

**UW System Board of Regents
Business & Finance Committee
Union South, Varsity Hall I
February 4, 2016**

MEETING OF THE BUSINESS AND FINANCE COMMITTEE:

The Business and Finance Committee was called to order at 10:45 a.m. by Regent Mueller. Roll call was taken and Regents Mueller, Pruitt, Bradley, Delgado, Grebe, Hall, Harsy and Vasquez were in attendance.

I.2.a. Approval of the Minutes of the December 10, 2015 Meeting of the Business and Finance Committee

Upon the motion of Regent Delgado, and the second of Regent Vasquez, the committee approved the Minutes of the December 10, 2015 Meeting of the Business and Finance Committee.

I.2.b. UW-Madison Presentation – HR Design A World-Class Workforce for a World-Class University

Darrell Bazzell, UW-Madison Vice Chancellor for Administration and Finance, Mark Walters, Senior Director of Operations, and Don Schutt, Director of Office & Talent Management presented information on the institution's newly developed Human Resource system, HR-Design: A World Class Workforce for a World-Class University. The HR Design project is a campus-wide effort to build, through thoughtful design, a more efficient and effective UW-Madison human resources system to best serve the needs of the University, employees and citizens of Wisconsin. The goal is to attract, develop and retain world class talent. There was a very strategic approach to developing the talent management system. The vision is to have a model public university in the 21st century, serving as a resource to the public and working to enhance the quality of life in the state, the nation, and the world. There was a new onboarding policy implemented in which mentors connect with new employees. In addition, managers/supervisors discuss potential development activity with the new employees. There is also a new performance management policy. This allows for the employee lifecycle to be looked at in a much broader sense and for employees to develop and advance in their career. The HR Program Integration allows for HR policy changes that provide more consistency across employee categories, enhance management flexibility, but still preserve basic employee protections. There is more compensation flexibility for faculty and staff to help attract and retain talent. These standard HR competencies will help ensure fair, consistent, and effective HR practices across campus.

Regent Mueller asked how many employees at UW-Madison are involved with this system. Mr. Walters stated there are approximately 16,000 faculty, academic and university employees that would be covered by the changes. Regent Mueller inquired about the budget for this project. Vice Chancellor Bazzell noted that there will actually be savings in dollars, as the cost to use the Page Up system is far less than what was being paid to use the Wiscjobs system through the State of Wisconsin.

Regent Vasquez asked about how the personnel system works for a faculty member coming from another campus to UW-Madison. Vice Chancellor Bazzell clarified that their length of service carries forward into the new system. The same would apply for benefits and retirement.

Regent Delgado inquired about what title issues UW-Madison is having. Mr. Walters gave an example of an academic staff title called Administrative Program Specialist. There are many employees that hold this title but have very different jobs. Some are responsible for accounting

activities or research, but they all hold the same title. The goal is to create a title structure that is a more market based compensation structure with the ability to do job matches as needed.

Regent Vasquez wanted to know what type of training will be provided to front line managers to ensure consistency with employee evaluations. Mr. Schutt noted that there has been a manager development program in place but this now gives an opportunity for different levels of development for newer managers to those that have more experience.

I.2.c. UW System Annual Financial Report

Interim UW System Vice President for Finance Julie Gordon presented summary information from the UW System's 2015 Annual Financial Report. The report covered the financials for the UW System from July 1, 2014 through June 30, 2015. This published report is prepared using generally accepted accounting principles (GAAP) and includes an unqualified audit opinion from the Legislative Audit Bureau along with all standard higher education financial statements. Ms. Gordon stressed that these financial statements do not reflect the current 2015-17 biennium, which includes a \$250 million reduction in state support.

While unrestricted net position decreased by \$113.6M, the Statement of Net Position in the Report shows an increase in total net position of \$350.0M. It is important to note that this increase results primarily from the implementation of a new GAAP reporting standard – Governmental Accounting Standards Board (GASB) Statement Number 68. This new accounting standard required the recognition of a \$330.2M restricted asset for the difference between pension plan assets and pension plan obligations.

Interim Vice President Gordon also highlighted the Loss Before Capital and Endowment Additions. In fiscal year 2013, the UW System reported a gain of \$202.1M. This financial metric changed significantly with losses of \$120.8M and \$127.7M being reported in FY 2014 and FY 2015, respectively.

Regent Pruitt was asked if there was a sense as to what the UW System may look like year from now. Interim Vice President Julie Gordon stated that there will be a number of variables that play into the equation. It will largely be driven by enrollments, revenue from gifts and grants, and how quickly institutions are able to reduce costs.

Regent Vasquez stated that there are opportunities to get creative and inquired about what other things we may need to look at to become leaner. President Cross made mention of the projected drop in tuition revenues. In addition, the UW System will have \$125M less in GPR. These two factors are significant. It takes at least six months to a year to make adjustments due to school schedules. Expenses are being reduced considerably but it takes time to catch up.

