

**UW System Board of Regents
Meeting of the Business & Finance Committee
University of Wisconsin-Madison
Gordon Dining & Event Center
Concerto Room, 2nd Floor
770 W. Dayton Street
Madison, Wisconsin
And Via Webex Videoconference
November 10, 2022**

The Meeting of the Business and Finance Committee was called to order at 8:00 AM by the Chair, Regent Scott Beightol.

A. Calling of the Roll

Present: Regents Beightol, Jones, Miller, Peterson, Rai, and Wachs,

Present via Webex Video Conference: Regent Atwell

Absent: None

At all times, the Committee had a quorum.

B. Declaration of Conflicts

The Chair asked Committee Members to identify any conflicts of interest. There were none.

C. Approval of the Minutes of the September 29, 2022, Meeting of the Business and Finance Committee

Corrections: None

Questions/ Comments: None

Motion made by: Regent Wachs

Motion seconded by: Regent Rai

Discussion: None

Upon the motion of Regent Wachs, and the second of Regent Rai, the Committee unanimously approved the minutes of the September 29, 2022, Business and Finance Committee meeting.

D. UW-Madison Contractual Agreement with Transact Campus and Amendment to IT Report

D.1. Rob Cramer, VP of Finance & Administration for UW Madison presented the contract request between UW-Madison and Transact Campus for its suite of hardware and software for the point-of-sale systems that support campus dining and retail operations in Housing locations, the Student Unions, and the Babcock Dairy Store. While the parties are nearing the end of a current 10-year contract, this agreement results from a competitive RFP process conducted earlier this year and includes some modernizing features. The total cost of this new agreement over its 10-year term is \$3.2 million.

Questions/Comments: Regent Rai asked if the UW campus was the only campus using this system. VP Cramer shared he did not know if other campuses were using this system or not.

Regent Rai suggested that this contract would be a good one for future collaboration between campuses.

Motion made by: Regent Peterson

Motion seconded by: Regent Rai

Discussion: None

Motion carried unanimously (voice vote)

D. 2. In a separate action under this same agenda item the committee moved to approve action to amend the IT Report with the addition of this project to the UW System Report on Strategic Plans for Major IT Projects, which had been approved by the Board in February.

Questions/Comments:

Motion made by: Regent Rai

Motion seconded by: Regent Wachs

Discussion: None

Motion carried unanimously (voice vote)

E. UW-Milwaukee License Agreement with Verizon Wireless

Next, the committee was asked to approve a UW-Milwaukee agreement with Verizon Wireless, allowing additional equipment to be added to its existing setup at the Kenilworth Building, and increasing the license fee paid to UWM by \$2600 with annual 3% increases. Robin Van Harpen, Vice Chancellor for Finance and Administrative affairs for UW Milwaukee joined the meeting via Webex videoconference. She shared this item requires Board approval because the cumulative value of agreements between UWM and Verizon now exceeds \$1 million.

Questions/ Comments: Regent Beightol shared that they had attended an event at this location in June.

Motion made by: Regent Wachs

Motion seconded by: Regent Miller

Discussion: None

Motion carried unanimously (voice vote)

F. Regent Policy Document Review: RPDs 6-3; 6-5; 6-6; 20-21

Regent Beightol shared that this is a Regent Policy Document review with several policies combined. The proposal asks them to modernize and organize several of the policies in reference to authority on personnel items. Dan Chanen, UW System Chief Human Resources officer and Patrick Sheehan, UW-Madison's Interim Chief Human Resources Officer were introduced to speak to this request.

Dan Chanen shared the most substantive impact is the elimination of the current requirement that the Board review non-senior executive staff whose pay exceeds 75% of the salary of the System President prior to authorizing recruitment, promotion, or pay adjustments. This review process was implemented fifty years ago under a different personnel structure and at a time when the Board had little flexibility in establishing pay ranges.

To maintain accountability and transparency, the proposal provides that approvals of salaries above that threshold will be delegated to the President or respective Chancellor but may not be further delegated and shall be reported to the System President on a quarterly basis and to the Board on an annual basis. In brief, the changes eliminate redundant and obsolete language while reorganizing relevant provisions into a streamlined and better-ordered structure.

The Committee was asked to approve a proposal affecting several Regent Policy Documents as part of the ongoing effort to review and update its policies. This action rescinds RPDs 6-3 and 6-6 and combines the remaining relevant portions of those policies into RPD 20-21, titled “University Personnel Systems”. Further, the proposal modifies RPD 6-5, and renumbers both that policy and RPD 6-4 to place all policies related to personnel in Section 20.

Patrick Sheehan spoke to the positive impacts of these changes to UW-Madison in their recruiting and retention efforts. He stated the University is engaged in internal processes for approval justifications and these are reported to the System President.

