

**UW System Board of Regents
Business & Finance Committee
UW-Waukesha
April 9, 2015**

MEETING OF THE BUSINESS AND FINANCE COMMITTEE:

The Business and Finance Committee was called to order at 8:59 a.m. by Regent Pruitt. Roll call was taken and Regents Pruitt, Behling, Delgado, Farrow, Harsy, Walsh and Higgins were in attendance. Regent Mueller was present via phone.

I.2.a. Approval of the Minutes of the February 5, 2015 Meeting of the Business and Finance Committee

Upon the motion of Regent Behling, and the second of Regent Delgado, the committee unanimously approved the minutes of the February 5, 2015, meeting of the Business and Finance Committee.

I.2.b. UW Colleges and UW-Extension Presentation

Steven Wildeck, UW - Colleges and Extension Vice Chancellor for Administration and Financial Services, shared insights into the many opportunities and challenges faced by these two unique UW institutions. He shared that UW Colleges and UW Extension budgets are \$365M combined as an enterprise, which would make them the 3rd largest combined institution to manage, behind UW-Madison and UW-Milwaukee. UW Colleges is a fairly traditional institution in that tuition plays a large role (37%) in financing. When you look at UW Colleges as compared to the average comprehensive university over the last nine years, the dependence on tuition in funding the overall budget is very similar. This percentage is very high for a two year liberal arts institution. UW Colleges enrollments tends to fluctuate in terms of percentage compared to similarly sized institutions such as UW-Oshkosh and UW-Eau Claire.

Mr. Wildeck then gave some insight on UW Extension. What is done at UW Extension is done in partnerships with others and leverage to generate and deliver programs and resources throughout the entire state. Mr. Wildeck stated that some of the financial challenges are related to geography, managing enrollments, funding cuts, managing match requirements, enhancing revenue and managing cash balances. It was noted that since 2005, when the two institutions came under the leadership of a single chancellor, they have integrated many administrative functions. Mr. Wildeck went on to explain that the commonalities between the two institutions are that they are both headquartered in Madison, they have key public gateways to access higher education, and they both have county and local partnerships.

Regent Delgado asked if the planning is done for the campuses and UW Extension together. Mr. Wildeck stated that each of the institutions plans in different ways due to the different missions they each have. Regent Delgado also asked if there is an effort to create more synergies between the two institutions. Mr. Wildeck noted that this is happening on an ongoing basis. A considerable amount of progress has been made on the administrative side in the last couple of years. Regent Delgado also asked if some of the programs from UW Extension can be run out of UW Colleges instead. Mr. Wildeck noted that the flexible option is a great example of this. It was primarily designed for and started at UW Extension. UW Colleges was one of the first to have the Associated Degree of the Arts & Sciences in a flexible format.

Regent Higgins asked about what worked and what hasn't worked during this efficiency planning since 2005. Mr. Wildeck noted that there was a study that exposed opportunities. A lot of it was developed through osmosis. Regent Higgins also noted that he's very impressed with the small business development centers. Mr. Wildeck agreed that we do great work on a \$6.5M budget.

I.2.c. UW-La Crosse Food Service Contractual Agreement with Compass Group USA, Inc

Upon the motion of Regent Harsy, and the second of Regent Delgado, the committee approved an agreement with Compass Group USA, Inc. (doing business as Chartwells) to provide dining services at the institution. The contract is effective July 1, 2015 for a one year period, with the option for six one-year extensions. Estimated annual revenue to the vendor is \$5.3M, totaling approximately \$37M over the potential life of the agreement. Estimated commissions to the institution over the life of the contract are approximately \$1.4M. In addition, the vendor is expected to invest \$1.39M in campus facilities. Estimated savings over the previous contract is \$545K.

I.2.d. UW-River Falls Food Service Contractual Agreement with Compass Group USA, Inc.

Upon the motion of Regent Behling, and the second of Regent Higgins, the committee approved an agreement with Compass Group USA, Inc. (doing business as Chartwells) to provide dining services at the institution. The contract is effective May 31, 2015 for a one year period, with the option for six one-year extensions. Estimated annual revenue to the vendor is \$3M, totaling approximately \$21M over the potential life of the agreement. Estimated commissions to the institution over the life of the contract are approximately \$1.95M. The institution will invest \$500K in campus facilities. Estimated savings over the previous contract is \$461K.

