

Agenda
Board of Regents
Special Meeting of the Audit Committee
March 25, 2008; 2:00 p.m.
AUDIOCONFERENCE

1-800-893-8850
Participant Code: 4054501

I. Call to Order

II. Adoption of Agenda

MOTION

"The Audit Committee adopts the agenda as presented.

- I. Call to Order**
- II. Adoption of Agenda**
- III. Executive Session**
- IV. Approval of Recommendation to Full Board regarding Selection of External Auditors**
- V. Adjourn**

This motion is effective March 25, 2008."

III. Executive Session

The President recommends that:

MOTION

"The Audit Committee of the Board of Regents goes into executive session at _____ Alaska Time in accordance with the provisions of AS 44.62.310 to discuss matters the immediate knowledge of which would have an adverse effect on the finances of the university and which could affect the reputation or character of a person or persons related to the selection of external auditors for the University of Alaska. The session will include members of the Board of Regents, President Hamilton, General Counsel Brunner, Interim Internal Audit Director Pittman and such other university staff members as the president may designate and will last approximately _____ minutes. Thus, the open session of the Board of Regents will resume at approximately _____ Alaska Time. This motion is effective March 25, 2008."

(To be announced at conclusion of executive session)

The Audit Committee of the Board of Regents concluded an executive session at _____ Alaska Time in accordance with AS 44.62.310 discussing matters the immediate knowledge of which would have an adverse effect on the finances of the university and which may affect the reputation or character of a person or persons. The session included members of the Board of Regents, President Hamilton, General Counsel Brunner, Interim

Internal Audit Director Pittman and other university staff members designated by the president and lasted approximately _____ minutes.

IV. Approval of Recommendation to Full Board regarding Selection of External Auditors

The President recommends that:

MOTION

“The Audit Committee recommends that the Board of Regents select the audit firm(s) recommended by the audit proposal evaluation committee. This motion is effective March 25, 2008.”

BYLAWS CITATION

Board of Regents' Bylaws BL07.F states: "the committee shall recommend to the board the selection of the University's external auditors."

RATIONALE AND RECOMMENDATION

A request for proposals (RFP) for external audit services was issued on January 31, 2008. With the RFP, the University of Alaska solicited the services of qualified firms of certified public accountants to perform financial statement and other required audits for the University of Alaska, the University of Alaska Foundation, the University of Alaska and University of Alaska Foundation Consolidated Fund, and KUAC-TV and FM Radio.

A 5-year contract is contemplated, subject to the annual review and recommendation of the proposal evaluation committee, the satisfactory negotiation of terms, the concurrence of the Board of Regents, and the annual availability of an appropriation. The period of performance is from April 1, 2008, or date of award, to March 31, 2013. The proposal evaluation committee will provide firm selection recommendations to the Audit Committee.

Nikki Pittman, interim director of Internal Audit, will review the RFP proposal and recommendations with the Audit Committee.

V. Adjourn

Agenda
Board of Regents
Special Meeting of the Full Board
March 25, 2008

Time: Immediately following Special Audit Committee Meeting
AUDIOCONFERENCE

1-800-893-8850
Participant Code: 4054501

I. Call to Order

II. Adoption of Agenda

MOTION

"The Board of Regents adopts the agenda as presented.

- I. Call to Order**
- II. Adoption of Agenda**
- III. Acceptance of Bargaining Unit Agreement between the University of Alaska and the United Academics-AAUP/AFT (UNAC)**
- IV. Acceptance of Bargaining Unit Agreement between the University of Alaska and the United Academics—Adjuncts AAUP-AFT/AFL-CIO (UNAD)**
- V. Acceptance of Bargaining Unit Agreement between the University of Alaska and the Alaska Higher Education Crafts and Trades Employees – Local 6070**
- VI. Update on Revision to University Regulation 04.05.043.B.1 – Annual Step Movement**
- VII. Approval of Recommendation to Full Board regarding Selection of External Auditors**
- VIII. Adjourn**

This motion is effective March 25, 2008."

