

**Minutes of the
Business & Finance Committee
February 8, 2018**

The Business and Finance Committee was called to order at 9:08 AM by the Chair, Regent Whitburn. Roll was taken. Regents Whitburn, Atwell, Hall, Mueller, and Steil were present. The Business and Finance Committee had a quorum. Full attendance was reached upon Regent Delgado's arrival at 9:11 AM and Regent Grebe's arrival at 9:26 AM.

I.2.a. Approval of the Minutes of the December 7, 2017 Meeting of the Business and Finance Committee

Upon the motion of Regent Steil and the second of Regent Hall, the Committee approved the minutes of the December 7, 2017 meeting of the Business and Finance Committee. Regent Delgado and Regent Grebe were not present for the vote.

I.2.b. UW-Madison Presentation – Financial Performance and Benchmarking at UW-Madison

Mr. Laurent Heller, UW-Madison Vice Chancellor for Administration and Finance presented information on UW-Madison's benchmarking efforts, fiscal challenges, and plans to enhance revenue growth at the institution. There was comparison to peer institutions regarding annual growth and other measures. He is comfortable with the campus' track record in expense control but is particularly concerned about modest revenue growth when it comes to remaining competitive with competing institutions in the out years. He highlighted how the University contributes to the economic growth of the State of Wisconsin and its strong connections to private sector research and philanthropic support to the University. UW-Madison Chancellor Rebecca Blank offered that the difference between the percentage of research funds streamed to Madison was related to the number of faculty. Her point being, faculty generates research dollars whether in public or private sector. Vice Chancellor Heller maintained the takeaway point was that finance is not the mission but leveraging the funds of the University to provide greater access and affordability for Wisconsin residents to quality education, recruiting and retaining best faculty and staff, generating cutting edge research, and supporting Wisconsin business and industry were imperative.

I.2.c. UW System Annual Financial Report

UW System Director of Financial Reporting Lana Becker and Senior Associate Vice President for Finance Julie Gordon presented a summary of information from the UW System's 2017 Annual Financial Report. Unrestricted assets at the end of the fiscal year had dropped \$63 million to \$920.7 million as our budget provides some spenddown in our reserves. This published 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.

Two items of significant note include:

- 1) The UW System’s Total Net Position decreased by \$20.4 million in FY2017. This is the second time that the Total Net Position has declined since 2002 when new financial reporting requirements were established by the Governmental Accounting Standards Board (GASB).
- 2) In FY 2017, the Department of Employee Trust Funds, which manages the Wisconsin Retirement System, reported the UW System pension plan’s net position increased due to changes in actuarial assumptions and greater-than-anticipated investment earnings, resulting in a smaller net pension liability than the prior year. While a \$220 million pension liability was reported for the UW System in FY 2016, this amount dropped to \$113 million in FY 2017. The change represents a 49% decrease in the liability.

I.2.d. Quarterly Report of Gifts, Grants, and Contracts (2nd Quarter FY 2018)

A summary of gift, grant, and contract awards for the period July 1, 2017 through December 31, 2017 was presented by UW System Administration Vice President for Finance Sean Nelson. Total awards for the period were approximately \$813.1 million, an increase of \$44.8 million compared to the prior year. Federal awards increased \$31.6 million while non-federal awards increased by \$13.2 million.

I.2.e. Financial Management Report (2nd Quarter FY 2018)

The Committee received a high-level summary report comparing budgeted to actual revenues and expenditures through the second quarter of the fiscal year from UW System Administration Vice President for Finance Sean Nelson. The report provided 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 shows that, as of December 31st, actual expenditures were approximately 46.7% of the Regent approved budget, while revenues were at 50.9% of the budgeted level. The committee members then had an opportunity to ask questions regarding specific pieces of information.