I.2.e. UW–Superior Food Service Contractual Agreement with Compass Group USA Inc.

Upon the motion of Regent Delgado, and the second of Regent Behling, the committee approved an agreement with Compass Group USA, Inc. (doing business as Chartwells) to provide dining services at the institution. The contract is effective June 1, 2015 for a one year period, with the option for six one-year extensions. Estimated annual revenue to the vendor is \$1.3M, totaling approximately \$9M over the potential life of the agreement. Estimated commissions to the institution over the life of the contract are approximately \$270K. In addition, the vendor is expected to invest \$350K in campus facilities. Estimated savings over the previous contract is \$115K annually.

Senior Vice President, David Miller, noted that if these food contracts were bid separately and independently, the estimated savings would have been \$754,000 annually. Since all three were selected as the preferred vendor, in combining them, we have an additional savings of \$173,000, for a total savings of \$928,000. The terms of all three are all one-year contracts with six one-year renewals.

Regent Delgado asked if the food quality is the same everywhere. Mr. Miller stated that it depends on the individual vendor at each institution. It must be closely monitored individually, and that is why we have one year contracts with six one-year renewal options.

Regent Harsy asked if our savings would decrease if one of the contracts was not renewed. Mr. Miller stated that our savings may go down if this were to happen.

Regent Mueller noticed that alcohol is included in some of the food service contracts. She asked if this is included across all campuses. Mr. Miller noted that it is included in all three. Regent Mueller asked if the food and drink prices would go up. Mr. Miller mentioned that it would be difficult to compare prices because there are different menu choices at each campus. The menus change regularly to stay as current as possible and stay up to date with student demand.

Regent Farrow asked if the Chancellors get together to discuss and share best practices with regards to food service and other items. Mr. Miller noted that the student services leadership and the chief business officers spend a lot of time talking about those cross institutional comparisons, particularly when they're talking about services from like vendors, which can vary even among the same vendor.

I.2.f. UW–Stout Bookstore Contractual Agreement with Nebraska Book Company, Inc.

Upon the motion of Regent Delgado, and the second of Regent Higgins, the committee approved an agreement with Nebraska Book Company, Inc. (doing business as Neebo) to provide Bookstore services at the institution. The contract is effective May 22, 2015 for a one year period, with the option for four one-year extensions. Estimated annual revenue to the vendor is \$628K, totaling approximately \$3.1M over the potential life of the agreement. Estimated commissions to the institution over the life of the contract are approximately \$575K.

I.2.g. Presentation of UW System University Personnel System (UPS) Operational Policies

Al Crist, Senior Associate Vice President for Human Resources and Workforce Diversity, presented 14 operational policies intended to complete the initial implementation guidance for the University Personnel System. The new system, and its related operational policies, will be effective July 1, 2015 for all UW institutions other than UW-Madison. That institution is required by statute to develop a separate system for its human resources management. These operational policies were presented for information only and were intended as the implementation guidance required under Board of Regents Policy.

Regent Higgins mentioned that it was impressive how inclusive this entire process was and that it seemed as though everyone got to voice their opinions and they were listened to. Mr. Crist said that this was very intentional. There were work groups comprised of individuals across the different employment categories and most of the work was done through teleconferences and video conferences, and a few face to face. Regent Higgins asked if university staff will be able to use vacation on their first day of employment, as he read in the documents. Mr. Crist noted that unclassified staff has the ability to plan and take vacation immediately, so it was a consistency and fairness effort to allow for classified staff to be able to do the same.

Regent Farrow asked if at any point along the way we looked at what other institutions are doing. Mr. Crist stated that there were a lot of comparisons when it came to the benefits. Other institutions were looked at to compare title and total compensation structures. The goal is to simplify it so it fits our needs and provides us the opportunity to recruit and retain the quality workforce that is needed.

