

UW System Board of Regents
Meeting of the Business & Finance Committee
University of Wisconsin-Milwaukee
UW-Milwaukee Student Union, Wisconsin Room, 2nd Floor.
2200 E. Kenwood Boulevard, Milwaukee, Wisconsin
& via Zoom Videoconference
June 6, 2024

The meeting of the Business and Finance Committee was called to order at 10:30 a.m. by Chair, Regent Ashok Rai.

A. Calling of the Roll

Present: Regents Adams, Colon, Kreuser, Peterson and Rai attended in person.

Absent: None

Also in attendance were Regents Salzwedel and Nixon.

B. Declaration of Conflicts

The chair asked committee members to identify any conflicts of interest regarding items on the agenda. There were none.

C. Approval of the Minutes of the April 4, 2024 Meeting of the Business and Finance Committee

Corrections: None

Motion made by: Regent Peterson

Motion seconded by: Regent Kreuser

Upon the direction of Regent Rai, a voice vote was taken, and the committee unanimously approved the minutes of the April 4, 2024 meeting.

D. UW-Milwaukee Host Campus Presentation

The committee heard a presentation by UW-Milwaukee (UWM) officials entitled “Financial and Administrative Planning at UWM: Transforming for Tomorrow, Together,” presented by Robin Van Harpen, Senior Vice Chancellor for Finance & Administrative Affairs, and Drew Knab, Associate Vice Chancellor for Business & Financial Services. They explained that UWM’s financial and operational strategies are based in UWM’s unique “tripartite” mission focused on access and student success, research excellence, and deep community service and engagement. The university made an investment in online growth and has made great progress in various rankings. For example, UW-Milwaukee is ranked #20 in Online Bachelor’s Degree programs by U.S. News and World Report.

An update was provided on UWM’s anticipated FY 2024 financial results and FY 2025 budget outlook, including its progress to reduce and eliminate an operating deficit that emerged post-pandemic.

Challenges confronting the university include the realignment of staffing, tuition and fees that rank at the bottom of their peer university group, and comparatively lower allocations of state funding, leaving UW-Milwaukee as one of the lowest-funded R1 research institutions.

Key strategic efforts that will positively impact UWM's fiscal sustainability over multiple years into the future include investments in student success, enrollment and student affordability, including a commitment to offer a tuition promise program for the cohort of new freshmen entering in Fall 2025. An update was provided for UWM's initiative to review and modify its responsibility-centered budget model, first implemented five budget years ago. This initiative is intended to provide the academic enterprise with more sustainable financial metrics and incentives and to thus allow reinvestment in areas of strategic importance into the future.

Questions/ Comments: Regent Rai thanked the presenters and asked if UWM has quantified the risk of potential student attrition as a result of discontinuing the use of one-time funds in areas supporting student success. Vice Chancellor Van Harpen replied that enrollment management and student success staff were consulted to assist in identifying which programs would have the most potential for future impact to mitigate any negative impact.

E. UW-Madison Contractual Agreement with Merck Sharp & Dohme LLC

Rob Cramer, Vice Chancellor for Finance and Administration at UW-Madison requested approval for a new clinical trial agreement with Merck Sharp and Dohme, LLC (Merck). The agreement will allow for new work orders to bring new clinical trial opportunities to patients and provide more opportunities for UW-Madison principal investigators to conduct medical research.

VC Cramer noted that UW-Madison has worked extensively with the company on more than 30 previous clinical trials. The proposed agreement will be effective for five years and replaces a previous master clinical trial agreement with Merck entered into in 2006 and amended in 2014 and 2022.

Questions/ Comments: None

Motion to adopt made by: Regent Colon

Motion seconded by: Regent Kreuser

Motion carried unanimously (voice vote)

F. Approval of 2024-25 UW System Annual Operating Budget

Sean Nelson, Universities of Wisconsin Vice President for Finance and Administration, presented the 2024-25 UW System Annual Operating Budget which is in the second year of the State of Wisconsin's 2023-25 biennium. The total 2024-25 expenditure budget for all fund types (excluding the use of prior year tuition balances), will increase

by approximately \$473.9 million, or 6.34%. The primary drivers for this increase are gifts, grants, and contracts, which relate to research grants and charitable giving and are projected to increase \$208.8 million, and GPR/Tuition, which is estimated to increase by \$137.3 million. The increase in GPR/Tuition is due to resident, non-resident, and additional tuition rate increases at all UW universities, enrollment growth primarily at UW-Madison, additional debt service on academic facilities, and additional GPR dedicated to employee compensation. Planned use of one-time tuition balances is \$34.8 million. The total 2024-25 revenue budget increases by approximately \$514.9 million, or 6.97%.

VP Nelson added that the budget document contains details on each of the universities, including the key factors that impact their revenue and expense budgets, their fundraising efforts, and the initiatives they are undertaking in support of the goals of the UW Strategic Plan.

