

**UW System Board of Regents
Business & Finance Committee
Nohr Art Gallery, Ullsvik Hall, UW-Platteville
April 6, 2017**

MEETING OF THE BUSINESS AND FINANCE COMMITTEE:

The Business and Finance Committee was called to order at 9:00 a.m. by Regent Mueller. Roll was taken and Regents Mueller, Steil, Bradley, Delgado, Grebe, Hall, and Higgins were present.

I.2.a. Approval of the Minutes of the February 2, 2017 Meeting of the Business and Finance Committee

Upon the motion of Regent Higgins and the second of Regent Hall, the Committee approved the minutes of the February 2, 2017 meeting of the Business and Finance Committee.

I.2.b. UW-Platteville Presentation – *Mapping our Destiny: Intentional Decision-Making at UW-Platteville*

Linda Mulroy-Bowden, UW-Platteville Director of Residence Life, discussed the connection between the institution's two newest residence halls (Rountree and Bridgeway Commons) and the institution's strategic directions in a presentation titled *Mapping our Destiny: Intentional Decision-Making at UW-Platteville*. The presentation highlighted how the institution responded to growing enrollments through the use of creative public/private partnerships to build these facilities and how the new buildings ultimately provided an enhanced student experience.

I.2.c. University of Wisconsin System Annual Financial

Interim UW System Vice President for Finance Julie Gordon presented summary information from the UW System's 2016 Annual Financial Report. This published, publicly available report is prepared using generally accepted accounting principles (GAAP) and includes an unmodified or "clean" audit opinion from the Legislative Audit Bureau along with all standard higher education financial statements.

While the report includes comprehensive information on UW System revenues, expenses, and financial position, Vice President Gordon highlighted two items of particular note:

- 1) The UW System's Total Net Position decreased by \$110.2M in FY2016. This is the first time that the Total Net Position has declined since at least 2002, when new financial reporting requirements were established by the Governmental Accounting Standards Board (GASB).
- 2) In FY 2016, the Department of Employee Trust Funds, which manages the Wisconsin Retirement System, reported the state pension plan's net position decreased due to changes in actuarial assumptions and less-than-anticipated investment earnings, resulting in a net pension liability. While a \$330 million pension asset was reported for the UW System in FY 2015, a \$220 million pension liability is reported for FY 2016. If the impacts of this liability were removed, the UW System's unrestricted net position would have declined \$57 million.

The complete report is posted online at <https://www.wisconsin.edu/financial-administration/forms-and-publications/annual-financial-reports/>

- I.2.d. UW-System Contractual Agreement (Option to Extend) – Desire to Learn (D2L)**
 Upon the motion of Regent Bradley and the second of Regent Hall, the Committee approved an option to extend an existing contract with Desire2Learn, Ltd. The UW System has contracted with D2L for its enterprise Learning Management System (LMS) since 2003 when the vendor was selected through a competitive bid process, and signed five-year extensions in 2008 and 2013. A systemwide committee, known as the Learn@UW Executive Committee, studied the LMS market over the past year and determined that it was time to go to the market with a Request for Proposals (RFP) in order to take a closer look at all available Learning Environment systems.

This option to extend the contract is being sought to allow an orderly transition to a new platform in the event that Desire2Learn is not the successful bidder of a new, on-going contract. If the option is exercised, the cost of this two-year extension would be \$2.6M.

- I.2.e. UW-Whitewater Dining Services Contractual Agreement**
 Upon the motion of Regent Hall and the second of Regent Bradley, the Committee approved an agreement with A'Viands, LLC to provide dining services at the institution. The contract will be effective June 1, 2017 for a five-year period, with the option for two one-year extensions. Estimated annual net revenue to the vendor is approximately \$4.6M, totaling approximately \$32.4M over the potential life of the agreement. Estimated commissions to the institution over the life of the contract are approximately \$3.63M. In addition, the vendor will also invest \$1.0M in campus facilities.

- I.2.f. UW-Madison Contractual Agreement – Target PharmaSolutions, Inc.**
 Upon the motion of Regent Grebe and the second of Regent Steil, the Committee approved a Master Clinical Study Agreement with Target PharmaSolutions, Inc. The language of the agreement establishes the general terms to be applied to all Target PharmaSolutions sponsored studies at the institution. Individual Clinical Study Riders (essentially statements of work) will be executed specifying the materials and protocols to be used in each study. While total revenues to the institution are not fixed, the University could potentially receive in excess of \$1,000,000 over the life of the agreement. The agreement as presented does not reference any initial work or include information as to specific principal investigator(s) and/or university department(s) under which work will be performed. A general description of the services to be provided under the agreement is work on longitudinal, observational, non-interventional studies of FDA-approved medications and other therapies used in usual clinical practice.

- I.2.g. UW-Madison Contractual Agreement – Madison Vaccines, Inc.**
 Upon the motion of Regent Grebe and the Second of Regent Steil, the Committee approved a Sponsored Research Agreement with Madison Vaccines, Inc. The agreement involves a clinical study of a potential prostate cancer vaccine. The institution is expected to receive \$1,232,754 for efforts under the agreement. The study will be conducted in the UW Carbone Cancer Center under the direction of Dr. Glenn Liu.

- I.2.h. UW-Madison Contractual Agreements – Johnson Controls, Inc.**
 Upon the Motion of Regent Grebe and the second of Regent Hall, the Committee approved a series of subcontracts between UW-Madison and Johnson Controls under which the institution is completing portions of work that Johnson Controls contracted to perform under agreements with the State of Wisconsin – Division of Facilities Development (DFD). While all of these energy improvement projects were previously approved by the Board of Regents and the State Building Commission, the Board of Regents has not specifically approved the

individual subcontracts with UW-Madison under which the institution is expected to receive over \$16M. To rectify the situation, the Board is being asked to approve these mostly completed subcontracts at the April meeting. Regent Steil abstained from voting on this item.

I.2.i. UW-Madison Contractual Agreement – Amazon Pickup Points, LLC

Upon the motion of Regent Grebe and the second of Regent Steil, the Committee approved a new agreement with Amazon Pickup Points, LLC to locate and operate a facility on campus where students, faculty and staff can pick up merchandise ordered through Amazon on-line. This agreement replaces the agreement the Board approved in August 2016, which was not executed. After additional consultation with faculty, staff and students at the institution, the parties decided that a location at Sellery Hall would better serve the campus community. Under this new contract, the institution will receive a fixed annual amount of \$190K rather than a portion of revenues based on sales volume with an annual minimum guarantee of \$100K. As noted during discussion of the original contract, the facility is expected to reduce the volume of delivery vehicles on campus and provide a convenient central pickup point for campus-based Amazon orders.

I.2.j. Report of the Subcommittee on Investments

Regent Bryan Steil, Chairman of the Subcommittee on Investments, provided a brief report on the March 9, 2017 meeting of this newly formed subcommittee of the Business and Finance Committee. Chairman Steil noted that this first meeting of the group was intended as an endowments 101 primer and included discussion of background information on the structure, management, and oversight of UW System Trust Funds.

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

Robert Cramer, UW System Vice President for Administration, referenced an LAB Audit finding regarding continued concerns with weaknesses in IT security policies, procedures, and controls at several institutions. Mr. Cramer noted that a discussion of these concerns and efforts to address the situation(s) will take place in the Audit Committee.