Questions/ Comments: Regent Beightol stated that protections were built into the policies to tie these decisions to the budget. There is a clear signal from the Regents that they want to be competitive with their salaries to teach the best and brightest. He stated he is comfortable with this and wants the public to know the Board is being very careful with the funds. Regent Beightol questioned why the comparables for the hiring market were not changed.

Dan Chanen shared that HR officers convened to talk about potential methods for changing the comparables and the recommendation was made not to pursue that at that time, and they engaged Ben Passmore’s office to talk about the underpinning. He thinks some more work can be done on that. The direction was to get validation from an outside consultant.

Regent Beightol asked for a motion.

Motion made by: Regent Miller

Motion seconded by: Regent Wachs

Discussion: Regent Peterson shared that it is clear that we are working to streamline, and this effort is appreciated.

Motion carried unanimously (voice vote)

G. Program Revenue Balances Report for Fiscal Year 2022.

Lastly, the committee heard a report from Sean Nelson, UW System Administration, who presented the UW System Program Revenue Balances Report for fiscal year 2022. Regents will recall that these overall figures were publicly released earlier this summer; this full report provides a more comprehensive level of detail.

As was announced at that time, total unrestricted program revenue balances increased by \$125.6 million primarily due to two factors: the allocation of additional federal funding for COVID relief, and the fact that many operating expenses remain below pre-pandemic levels.

This balance represents a reduction of \$8.0 million since the inception of balance reporting in FY 2013 or, in inflation-adjusted dollars, a 21.2% reduction since that time. These balances are expected to continue to decline – as they generally had each year through FY 2020 - due to the one-time nature of the federal COVID relief funds.

It is worth noting that nearly 86% of the unrestricted balance meets the Legislative Audit Bureau's definition of obligated or designated for a specific project or purpose.

The report, which the committee approved, offers details on the program revenue balances by category for each institution. Those universities with balances exceeding 12% of expenditures in any category have provided details on the projects and initiatives for which those funds are obligated or planned.

Sean Nelson, VP of Finance & Administration stated overall the balances are down by 11% and the balance represents 39 days of operating expenses, Auxiliary balances are up by 20% and General Operations balances are up by 19% and the Federal Indirect Cost Reimbursement balances are up by 39% and this is in line with UW System's peers.

UW Universities anticipate reductions in the FY 23 balances because there is no further federal covid funding to offset expenses associated with the pandemic recovery, inflation is adding to the campus operating costs and eroding the purchasing power of the reserves. UW System is watching balances closely.

Questions/ Comments: Regent Beightol stated there are three points that need to be made when the Regents receive questions on this. They are:

- While there is a \$125 million dollar increase, the one-time funding from the federal government for Covid relief is not used to finance this.
- 86% of the budget is committed to specific campus projects.
- The committed funding amount is consistent with the definitions of the Legislative Audit Bureau, and System is not unique.

Regent Beightol stated that UW System is fortunate to have a surplus to invest in infrastructure, students, and faculty, etc. He clarified that the purpose of the resolution before the committee is to receive formal approval of the report from the full Board of Regents. Approval confirms that the report demonstrates institutions with negative balances have adequate plans and are being fiscally prudent, that those excess balances adequately justified, and finally that they have multiyear spending plans to address the shortfalls. That is the purpose of the vote today, and that members are confirming that they are comfortable with the planning. Regent Rai asked if the funding for the shortfall of \$78 million falls outside the planned 86%. Sean confirmed it is outside of the 86%. Regent Rai shared his concerns that the balances reflect only a 2-year reserve, which he considers a very small number. In the current inflationary climate, the 39-day cash on hand for operating does not demonstrate a large reserve. Regent Atwell shared that he appreciates that the report drills down to the institution level. It occurs to him that the Board talked a lot about a 4% increase for salaries. The cumulative impact of inflation on the purchasing power of the campuses and the people who work for UW System have not been addressed enough. He thanked Sean for incorporating that into the discussion. A second point he made referenced the discussion of

tuition levels and the decision not to increase tuition. Regent Miller asked whether there was any influx of income other than the federal dollars. He commented how fragile the System's revenue position is. Sean Nelson stated without the influx of the covid relief, the numbers would look very different. Regent Beightol stated that he suspected back in 2013 there was not a good amount of communication on the shortfalls to the legislature and that this report demonstrates fiscal prudence. Regent Peterson stated that Regent Miller stated exactly what she was going to say.

Motion made by: Regent Staton

Motion seconded by: Regent Miller

Discussion: None

Motion carried unanimously (voice vote)

The meeting adjourned at 8:44 AM.

Respectfully submitted,

Brenda L. Joyce
Recording Secretary