whole shall be reported annually after the fiscal year-end reconciliation and for formal approval by the Board of Regents at the October meeting.

For those institutions with negative balances, the Board of Regents will determine by vote whether the institution has an adequate plan in place to eliminate the negative balance within a reasonable period of time. For those institutions with balances above 12% of total year-end expenditures, the Board of Regents will determine by vote whether balances are adequately justified. The Board of Regents will determine by vote whether the justification and multi-year spending plan submitted by UW System Administration for the entire UW system-wide balance is adequate. Justification for the balances should include:

- the specific projects or initiatives for which the funds are being held;
- the amount of funds held for each project or initiative;
- the total amount of program revenue funds the institution plans to accumulate for each initiative or project;
- the total amount of funds expected to be expended on each project or initiative; and,
- the timeframe in which those funds will be expended.

A negative fund balance shall not be used by any institution as a justification for the request and approval of additional funds.

Related Regent Policies and Applicable Laws

Section 36.46 Wisconsin Statutes

History: Resolution 10278, adopted 10/11/2013, created Regent Policy Document 21-6. Policy modified by Legislature's Joint Committee on Finance, May 6, 2014. Resolution ##### implemented legislatively directed modifications.

21-6 PROGRAM REVENUE CALCULATION METHODOLOGY AND FUND BALANCES POLICY

Scope

This policy addresses program revenue account balances and appropriate reserve levels, and the methodology for calculating these levels, at UW System and UW System institutions.

Purpose

The purpose of this policy is to ensure the financial health and stability of each UW System institution and the UW System as a whole and to communicate an accurate fiscal condition more broadly and clearly. The policy balances prudent fiscal management with adequate levels of resources to carry out the universities' missions, programs, strategic goals, and objectives in an effective and efficient manner.

The policy ensures that:

- Individual institutions have the necessary flexibility to manage program revenue accounts to meet cash flow needs throughout the year, financial commitments, plans, and goals.
- Reporting of program revenue cash balances is at a level that provides the Board of Regents, Legislature, and public with a complete, consistent and transparent understanding of end-of-year balances.
- Institutions have the flexibility to continue to invest in and cultivate creative academic programs to reach all students seeking higher education.
- Institutions have the flexibility to invest in facilities that provide a world-class education.
- The University of Wisconsin is not incentivized to undertake unnecessary end-of-year spending in order to meet restrictive carry-forward caps.

Definitions and Methodology for Calculating

Program revenue balances shall be calculated subsequent to year-end reconciliation. Balances will be calculated starting with the prior year's ending cash balance, adding revenues received, and deducting expenditures made during the fiscal year. This produces the budgetary fund balance at the end of a given fiscal year. Balances will not reflect accruals for advance deposits received for future academic terms, accounts payable, or accounts receivable.

Year-end program revenue balances shall be calculated for:

Unrestricted Funds

- 1) Tuition (Academic Student Fees and Extension Student Fees)
- 2) Auxiliary Operations
- 3) General Operations
- 4) Other Unrestricted Program Revenue
- 5) Federal Indirect Cost Reimbursement

Restricted Funds

- 6) Gifts
- 7) Nonfederal Grants and Contracts
- 8) Federal Grants and Contracts
- 9) Other Restricted Program Revenue

A description of UW appropriations included in each category of program revenue balances will be provided to aid in understanding the information presented (attached).

Year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue shall be expressed in dollars for the UW System as a whole and for each UW institution. Year-end balances will be calculated as a percentage of the total expenditures by that fund for the fiscal year. Tuition balances shall be expressed as a percentage of the combined expenditures for GPR (less GPR-funded debt service) and Student Fees (tuition).

UW System Administration year-end balances will be reported as an institution. UW system-wide balances, which are those maintained for the support of all UW institutions, will be reported in dollars and as a percentage change over the prior year-end balance. Allocations from systemwide accounts to institutions will occur before an institution calculates its program revenue balance.

Federal Indirect Cost Reimbursement year-end balances shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage change from the prior year-end balance.

Reported year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, (4) Other Unrestricted Program Revenue, and (5) Federal Indirect Cost Reimbursement shall be categorized by the methodology used in the Legislative Audit Bureau's Report 13-17. The categories are obligated, planned, designated, reserves, and undocumented.

Year-end balances for restricted funds (Gifts, Nonfederal Grants and Contracts, Federal Grants and Contracts, and Other Restricted Program Revenue) will be reported in total dollars for the UW System as a whole and for each UW institution.

Policy Statement

It is the policy of the Board of Regents that the UW System and UW System institutions maintain appropriate balances to protect the institutions in cases of sudden shortfalls in revenue, to provide for extraordinary events, and to protect against unbudgeted future expenses or losses.

~~Institutions should target a minimum level of 10% of total fiscal year expenditures for: (1) Tuition, and (2) Auxiliary Operations. This 10% target falls within the recommendation by the Government Finance Officers Association of reserve levels between 5-15% and should assist institutions in meeting the Higher Learning Commission accreditation requirements for financial health. Institutions with negative balances of less than 10% of total fiscal year expenditures for~~

(1) Tuition and (2) Auxiliary Operations shall submit a savings plan on how they will ~~achieve the minimum~~eliminate the negative balance and within what time frame.