III. Acceptance of Bargaining Unit Agreement between the University of Alaska and the United Academics-AAUP/AFT (UNAC)

Reference 1

The President recommends that:

MOTION

"The Board of Regents accepts the bargaining unit contract between the University of Alaska and United Academics (UNAC) for the term of January 1, 2008 through December 31, 2010. This motion is effective March 25, 2008."

POLICY/STATUTORY CITATION

Board of Regents' Policy 04.11.020 – Exclusions and Agreements, states:

No collective bargaining agreement shall be binding upon the Board of Regents without prior approval of the entire agreement by the Board of Regents.

Alaska Statute 14.40.170(a)(2) provides:

The Board of Regents shall . . . fix the compensation of the president of the university, all heads of departments, professors, teachers, instructors, and other officers; . . .

Alaska Statute 14.40.170(b)(1) provides:

The Board of Regents may . . . adopt reasonable rules, orders, and plans with reasonable penalties for the good government of the university and for the regulation of the Board of Regents.

The Alaska Supreme Court has stated:

Through legislative enactments, the University enjoys a considerable degree of statutory independence. Not only does the board of regents have the constitutional authority to appoint the president of the University, formulate policy and act as the governing body of the institution, but the legislature has specifically empowered it to fix the president's compensation and the compensation of all teachers, professors, instructors and other officers . . .

RECOMMENDATION

Pursuant to this policy and legal authority, the university administration has tentatively agreed upon a contract with the United Academics union. The members of the union anticipate ratification of this contract on March 23, 2008. Chief Human Resources Officer Beth Behner will summarize the 3-year agreement. An executive summary of the contract and a spreadsheet on the costs associated with the contract are included as **Reference 1**.

Pursuant to AS 23.40.215, the monetary terms of this collective bargaining agreement are subject to initial approval/disapproval and annual funding by the Alaska Legislature.

IV. Acceptance of Bargaining Unit Agreement between the University of Alaska and the United Academics—Adjuncts AAUP-AFT/AFL-CIO (UNAD)

Reference 2

The President recommends that:

MOTION

"The Board of Regents accepts the bargaining unit contract between the University of Alaska and United Academics—Adjuncts AAUP-AFT/AFL-CIO (UNAD) for the term of January 1, 2008 through December 31, 2010. This motion is effective March 25, 2008."

POLICY/STATUTORY CITATION

Board of Regents' Policy 04.11.020 – Exclusions and Agreements, states:

No collective bargaining agreement shall be binding upon the Board of Regents without prior approval of the entire agreement by the Board of Regents.

Alaska Statute 14.40.170(a)(2) provides:

The Board of Regents shall . . . fix the compensation of the president of the university, all heads of departments, professors, teachers, instructors, and other officers; . . .

Alaska Statute 14.40.170(b)(1) provides:

The Board of Regents may . . . adopt reasonable rules, orders, and plans with reasonable penalties for the good government of the university and for the regulation of the Board of Regents.

The Alaska Supreme Court has stated:

Through legislative enactments, the University enjoys a considerable degree of statutory independence. Not only does the board of regents have the constitutional authority to appoint the president of the University, formulate policy and act as the governing body of the institution, but the legislature has specifically empowered it to fix the president's compensation and the compensation of all teachers, professors, instructors and other officers . . .

RECOMMENDATION

Pursuant to this policy and legal authority, the university administration has tentatively agreed upon a contract with the United Academics-Adjuncts union. The members of the union ratified this contract on March 7, 2008. Chief Human Resources Officer Beth Behner will summarize the 3-year agreement. An executive summary of the contract is included as **Reference 2**.

Pursuant to AS 23.40.215, the monetary terms of this collective bargaining agreement are subject to initial approval/disapproval and annual funding by the Alaska Legislature.

V. Acceptance of Bargaining Unit Agreement between the University of Alaska and the Alaska Higher Education Crafts and Trades Employees – Local 6070

Reference 3

The President recommends that:

MOTION

"The Board of Regents accepts the bargaining unit contract between the University of Alaska and the Alaska Higher Education Crafts and Trades Employees – Local 6070 for the term of January 1, 2008 through December 31, 2010. This motion is effective March 25, 2008."