Regent Mueller wanted to confirm what is still in the statute, what is an administrative rule, and what is an operational policy statement. Mr. Crist stated that when Wis. Stats. 36.115 was established through the 2011-2013 biennial budget was also to exempt us from the rule making process. These operational policies are like the administrative code is for what we have for faculty and academic staff. It puts this in the hands of the UW System. The rules that currently exist should be in regent policy but are not. Certainly, the Governor's budget, as introduced, would accomplish moving that administrative code into regent policy. Regent Mueller then asked if the buyout proposals that are currently happening on several of the campuses. She wanted to know if the buyouts are allowed under statute, rule or operational policy. Mr. Crist stated that the separation incentives were enabled with advice from the Department of Justice. Just as we have separation agreements for any number of reasons with employees that we choose to end the employment relationship, it was ruled that we could use the same tool for the voluntary separation programs at our institutions. We also utilized an employee trust funds policy that had been on the books for some time that we had never used before but was used by Madison Area Technical College and UW-Madison. We put those tools together and some institutions have now established the program using those two tools.

Regent Muller asked if there was a document that could be provided to her to review this further. Senior Vice President Miller said that he could provide her with a summary that was prepared by General Counsel, Tom Stafford. The general counsel continues to monitor the application of the policy at each institution to be sure that it's compliant.

Regent Harsy asked when this new program will be reviewed again to determine what is working and what needs further review and how quick the response time will be if something needs to be changed. Mr. Crist said there isn't a set time to review it again, however, it's all under the control of the board and the UW System President and UW–Madison Chancellor, there is flexibility in terms of this review in the future.

I.2.h. Non-resident, Graduate, and Professional Tuition Initiatives at UW–La Crosse, UW–Milwaukee, UW–Parkside, UW–Platteville, UW–River Falls, UW–Stevens Point, UW–Stout and UW–Whitewater

Upon the motion of Regent Farrow, and the second of Regent Behling, the committee approved tuition changes in selected non-resident, graduate, and professional programs at the institutions listed. The changes were being sought to bring rates closer to market rates for these programs and to support quality programs.

No changes were being sought for resident undergraduate tuition rates under these requests.

Mr. Miller mentioned it is the goal of UW System to bring these requested changes earlier than past practice. Having a predictable budget would allow us to do that.

Regent Delgado asked if we are assessing tuition at every campus. Mr. Miller responded with the fact that these programs are quite price sensitive and so the market analysis by program is a very important part of this request.

Regent Farrow stated that in looking at the market place, we aren't at a premium level and we think we have a premium product. She suggested that we stay in tune with the people of the state to be competitive.

Regent Mueller asked about the origin of the proposed increases and why others didn't come forward with requests. Chancellor Renee Wachter from UW–Superior said there would likely be a loss of enrollments if a price increase were put into effect on her campus.

Vice Chancellor, Tom Sonnleitner from UW-Oshkosh stated that they have very low non-resident students, so it wouldn't be in its best interest to increase the price for those non-resident students.

I.2.i. Non-resident, and Professional Tuition Initiatives at UW - Madison

UW–Madison Chancellor, Rebecca Blank presented information regarding a four-year tuition proposal.

Regent Walsh asked if we know the average income of our peers to be able to compare that information to our data. Chancellor Blank stated this information comes from the applications that are filled out. Some don't fill out that section which makes it difficult. Of those that fill out that section, the average income of out of state is about \$70,00-\$80,000 on average more than in-state income.

The committee requested an amendment to item I.2.i regarding tuition changes in selected non-resident, and professional programs at UW-Madison. The changes in tuition were being sought to bring rates closer to market rates for these programs and provide enhanced revenues to aid in managing anticipated cuts in State support. No changes were being sought for resident undergraduate tuition rates under these requests.

The committee amended the resolution to approve the first 2 years (2015-16 and 2016-17) of the four-year plan and then review again in the third year.

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

Senior Vice President for Administration & Fiscal Affairs David Miller stated that he had no additional updates to provide at this time.

The Committee adjourned at 10:55 a.m.

Respectfully submitted,



Jennie Bauernhuber
Recording Secretary