

**UW System Board of Regents
Business & Finance Committee
Varsity Hall I, Union South, UW-Madison
February 2, 2017**

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 was taken and Regents Mueller, Steil, Delgado, Erickson, Grebe, Hall, and Higgins were present.

I.2.a. Approval of the Minutes of the December 8, 2016 Meeting of the Business and Finance Committee

Upon the motion of Regent Hall and the second of Regent Grebe, the committee approved the Minutes of the December 8, 2016 Meeting of the Business and Finance Committee.

I.2.b. Review and Approval of the Charter for the Business and Finance Committee – Subcommittee on Investments

UW System Interim Vice President for Finance, Julie Gordon, provided an overview of the proposed Charter for the subcommittee on investments which included information on how members of the Subcommittee are appointed; the roles of the Assistant Trust Officer and any advisors or liaisons to the subcommittee; and specific responsibilities of the subcommittee in overseeing the management and administration of funds invested on behalf of the Board of Regents. Ms. Gordon stated that additional details on each of these elements are included in the written materials provided.

Interim Vice President Gordon also noted that the subcommittee will be comprised of four Regents, is required to meet at least quarterly, and that it will regularly report to the full business and finance committee. Regent Chair Mueller noted that Regent Steil will serve as chair of the subcommittee.

Upon the motion of Regent Steil and the second of Regent Hall, the committee approved the proposed Charter as presented.

I.2.c. Review and Approval of a Proposed Regent Policy Document on Application Fees at UW Institutions

This item was deferred to a future meeting of the committee.

I.2.d. Quarterly Gifts, Grants and Contracts Report

A summary of gift, grant, and contract awards for the period July 1, 2016 through December 31, 2016 was presented by Interim Vice President for Finance Julie Gordon. Total awards for the period were approximately \$753.6 million, a decrease of \$17.5 million compared to the prior year. Federal awards decreased \$38.1 million while non-federal awards increased by \$20.6 million. Ms. Gordon noted that research awards actually increased during the period, but those gains were more than offset by substantial decreases in federal student aid awards.

Vice President Gordon also reminded the committee that these quarterly reports present award data rather than expenditures. Awards are seen as something of a leading indicator which was illustrated through a chart comparing awards vs expenditures over the most recent five-year period. Questions were raised about the possibility of federal awards being rescinded. UW System and UW-Madison staff stated it is possible, but relatively rare. One example noted by Chancellor Blank was a five-year award where funding, which is appropriated each year, was pulled in the third year of the award during the recent sequestration.

I.2.e. Financial Management Report (2nd Quarter FY2017)

Julie Gordon, Interim Vice President for Finance, provided the committee with 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 management report showed that, as of December 31st, actual expenditures were approximately 45.0% of the regent approved budget, while revenues were at 49.7% of the budgeted level. Ms. Gordon walked through certain details of the report with particular attention to the impact on cash balances in the tuition, auxiliary and general operations balances.

A question was raised regarding the appropriate levels for these balances. Ms. Gordon pointed to the need to balance internal vs external stakeholders. Internal UW managers, and some private sector managers, may feel that our levels are lower than they should be. Such a view, however, needs to be balanced with concerns of legislators and others who may perceive balances as being too high. Vice President for Administration, Rob Cramer noted that accrediting bodies have a different perspective on institutional cash balances and may be concerned with low and/or significantly declining balances. Regarding policy limits, Ms. Gordon stated that while no specific dollar target or limit has been set, the Regents have established 12% of prior year expenditures as a level beyond which institutions are required to report on planned uses. Finally, Interim Vice President Gordon noted the importance of understanding the nature of the balances being held with some balances being particular restrictive as to use (e.g., gifts, grants, and contracts).

I.2.f.1. UW System Information Technology Report – UW System Strategic Plans

Vice President for Administration, Rob Cramer, introduced this and the next report then asked Interim Associate Vice President and Chief Information Officer David Stack to walk through the reports. The UW System Strategic Plans represent the first of two statutorily required Information Technology reports. In this report, the committee receives overview information regarding UW System Strategic Plans for major IT projects. Individual institutional strategic plans may be found at: <https://www.wisconsin.edu/systemwide-it/strategic-plans>

I.2.f.2. UW System Information Technology Report – Semi-Annual Status Report for Large/Vital information Technology Projects

The committee also received a report on the status of four large IT projects underway in the UW System. The projects included the UW System Oracle/PeopleSoft Human Capital Management Application Upgrade, UW-Stevens Point's Implementation of Oracle/PeopleSoft Campus Solutions, Replacement of the UW System Interactive Reporting Tool, and a new UW System Budget, Planning, and Forecasting System. It was noted that, while there may be some budget concerns with the replacement of the Interactive Reporting Tool, due to challenges with conversion of data from the Shared Financial and Human Resource Systems, the projects are otherwise deemed to be on target with respect to schedule, scope, and budget.

Questions were raised regarding the state of cyber security in the UW System. Mr. Cramer and Mr. Stack pointed to the expanded emphasis on Systemwide policy development in this area and noted that cyber security efforts are not simply technology products, but also include the people, protocols, and processes around the technology. It was noted that the UW System continues to move forward to enhance security in all of these areas. Regent Grebe noted that the Audit Committee is expected to receive a review of policy compliance in this area sometime next year.

I.2.g. UW-Madison Request for an Exception to Board Policy on Large Unendowed Bequests/Gifts for a Bequest from the Louis and Annette Kaufman Trust

The Committee approved an exception to Board policy that requires non-endowed gifts in excess of \$1M to become Board-designated endowments. An exception was sought by the Chancellor at UW-Madison to allow expenditure of the full amount of the bequest which is currently estimated to be approximately \$3.4M. The institution intends to use the funding to expand its *Educational Innovation Initiative* and support parts of the new Hamel Music Center project.

Upon the motion of Regent Delgado and the second of Regent Hall, the committee approved the exception as proposed.

I.2.h. Approval of a Salary Range Exceeding 75% of the President's Salary – Dean of the School of Business at the University of Wisconsin – Madison

The Committee was asked to approve a salary range exceeding 75% of the UW System President's salary to allow UW-Madison to recruit for a new Dean of the School of Business at a salary of up to \$475,000. UW-Madison Vice Chancellor for Administration and Finance, Laurent Heller, stated that the salary of the departing Dean of the Business School is \$425,000. Mr. Heller then walked through some peer data which included Big 10 institutions as well as other large public institutions such as UC-Berkeley, UCLA, and the University of Washington among others. Mr. Heller further noted that the \$475,000 figure is very close to the average of those peers and that there are currently 18 other Dean positions under recruitment.

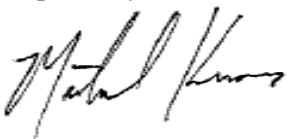
Upon the motion of Regent Grebe and the second of Regent Delgado, the committee approved the exception as proposed.

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

Interim Vice President for Finance Julie Gordon explained that, while the committee would typically receive the UW System Annual Financial Report at its February meeting, the report could not be completed for this meeting due to delays at the State level. Those delays relate to the implementation of the State's new STAR system. Ms. Gordon stated that UW System Annual Financial Report and incorporated financial statements will be brought to the committee at a future meeting.

The Business and Finance Committee meeting adjourned at 12:05 p.m.

Respectfully submitted,



Michael Kraus
Recording Secretary