POLICY/STATUTORY CITATION

Board of Regents' Policy 04.11.020 – Exclusions and Agreements, states:

No collective bargaining agreement shall be binding upon the Board of Regents without prior approval of the entire agreement by the Board of Regents.

RECOMMENDATION

Pursuant to this policy and legal authority, the university administration has tentatively agreed upon a contract with the Local 6070 union. The members of the union ratified this contract on February 29, 2008. Chief Human Resources Officer Beth Behner will summarize the 3-year agreement. An executive summary of the contract and a spreadsheet on the costs associated with the contract are included as **Reference 3**.

Pursuant to AS 23.40.215, the monetary terms of this collective bargaining agreement are subject to initial approval/disapproval and annual funding by the Alaska Legislature.

VI. Update on Revision to University Regulation 04.05.043.B.1 – Annual Step Movement

Chief Human Resources Officer Beth Behner will discuss the revision to regulation regarding annual step increases. Action by the board on this revision is scheduled for the board's regular meeting in Ketchikan on April 17-18, 2008.

VII. Approval of Recommendation to Full Board regarding Selection of External Auditors

The Audit Committee recommends that:

MOTION

“The Board of Regents selects the audit firm(s) recommended by the audit proposal evaluation committee. This motion is effective March 25, 2008.”

BYLAWS CITATION

Board of Regents' Bylaws BL07.F states: "the committee shall recommend to the board the selection of the University's external auditors."

RATIONALE AND RECOMMENDATION

A request for proposals (RFP) for external audit services was issued on January 31, 2008. With the RFP, the University of Alaska solicited the services of qualified firms of certified public accountants to perform financial statement and other required audits for the University of Alaska, the University of Alaska Foundation, the University of Alaska and University of Alaska Foundation Consolidated Fund, and KUAC-TV and FM Radio.

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A 5-year contract is contemplated, subject to the annual review and recommendation of the proposal evaluation committee, the satisfactory negotiation of terms, the concurrence of the Board of Regents, and the annual availability of an appropriation. The period of performance is from April 1, 2008, or date of award, to March 31, 2013. The proposal evaluation committee will provide firm selection recommendations to the Audit Committee.

Nikki Pittman, interim director of Internal Audit, will review the RFP proposal and recommendations as approved by the Audit Committee.

VIII. Adjourn

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United Academics AAUP-AFT Tentative Agreement REFERENCE 1

EXECUTIVE SUMMARY

United Academics AAUP-AFT (UNAC) represents 940 faculty, counselors, librarians, cooperative extension agents and post-doctoral fellows employed primarily at the main campuses. UNAC's contract expired December 31, 2007.

The University and UNAC reached a tentative 3-year agreement on December 17, 2007 regarding salary and health care. University administration will recommend approval of the agreement by the Board of Regents and the legislature.

Material economic terms include:

- A reduction of the University's contribution to net health care costs from the current 97% to 83% beginning FY10.
- An annual average across-the-board increase to eligible faculty members of 3.3% over 3 years.
- A unit-wide market adjustment front-loaded in year one (estimated at 5.48%) to address eligible faculty in engineering, nursing and other disciplines that have compression, retention, and recruitment concerns caused by market salary deficiencies; market adjustments are capped at \$15,000 per eligible unit member for the life of the contract.
- Eligibility restrictions on total amount of market adjustment and across-the-board increases.
- A reduction in the market pool allocation in future contract years with any unexpended funds reverting to the University.

Significant non-economic terms include:

- Agreement to allow the University to study, present, and ultimately implement without further negotiation, health plan design changes in order to control rising costs.

Following is a discussion of the economic and non-economic terms, the bargaining environment and administration's recommendation.

University Interests and Governing Principles:

The following principles and goals guided administration's approach to bargaining with UNAC:

- Address the identified market, compression and retention issues in nursing and engineering.
- Address the rising inflationary pressures on employee salaries.
- Strengthen the University's ability to recruit and retain faculty.
- Control rising health care costs.
- Gain University control of health care plan design.
- Increase employee participation in wellness activities.