I.2.f. Review and Approval of Proposed Non-resident Tuition Proposals

Upon the motion of Regent Atwell and the second of Regent Hall, the Committee approved tuition changes for non-resident undergraduate and graduate programs at EU Claire, Milwaukee, and Stout. The requested changes vary by institution and/or program, noted as follows:

- UW-Eau Claire will increase nonresident undergraduate tuition 2.32%, nonresident materials science and engineering 2.34%, and nonresident graduate tuition 2.50%.
- UW-Milwaukee will increase nonresident tuition 2.0% for all Masters programs (MBA and MS) in the Lubar School of Business.
- UW-Stout will increase nonresident graduate tuition 2.0%. This will increase Minnesota Reciprocity tuition 2.0%, and Midwest Student Exchange Program (MSEP) by 1.61%.

UW System Vice President for Finance Sean Nelson provided detail regarding the motion and was available to answer specific questions from the Committee.

It is important to note that no changes are being sought for any (undergraduate or graduate) resident tuition rates through these requests.

I.2.g. UW System Information Technology Reports

I.2.g.1. UW System Strategic Plans for Major Information Technology Projects

This is the first of two statutorily required information technology reports. In this report, the Committee received an overview regarding UW System Strategic Plans for major IT projects. A summary of individual institutional strategic plans was included in the Regent materials.

I.2.g.2. Semi-Annual Status Report for Large/Vital Information Technology Projects

The Committee heard a report on the status of nine large IT projects underway in the UW System. Total projected expenditures across these projects will be approximately \$45 million dollars. These projects include the new UW System Budget, Planning, and Forecasting System, UW-Stevens Point Implementation of Oracle PeopleSoft Campus Solutions, UW System Replacement of the Interactive Reporting Tool, UW Colleges – UW Extension Voice Over Internet Protocol (VoIP) Project, UW-Madison Voice Over Internet Protocol (VoIP) Transition, UW System Oracle Shared Financial System (SFS) Application Upgrade, UW System Human Resource System (HRS) Upgrade, UW-Madison Canvas Transition, and the UW System Digital Learning Environment.

UW System Administration Vice President for Administration Robert Cramer and UW System Administration Interim Associate Vice President and Chief Information Officer David Stack reported all nine projects are on time and on budget except for the following concerns: 1) concerns with the replacement of the Interactive Reporting Tool, due to challenges with conversion of data from the Shared Financial, Human Resource, and Student Information Systems; 2) UW-Stevens Point's Implementation of the PeopleSoft Campus Solutions (SIS) is expected to run six months beyond the original estimate and cost approximately \$1 million more than originally budgeted; and 3) UW-Madison's transition

to VoIP is dependent on the vendors ability to port existing telephone numbers and the availability of central and departmental IT staff to help support the transition.

The Committee formally approved the two reports and their submission to the State's Joint Committee on Information Policy and Technology via the motion of Regent Steil and the second of Regent Grebe.

I.2.h. UW System Contractual Agreements for On-Call Architectural, Engineering, and Planning (AEP) and On-Call Site and Civil Engineering Professional Services

Upon the motion of Regent Mueller and the second of Regent Steil, the Committee approved a set of five contractual agreements. UW System Administration Vice President for Administration Robert Cramer and UW System Administration Associate Vice President for Capital Planning and Budget Alexandria Roe provided an overview of these agreements and answered any specific questions regarding UW System Office of Capital Planning and Budget engaging selected vendors for on-call services in the areas noted. The contracts established with estimated values not to exceed \$1 million each, will run for a term of three years. Services under the agreements will relate to new, gift-funded projects for which the Legislature granted the UW System flexibility as part of the 2015-2017 biennial budget. The use of these contracts is expected to allow the Office to move more expeditiously on these self-managed, gift-funded projects.

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

UW System Vice President for Administration Rob Cramer provided a brief update on information security across the UW System and the hiring of a new UW System Associate Vice President for Information Technology and Chief Information Officer. UW System Vice President for Finance Sean Nelson provided a brief update on the movement of Trust Funds investment activity to the State of Wisconsin Investment Board.

The Business and Finance Committee adjourned at 10:19 AM.

Respectfully submitted,



Joyce E. Jackson
Recording Secretary