The Board of Regents recognizes there are many instances where accumulation of balances ~~beyond the 10% level~~ is a prudent practice in order to achieve strategic priorities over a multi-year period (establishing new academic programs, purchasing major equipment, funding start-up packages for new faculty, etc.). Institutions with balances above 1512% of total fiscal year expenditures, ~~inclusive of the minimum 10%~~, shall submit justifications for entire balance along with a defined multi-year spending plan for each of the following four categories: (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue. Total balances above the 1512% threshold should be obligated, planned, or designated by the Chancellor for specific purposes.

The 1512% threshold is established to determine an amount which will require a report and Board approval. It is not established as cap on end-of-year balances.

Oversight, Roles, and Responsibilities

UW System Administration will provide the Board of Regents with estimates of year-end program revenue balances for use in determining UW System's annual budget and setting tuition rates for the subsequent academic year. Actual year-end balances categorized by each institution and the System as a whole shall be reported annually after the fiscal year-end reconciliation and for formal approval by the Board of Regents at the October meeting.

For those institutions with negative balances ~~less than the 10% of the fiscal year's expenditures~~, the Board of Regents will determine by vote whether the institution has an adequate plan in place to ~~meet the target~~eliminate the negative balance within a reasonable period of time. For those institutions with balances above 125% of total year-end expenditures, the Board of Regents will determine by vote whether balances are adequately justified. The Board of Regents will determine by vote whether the justification and multi-year spending plan submitted by UW System Administration for the entire UW system-wide balance is adequate. Justification for the balances should include:

- the specific projects or initiatives for which the funds are being held;
- the amount of funds held for each project or initiative;
- the total amount of program revenue funds the institution plans to accumulate for each initiative or project;
- the total amount of funds expected to be expended on each project or initiative; and,
- the timeframe in which those funds will be expended.

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~~The minimum balance target of 10% of fiscal year expenses~~A negative fund balance shall not be used by any institution as a justification for the request and approval of additional funds.

Related Regent Policies and Applicable Laws

Section 36.46 Wisconsin Statutes

History: Resolution 10278, adopted 10/11/2013, created Regent Policy Document 21-6. Policy modified by Legislature's Joint Committee on Finance, May 6, 2014. Resolution ##### implemented legislatively directed modifications.

UPDATE ON HUMAN RESOURCE SYSTEM AND PAYROLL AND BENEFITS PROCESSING

BACKGROUND

At the February 2014 Board of Regents meeting, the Business and Finance and Audit Committees were updated by University of Wisconsin (UW) System staff on two reports issued by the Legislative Audit Bureau earlier that month: (1) the audited UW System annual financial report for the 2012-13 fiscal year (Report 14-3); and, (2) an audit of the UW System's oversight of payroll and benefits processing and the Human Resource System (HRS) (Report 14-4). The Legislative Audit Bureau (LAB) subsequently presented these reports and findings to a joint meeting of the Business and Finance Committee and Audit Committees at the April 2014 meeting.

In addition, on March 12, 2014, the Joint Legislative Audit Committee conducted a hearing on these two reports. At this meeting, the Committee reviewed a series of recommendations and reporting requirements that were developed by LAB and included in the two reports. The recommendations and reporting requirements are:

General Recommendation:

- the UW System should complete its efforts to identify problems created by the software modifications that were made; perform adequate testing when any system changes are made; and determine whether removing certain modifications would resolve problems with HRS administration, prevent future problems, or limit future costs.

By July 1, 2014, UW System to report to the Joint Legislative Audit Committee on:

- the status of its efforts to resolve the HRS security concerns;
- any progress in reducing or removing problem-causing software modifications and the timeline for doing so;
- the extent to which eBenefits and Talent Acquisition Management have been implemented at UW institutions and an implementation timeline for any remaining institutions;
- plans to improve HRS-related training for its employees, including progress in implementing its credentialing program;
- plans to routinely assess ongoing HRS-related training needs and the effectiveness of this training;
- the status of efforts to recoup state group health insurance overpayments made from 2011 through 2013;
- the total amount of WRS benefit overpayments or underpayments made by UW System in 2013 as determined through the annual WRS reconciliation process;

- the number of corrections it reported to the Department of Employee Trust Funds (ETF) through the late-reporting process and the time period during which the corrections were reported;
- the causes of the errors in UW System's administration of Wisconsin Retirement System (WRS) benefits and what it has done to address the errors;
- progress in implementing recommendations from internal and external reviews; and,
- progress in correcting problems with HRS and payroll and benefits processing through the stabilization and HRS Roadmap projects.

An update will be provided to the Business and Finance Committee on the status of the report to the Joint Legislative Audit Committee.

REQUESTED ACTION

This report is for information only.

RELATED REGENT POLICIES

None.