Six of the 13 UW universities are projecting a structural deficit for 2024-25, which is down from the ten reported in the 2023-24 annual budget. The Universities of Wisconsin Administration is actively working with these universities to address their deficits and reduce the future reliance on tuition balances.

Focus was placed on UW Oshkosh efforts to resolve their operational budget deficit. VP Nelson shared that the Universities of Wisconsin will provide funds as a loan to backfill the operating deficit. All campuses will resubmit their progress and this will be reported to the board.

UW Oshkosh Chancellor Andrew Leavitt addressed the committee about the current deficit and shared the university's efforts to reduce expenses and eliminate 251 positions. He explained that layoff and retirement efforts create an upfront expense so the overall impact to the deficit will not be recognized for some time. He added that the university is working to eliminate academic administrative overhead and will decommission and demolish old residence halls.

VP Nelson continued by summarizing the steps that have been taken to align the budget with the strategic plan and to improve the transparency of the spending. He concluded by noting that rates for tuition, segregated fees, room and board, and textbook rental for the 2024-25 academic year was previously approved by the Board of Regents at its April 2024 meeting.

Questions/ Comments: Regent Rai noted that while members are receiving an increased level of visibility into the operating budget, he expressed his desire to see data enabling benchmarking in various expense categories including personnel and costs per student.

Motion to adopt made by: Regent Peterson

Motion seconded by: Regent Colon

Motion carried unanimously (voice vote)

G. Trust Funds Quarterly Investment Report

Charles Saunders, UW Administration Chief Investment Officer, presented the committee with the Q1 report from the UW Office of Trust Funds. As of March 31, assets in the SWIB-managed portfolios totaled \$613 million. For the quarter, the Long-Term Fund increased in value by 4%, performing in line with its benchmark. In the Intermediate Term Fund, assets totaled \$690 million after gains of 1.6% for that quarter, also performing comparably to its benchmark.

Questions/ Comments: Regent Salzwedel asked for information on asset allocation and investment policies, and Mr. Saunders described where it could be found in the committee materials. Regent Kreuzer suggested that the pages of the investment reports be numbered for quick reference.

Motion to adopt made by: Regent Peterson

Motion seconded by: Regent Colon

Motion carried unanimously (voice vote)

H. Update on Shared Services Efforts Across the Universities of Wisconsin

Stacy Rolston, Associate Vice President for Shared Services, UW Administration, and Steven Hopper, Associate Vice President for the Office of Learning and Information Technology (OLIT) and Chief Information Officer, UW Administration, presented an informational update on the shared services efforts across the Universities of Wisconsin, including both administrative and information technology (IT) functions. The presentation included a history of these efforts, an update on current service offerings, and the level of participation by each university.

In 2007, the systemwide payroll processing center joined with a team of human resources and IT staff to prepare for the implementation of the HRS System. This team was established at UW-Madison and known as the “Service Center”. In 2013, the Service Center moved to the Universities of Wisconsin Administration (UWSA) and, in 2018, joined the residual IT, purchasing, and human resource functions which remained following the dissolution of UW Colleges and Extension to create UW Shared Services (UWSS). In 2020, UWSS was rightsized and returned as a subunit to UWSA, with IT services moving to OLIT.

In addition, the Enterprise Directions Council manages an IT portfolio that includes: 1) administrative platforms (e.g., PeopleSoft human resource, payroll, and finance); 2) academic platforms (e.g., Canvas learning management system); and 3) IT infrastructure platforms (e.g., Cisco cybersecurity suite).

As part of the Administrative Transformation Program (ATP) to replace legacy administrative systems with Workday, business owners are working to create standardized and efficient business processes. This work includes identification of functions no longer needed and new functions that must be created, while also identifying opportunities to better understand the distribution of work performed by central and local

units with the goal to shift functions to where they can be most efficiently and effectively accomplished.

The presentation concluded with an overview of current shared services and IT service offerings, the level of university participation in each category, and plans for the introduction of new offerings.

Questions/ Comments: Regent Rai noted the link between shared services and the operating budget that the committee had just approved, highlighting the urgent need to control and reduce expenses. Regent Peterson asked how long it has taken to implement shared services. Ms. Rolston replied that the concept started around 2007 but was titled as shared services in 2018. Regent Peterson asked whether returning it as a subunit of UWSA changed the culture of the teams. Ms. Rolston shared that it was beneficial to eliminate the confusion that had been experienced by the team as to where they belonged in the organization. Regent Kreuser applauded the team's work and encouraged their continued efforts. Regent Adams expressed that while the universities should operate with broad independence where possible, adoption of shared services by the institutions is important for fiscal sustainability.

The meeting was adjourned at 12:06 pm.

Respectfully submitted,

Brenda L. Joyce
Recording
Secretary