Bargaining Environment and Trends:

The following facts and trends shaped the bargaining process:

- Inflationary pressure on salaries; state calculated 2006 Anchorage CPI at 3.2%.
- 2006 Higher Education Price Index (HEPI) calculated at 5.0%.
- Analysis of nursing and engineering faculty salaries which substantiated a recruitment, retention and salary compression issue.
- The University's goal to achieve an 80/20 health plan cost share with employees.
- Rising employee health plan charges due to reduction in University's percentage contribution.
- Alaskan health care costs predicted to rise by 15.5%.
- Settlements of other public employee unions.

Economic Highlights:

Salary - The contract is in effect from January 1, 2008 through December 31, 2011. If ratified by the membership, approved by the Board of Regents, and funded by the legislature, base and non-base salary increases will occur according to the following schedule:

UNAC Salary Increases	Across-the-Board (ATB)	Market	Notes
Year 1 – FY09	Up to 3.0% to eligible faculty	<i>Est.</i> 5.48%; to eligible faculty; capped at \$15,000	<i>Eligibility restrictions reduce the total percentage in FY09 ≈6.3%.</i>
Year 2 – FY10	3.4%	1%	
Year 3 - FY11	3.5%	1%	

Health Care Contributions – During 2004 health care negotiations UNAC agreed to merge with non-represented employees and the other bargaining units into one health care plan. A defined contribution with yearly percentage increases was negotiated, which resulted in the current FY08 contribution amount of \$12,285 annually per employee.

During the current health care negotiations, UNAC and the other unions asserted that the University's percentage contribution must stay at levels above 90% of total net cost while the

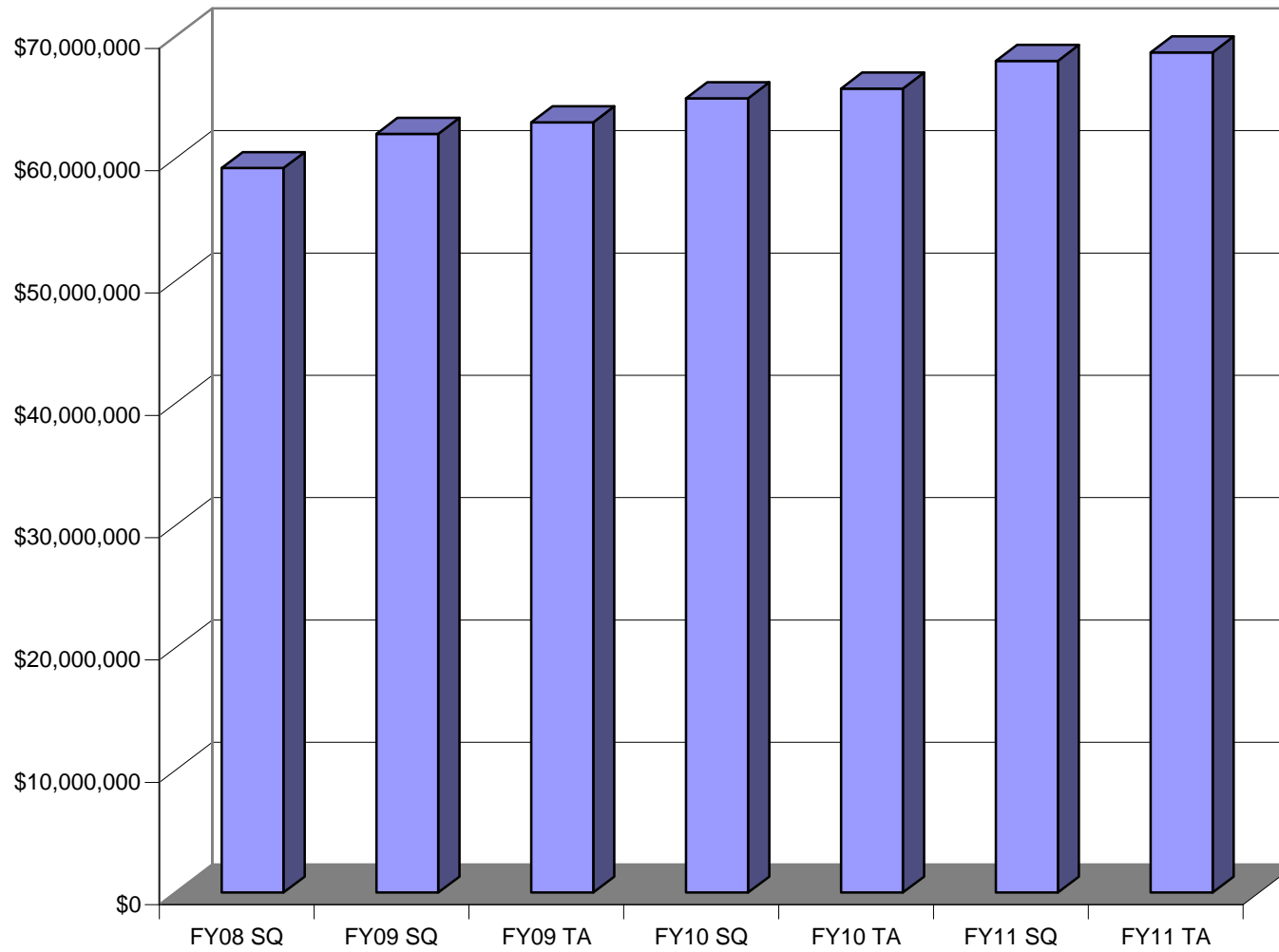
University sought an 80/20 cost share model. Reduction in the University's percentage of contribution was contentious since a reduction will necessarily cause employee charges to rise.