Regent Delgado noted that if we continue with the downward trend in unrestricted net position, then we may have no choice but to downsize the organization. President Cross mentioned that we already are taking these measures. UW System is in the process of making significant structural changes throughout all of the campuses. However, in the next 18 months, it may need to be taken to the next step.

Regent Bradley asked if there was any comparative data with other universities. Interim Vice President Gordon responded that higher education in general is dealing with a lot of the same budgetary restraints that we are dealing with. UW is slightly different than peers due to the level of control that the state has over the UW System, in terms of setting GPR and determining pay plans.

The complete report has been posted to <https://www.wisconsin.edu/financial-administration/forms-and-publications/annual-financial-reports/>

I.2.d. Quarterly Report of Gifts, Grants and Contracts (2nd Quarter FY 2016)

A summary of gift, grant, and contract awards for the period July 1, 2015 through December 31, 2015 was received. Total awards for the period were approximately \$771.1 million, a decrease of \$11.1 million compared to the prior year. Federal awards increased \$6.3 million while non-federal awards decreased by \$17.4 million.

I.2.e. Financial Management Report (2nd Quarter FY 2016)

The committee received a high level summary report comparing budgeted to actual revenues and expenditures through the second quarter of the fiscal year. The report provides UW System management and the Board with a dashboard-type tool to monitor financial activity within the UW System. This mid-year, cash-based interim management report shows that, as of December 31st, actual expenditures were approximately 45.6% of the regent approved budget, while revenues were at 49.3% of the budgeted level.

I.2.f. Presentation on Information Technology Security in the UW System

UW System Interim Associate Vice President and Chief Information Officer David Stack led a discussion to include general background and current practices regarding information technology security activities in the UW System. Dr. Stack was joined by representatives of the UW System Data Privacy and Security Executive Council. This presentation was intended to set the stage for the proposed policy that follows it on the agenda by providing information and context on the current information technology security environment.

I.2.g. Review and Approval of Proposed Regent Policy on Information Technology Security

Upon the motion of Regent Bradley, and the second of Regent Harsy, the committee approved a new Regent policy on information technology security in the UW System. This overarching Regent policy will provide the framework for the development of a comprehensive UW System information security program.

I.2.h.1. UW System Information Technology Report as Required by Wis. Stats. 13.58(5)(b)(3) – UW System Strategic Plans

This is the first of two statutorily required reports Information Technology reports. In this report, the committee received information regarding UW System Strategic Plans for IT projects. Individual institutional strategic plans may be found at: <https://www.wisconsin.edu/systemwide-it/strategic-plans>

I.2.h.2. UW System Information Technology Report as Required by Wis. Stats. 13.58(5)(b)(3) – Semi-Annual Status Report for Large/Vital information Technology Projects

The committee received a report on the status of four large IT projects underway in the UW System. These projects include UW Colleges and Extension's Campus Network Infrastructure Project (CNIP), the UW System Oracle/PeopleSoft Human Capital Management Application Upgrade, UW-Stevens Point Implementation of Oracle/PeopleSoft Campus Solutions, and the Replacement of the UW System Interactive Reporting Tool. While there may be some training delays and concerns about institutions ability to convert existing student data reporting under the Interactive Reporting Tool replacement, the projects are otherwise deemed to be on target with respect to schedule, scope, and budget.

I.2.i. UW-Madison Contractual Agreement – AstraZeneca Pharmaceuticals LP

Upon the motion of Regent Pruitt, and the second of Regent Grebe, the committee approved a Master Clinical Studies Agreement with AstraZeneca Pharmaceuticals LP. The language of this agreement establishes the general terms to be applied to all AstraZeneca sponsored trials at the institution. Individual "Study Contracts" (essentially statements of work) will be executed specifying the materials and protocols to be used in each trial. While total revenues to the institution are not fixed, the University is expected to receive over \$1,000,000 over the life of the agreement. The agreement as presented does not reference any initial work under the agreement or include information as to specific principal investigator(s) and/or university department(s) under which work will be performed.

I.2.j. UW-Madison Contractual Agreement – Pharmatech, Inc.

Upon the motion of Regent Pruitt, and the second of Regent Hall, the committee approved a Master Clinical Studies Agreement with Pharmatech, Inc. The language of this agreement establishes the general terms to be applied to all clinical research projects referred to the institution which will operate as a "Study Center" working in cooperation with Pharmatech, Inc. While total revenues to the institution are not fixed, the University is expected to receive over \$1,000,000 over the life of the agreement. The agreement as presented does not reference any initial work under the agreement or include information as to specific principal investigator(s) and/or university department(s) under which work will be performed.

I.2.k. Report of the Senior Vice President(s)

There were no additional updates provided.

The committee adjourned at 12:27 p.m.

Respectfully submitted,



Jennie Bauernhuber
Recording Secretary