Administration was able to negotiate a status quo dollar contribution for the next three years to a "floor" of 85%, 83% and 83% in FY09, FY 10 and FY11, respectively.

Summary of Economic Impact –

Attached charts illustrate the impact of the tentative agreement on moderation of the University's benefits costs and the effect on total salary costs for the UNAC bargaining unit.

UNAC Total Salary Costs



Assumptions

Salary

SQ

FY09, 10 & 11 - 4.7% inc

TA

FY 09 - 6.3%

FY 10 - 4.4%

FY 11 - 4.5%

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United Academic – Adjuncts AAUP-AFT Tentative Agreement REFERENCE 2

EXECUTIVE SUMMARY

United Academics – Adjuncts AAUP-AFT (UNAD) represents 1,024 part-time non-benefited faculty, employed throughout the University of Alaska system. UNAD's contract expired December 31, 2007.

The University and UNAD reached a tentative 3-year agreement on February 10, 2008. University administration will recommend approval of the agreement by the Board of Regents and the legislature.

Material economic terms include:

- An annual grid increase of 4.0% each contract year for 3 years.
- An increase in tuition carry-over from 12 banked credits to 15 banked credits and an increase in amount of time to use banked credits from 12 months to 24 months.

Significant non-economic terms include:

- Intellectual property terms consistent with Regents' Policy and University Regulation.
- Improved administrative processes designed to increase adjunct effectiveness.
- Discretionary merit and faculty development language to reward outstanding adjuncts.

Following is a discussion of the economic and non-economic terms, the bargaining environment and administration's recommendation.

University Interests and Governing Principles:

The following principles and goals guided administration's approach to bargaining with UNAC:

- Address the rising inflationary pressures on employee salaries.
- Strengthen the University's ability to recruit and retain adjunct faculty.

Bargaining Environment and Trends:

The following facts and trends shaped the bargaining process:

- Inflationary pressure on salaries; state calculated 2006 Anchorage CPI at 3.2%.
- 2006 Higher Education Price Index (HEPI) calculated at 5.0%.

- Settlements of other public employee unions.
- Union's effort to expand the recognition clause to classified employees who presently teach classes as non-represented adjuncts.
- Union's effort to eliminate the at-will employment of adjuncts.
- Union's effort to obtain 10% salary increases for its membership.

Economic Highlights:

Salary - The contract is in effect from January 1, 2008 through December 31, 2011. If approved by the Board of Regents', the salary grid for adjuncts will increase 4% each year by the following amounts:

Through the end of June 2008:

Number of Semesters Taught at UA	<u>Minimum Rate</u>
0-5	\$ 975.56
6-11	\$ 1056.92
12 +	\$ 1138.70

Beginning the first full payroll period of July 2008:

Number of Semesters Taught at UA	<u>Minimum Rate</u>
0-5	\$ 1014.58
6-11	\$ 1099.20
12 +	\$ 1184.25

Beginning the first full payroll period of July 2009:

Number of Semesters Taught at UA	<u>Minimum Rate</u>
0-5	\$ 1055.16
6-11	\$ 1143.17
12 +	\$ 1231.62

Beginning the first full payroll period of July 2010:

Number of Semesters Taught at UA	<u>Minimum Rate</u>
0-5	\$ 1097.37
6-11	\$ 1188.90
12 +	\$ 1280.88

Summary of Economic Impact –

The University had previously funded adjunct increases in years 2005-2007 at the rate of 4.7% per year.

EXECUTIVE SUMMARY

REFERENCE 3

Local 6070 ratified on February 29, 2008. Local 6070 represents approximately 262 custodians and maintenance employees primarily at the main campuses. The Local 6070 contract expired December 31, 2007. The University and Local 6070 reached a tentative 3-year agreement on February 4, 2008.

University administration will recommend approval of the agreement by the Board of Regents and the legislature.

Material economic terms include:

- A reduction of the University's contribution to net health care costs from the current 97% to 83% beginning FY10.
- An annual total cost increase of 4.03% in FY 09, 4.52% in FY 10, 5.00% in FY 11
- A funded salary grid for each year
- An \$800 one time transition payment as the salary schedule is compressed

Significant non-economic terms include:

- Agreement to allow the University to study, present, and ultimately implement without further negotiation, health plan design changes in order to control rising costs.

Labor Relations is preparing the CBA for inclusion on our website and is providing supervisor orientation training regarding the new collective bargaining agreement.

Following is a discussion of the economic and non-economic terms, the bargaining environment and administration's recommendation.

University Interests and Governing Principles:

The following principles and goals guided administration's approach to bargaining with Local 6070:

- Address the identified market for journeymen electricians and plumbers, compression and hiring issues for journeymen electricians and plumbers.
- Address the rising inflationary pressures on employee salaries.
- Strengthen the University's ability to recruit and retain journeymen.
- Control rising health care costs.
- Gain University control of health care plan design.
- Increase employee participation in wellness activities.

Bargaining Environment and Trends:

The following facts and trends shaped the bargaining process:

- Inflationary pressure on salaries; state calculated 2006 Anchorage CPI at 3.2%.
- Analysis of journeyman salaries which substantiated a recruitment and salary compression issue.
- The University's goal to achieve an 80/20 health plan cost share with employees.
- Rising employee health plan charges due to reduction in University's percentage contribution.
- Alaskan health care costs predicted to rise by 15.5%.
- Settlements of other public employee unions.

Economic Highlights:

Salary – The salary schedule will compress over the next three years from 16 steps to 10 steps. The percent between steps will decrease from 3%, 2%, and 1.5% to 2% across the grid. The contract is in effect from January 1, 2008 through December 31, 2010. If ratified by the membership, approved by the Board of Regents, and funded by the legislature, base and step salary increases will occur according to the following schedule:

- An annual total cost increase of :
 - 4.03% in FY 09, (steps at an average of 2.5% and a 1.03 across the board)
 - 4.52% in FY 10, (steps at 4% (2% between steps/two step increase and a .52% across the board)
 - 5.00% in FY 11. (steps at 4% (2% between steps/two step increase and a 1% across the board)

Health Care Contributions –A defined contribution with yearly percentage increases was negotiated, which resulted in the current FY08 contribution amount of \$12,285 annually per employee.

During the current health care negotiations, Local 6070 and the other unions asserted that the University's percentage contribution must stay at levels above 90% of total net cost while the University sought an 80/20 cost share model. Reduction in the University's percentage of contribution was contentious since a reduction will necessarily cause employee charges to rise.

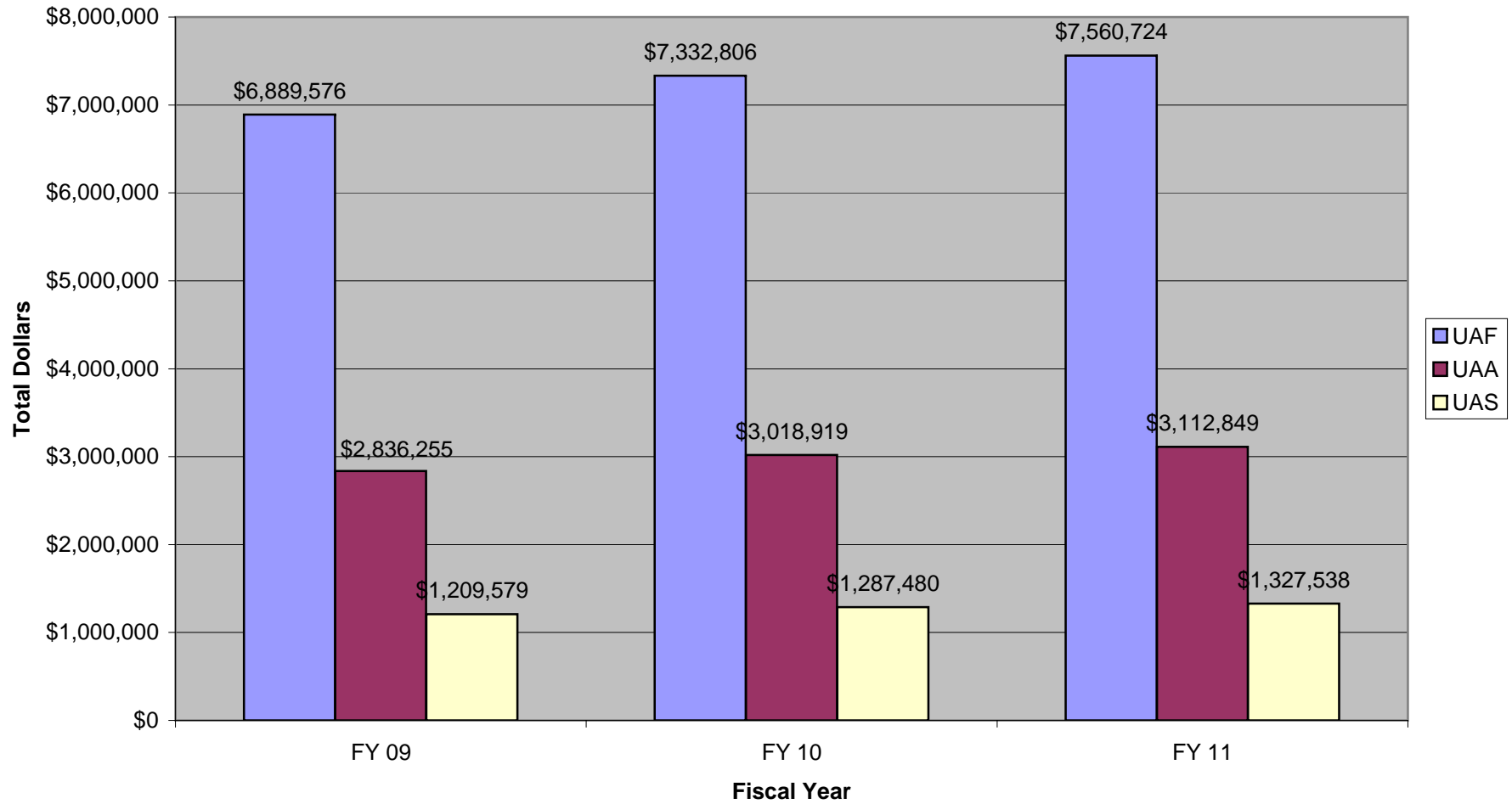
Administration was able to negotiate a status quo dollar contribution for the next three years to a "floor" of 85%, 83% and 83% in FY09, FY 10 and FY11, respectively.

Summary of Economic Impact –

Attached charts illustrate the impact of the tentative agreement on moderation of the University's benefits costs and the effect on total salary costs for the Local 6070 bargaining unit.

DRAFT

**FY 09 - FY 11 Estimated Cost
Salary Base + Step
By MAU
Local 6070**



**FY 09 - FY 11 Estimated Cost
Salary Base + Step
Total all MAU's
Local 6070**

